

Banks Ratings Navigator		
Navigator date:	13 Mar 2017	
Last rating action:	24 Feb 2017	
Sector Details:		
Bank sector:	Universal Commercial	
Region:	DM Europe	
Country:	Netherlands	
Country IDR:	AAA Stable	
Last action:	04 Nov 16 Affirmed	
Country ceiling:	AAA	
Macro prudential indicator:	1	
Bank systemic indicator:	a	
Bank Rating History		
Viability Rating (VR)		
24 Feb 17	a+	Affirmed
14 Apr 16	a+	Affirmed
14 Jan 16	a+	New Rating
Issuer Default Rating (IDR)		
24 Feb 17	AA- Stable	Affirmed
14 Apr 16	AA- Stable	Affirmed
14 Jan 16	AA- Stable	Affirmed
Support Rating Floor (SRF)		
24 Feb 17	NF	Affirmed
14 Apr 16	NF	Affirmed
14 Jan 16	NF	New Rating
Bar Chart Legend:		
Vertical bars = VR range of Rating Factor		
Bar Colors = Influence on final VR		
■	Higher Influence	
■	Moderate Influence	
■	Lower Influence	
Bar Arrows = Rating Factor Outlook		
↑	Positive	↓ Negative
↕	Evolving	□ Stable
Peer Ratings bars = Count of banks		
69	DM Europe Universal Commercial	
5	Netherlands Universal Commercial	
Relevant Criteria & References		
Global Bank Rating Criteria (Nov 2016)		
Macro-Prudential Risk Monitor (Jan 2017)		
Analysts		
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Konstantin Yakimovich (+44 203 530 1789)		

	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating	Support Rating Floor	Issuer Default Rating
aaa										aaa	AAA	AAA
aa+										aa+	AA+	AA+
aa										aa	AA	AA
aa-										aa-	AA-	AA- Stable
a+										a+	A+	A+
a										a	A	A
a-										a-	A-	A-
bbb+										bbb+	BBB+	BBB+
bbb										bbb	BBB	BBB
bbb-										bbb-	BBB-	BBB-
bb+										bb+	BB+	BB+
bb										bb	BB	BB
bb-										bb-	BB-	BB-
b+										b+	B+	B+
b										b	B	B
b-										b-	B-	B-
ccc										ccc	CCC	CCC
cc										cc	CC	CC
c										c	C	C
f										f	NF	D or RD

Support Rating Floor	Value		
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)	A+ to A-		
Actual country D-SIB SRF	NF		
Support Rating Floor:	NF		
Support Factors	Positive	Neutral	Negative
Sovereign ability to support system			
Size of banking system relative to economy			✓
Size of potential problem	✓		
Structure of banking system			✓
Liability structure of banking system		✓	
Sovereign financial flexibility (for rating level)		✓	
Sovereign propensity to support system			✓
Resolution legislation with senior debt bail-in			✓
Track record of banking sector support		✓	
Government statements of support			✓
Sovereign propensity to support bank			✓
Systemic importance		✓	
Liability structure of bank		✓	
Ownership		✓	
Specifics of bank failure		✓	
Policy banks			
Policy role			
Funding guarantees and legal status			
Government ownership			

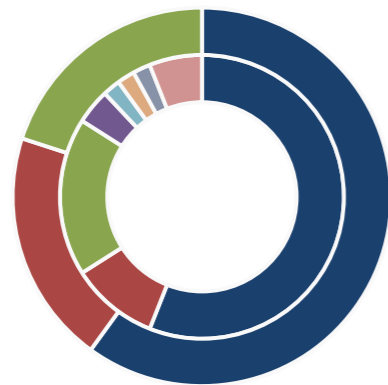
Drivers & Sensitivities	
IDR Is One Notch Above VR	The Long-Term IDR is one notch above the VR, reflecting a large buffer of qualifying junior debt that could protect senior obligations from default in case of failure. We believe the buffer needs to be at least about 10% of risk-weighted assets to maintain the uplift.
Modest Risk Appetite Supports VR	Rabobank's VR is underpinned by its modest risk appetite, which Fitch believes will remain central to the bank's strategy, and is also supported by the bank's leading franchise in Dutch retail banking, complemented by a solid global food and agriculture sector franchise.
Addressing Weak Structural Profitability	Rabobank's profitability has improved, largely due to lower loan impairment charges, but remains weaker than similarly rated peers' due to weaker cost efficiency. We expect the gap to narrow and structural profitability to improve as the bank implements cost-cutting initiatives.
Focus on Core Markets	We expect Rabobank to maintain a prudent approach to risk and to focus on core markets, where it has tightened its risk appetite.
Asset Quality Driven by a Resilient Mortgage Loan Book	Asset quality improved in 2016 and we expect this trend to continue in 2017, but the bank still has notable exposure to commercial real estate, which is of weaker quality. The bank's large residential mortgage loan book has, however, been particularly resilient through the cycle.
Improving Capitalisation Factored into Rating	Rabobank's capitalisation is solid and the VR factors in our expectation that it will continue to improve. The ratio of net impaired loans to equity is higher than similarly rated peers, but we expect it to improve as the stock of impaired loans continues to decrease.
High Wholesale Funding, Prudent Liquidity	Rabobank remains structurally reliant on wholesale funding, making it sensitive to investor confidence. The group's liquidity management is prudent and its liquidity buffer is ample, and Fitch expects this to be maintained.
Sensitive to Setback in Improving Trend	The VR is sensitive to setbacks in the bank's profitability improvements or a failure to reduce the ratio of net impaired loans to capital. A reduced focus on liquidity or negative investor sentiment would also be rating negative, given the bank's wholesale funding reliance.

