Rating Report

Coöperatieve Rabobank U.A.

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Insight beyond the rating.

Ratings

Issuer	Obligation	Rating	Rating Action	Trend
Coöperatieve Rabobank U.A.	Long-Term Issuer Rating	AA	Confirmed Nov'18	Stable
Coöperatieve Rabobank U.A.	Short-Term Issuer Rating	R-1 (high)	Confirmed Nov'18	Stable
Coöperatieve Rabobank U.A.	Intrinsic Assessment	AA	--	--

See back of report for complete rating list.

Rating Drivers

Factors with Positive Rating Implications

Upwards pressure on the ratings is unlikely at the moment, given the already high rating level.

Factors with Negative Rating Implications

Negative rating implications could arise if
(i) the Group is unable to achieve profitability and efficiency levels in line with similarly rated peers, despite recent progress, or
(ii) there is a significant downturn in the Dutch housing market, which impacts the Group's asset quality, given their large domestic mortgage exposure.

Rating Considerations

Franchise Strength: Leading franchise in the Dutch retail, SME and corporate market with strong global presence in food and agribusiness financing	**Very Strong / Strong**
Earnings Power: Resilient profitability although at lower level than peers due to modest efficiency levels.	**Strong**
Risk Profile: Solid asset quality underpinned by a benign credit environment in the Netherlands and conservative credit policies.	**