Key Financial Ratios (08 Mar 2017)	Rabobank				Direct Peers Median				Region Sector Median							
	Number of Banks:				5	5	5	5								
	Statement:				Interim16	FYE15	FYE14	FYE13	Interim16	FYE15	FYE14	FYE13	Interim16	FYE15	FYE14	FYE13
Size (USDbn)																
Total assets	762	730	827	923	465	442	470	513	383	283	322	350				
Risk weighted assets (RWA)	232	232	257	291	118	118	133	150	147	89	106	111				
Total equity	35	35	38	41	19	18	18	19	19	17	17	19				
Fitch core capital (FCC)	32	31	33	35	19	18	17	18	29	15	15	15				
Asset Quality																
Impaired loans/gross loans	4.2%	4.4%	3.6%	3.6%	2.5%	2.8%	2.9%	3.0%	3.6%	4.1%	5.0%	5.9%				
Growth of gross loans	0.8%	-1.5%	-0.1%	-5.0%	3.3%	2.8%	1.9%	-2.2%	0.6%	1.2%	0.0%	-3.6%				
Reserves for impaired loans/impaired loans	42.6%	42.9%	58.0%	53.1%	43.5%	48.2%	58.0%	53.5%	57.8%	56.2%	57.8%	58.5%				
Loan impairment charges/avg gross loans	0.1%	0.3%	0.6%	0.6%	0.1%	0.2%	0.3%	0.4%	0.3%	0.3%	0.4%	0.7%				
Earnings and Profitability																
Operating profit/risk weighted assets	1.6%	1.5%	1.1%	-0.1%	2.9%	2.5%	1.9%	1.6%	1.7%	1.6%	1.4%	1.2%				
Net interest income/average earning assets	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.4%	1.5%	1.5%	1.5%	1.5%				
Non-interest expense/gross revenues	69.1%	69.1%	63.2%	79.6%	56.3%	56.3%	56.1%	55.7%	56.6%	63.8%	62.4%	64.5%				
Loans & secs imp charges/pre-imp op. profit	8.3%	24.8%	52.4%	112.8%	4.6%	15.6%	23.3%	33.4%	19.9%	24.2%	23.8%	38.2%				
Operating profit/average total assets	0.5%	0.5%	0.4%	-0.0%	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%	0.5%	0.4%				
Net income/average total equity	5.8%	6.9%	6.0%	6.3%	10.1%	12.0%	8.1%	8.8%	7.6%	7.3%	6.1%	5.9%				
Capital and Leverage																
FCC/FCC-adjusted risk weighted assets	13.8%	13.3%	12.7%	12.1%	15.7%	14.9%	13.1%	12.1%	14.4%	13.7%	12.8%	12.1%				
Basel leverage ratio	5.1%	5.1%	4.9%	4.8%	4.4%	4.9%	4.5%	4.1%	5.1%	5.1%	4.5%	4.3%				
Tangible common equity/tangible assets	4.2%	4.4%	4.1%	4.0%	4.4%	4.8%	4.4%	4.1%	5.6%	5.4%	4.9%	4.9%				
CET1 capital ratio	13.4%	13.5%	13.6%	13.5%	16.2%	15.5%	14.1%	14.4%	14.4%	13.8%	13.6%	12.2%				
Internal capital generation	1.9%	3.0%	2.2%	3.3%	6.3%	3.6%	4.0%	3.3%	7.3%	3.4%	2.8%	2.8%				
Imp loans less reserves for imp Loans/FCC	37.8%	39.3%	25.1%	29.7%	19.7%	24.1%	19.7%	21.6%	12.3%	14.3%	19.6%	27.4%				
Funding and Liquidity																
Loans/customer deposits	131.3%	132.6%	139.8%	139.7%	131.3%	132.6%	137.2%	139.7%	111.1%	106.5%	109.9%	116.3%				
Liquidity coverage ratio	127.0%	128.0%	144.0%	126.0%	131.0%	128.0%	122.0%	129.0%	136.0%	128.0%	122.0%	127.0%				
Customer deposits/total funding excl derivs	59.3%	58.8%	56.5%	56.7%	59.3%	58.8%	56.5%	56.7%	62.0%	67.1%	64.2%	61.8%				

Business Mix

(by profit or revenue)

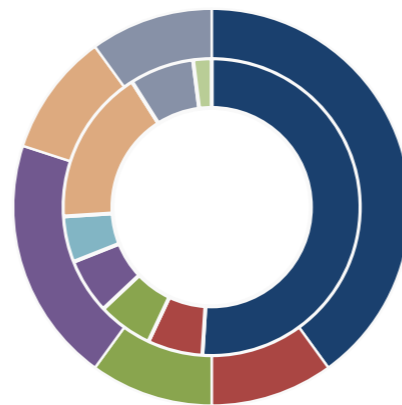
- Retail banking (60%)
- SME banking (20%)
- Corporate banking (20%)
- Investment banking (0%)
- Transaction banking (0%)
- Asset management (0%)
- Insurance (0%)
- Other (0%)



Outer: Rabobank
Inner: Direct Peers Average

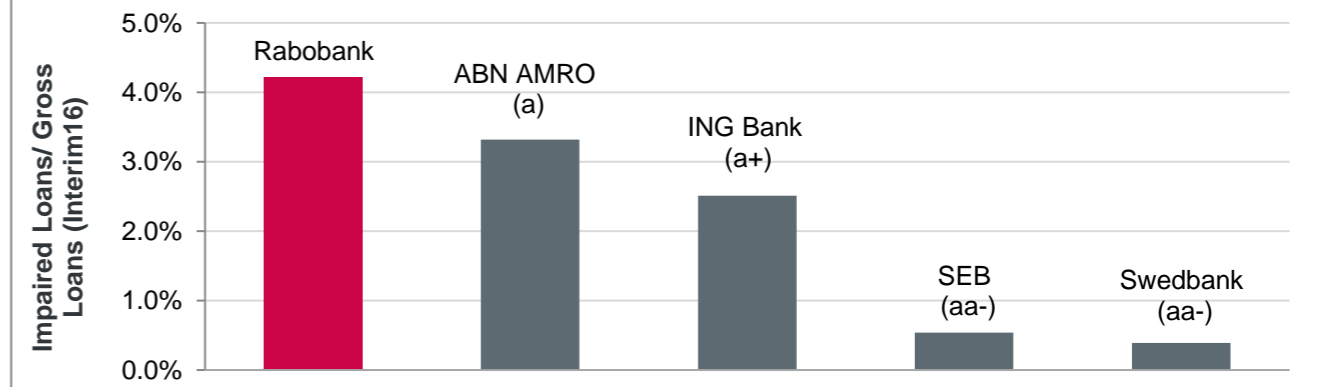
Lending Type

- Resi mortgages (40%)
- Comm mortgages (10%)
- Asset finance (10%)
- Other secured (20%)
- Personal unsecured (0%)
- Comm unsecured (10%)
- Fls & Sovs (10%)
- High yield (0%)
- Other unsecured (0%)

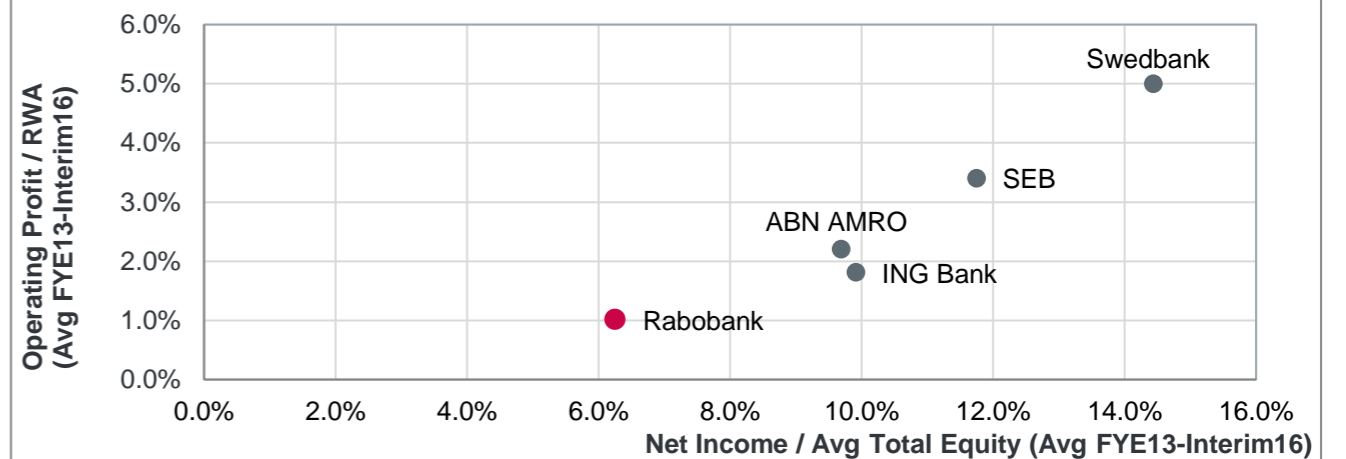


Outer: Rabobank
Inner: Direct Peers Average

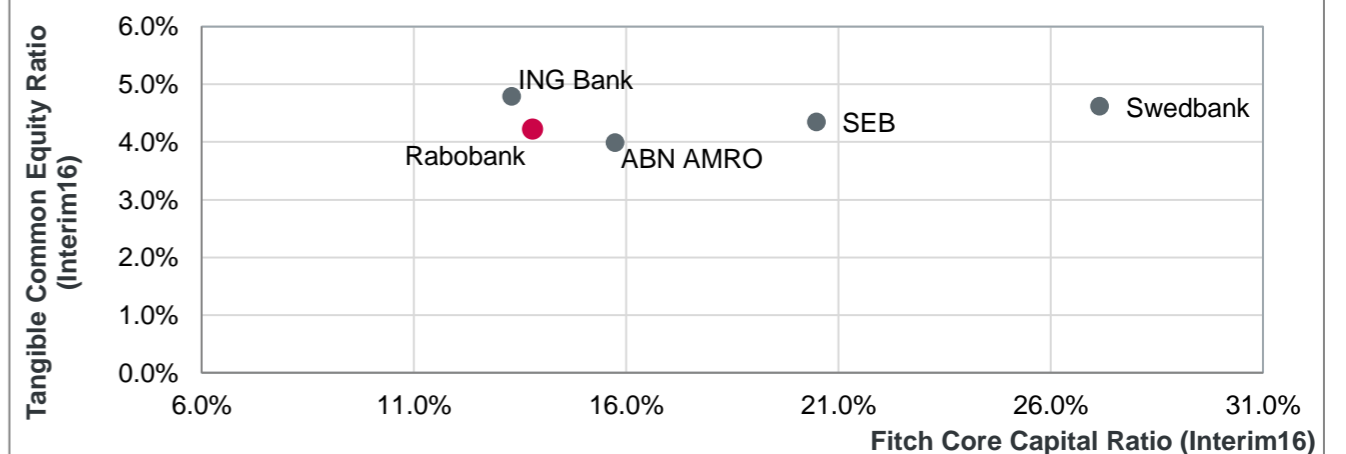
Asset Quality



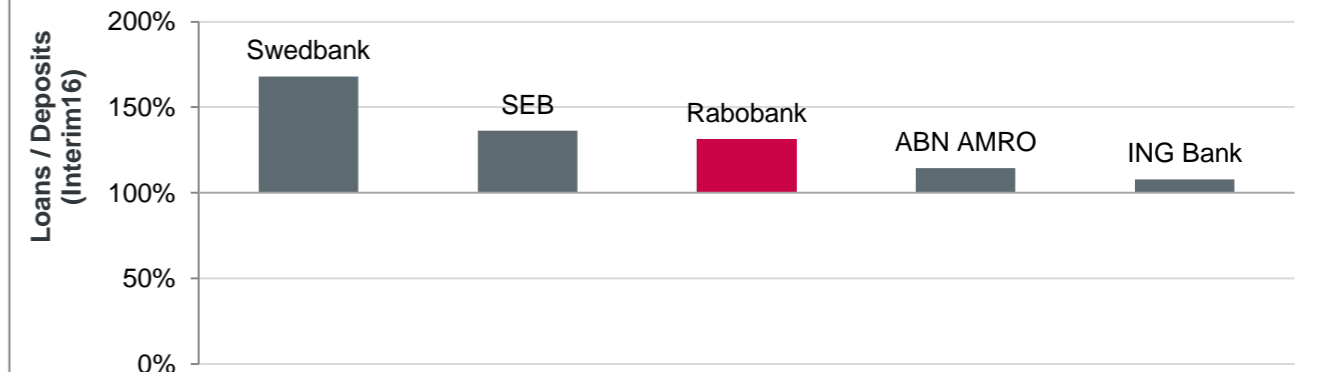
Earnings and Profitability



Capital and Leverage



Funding and Liquidity



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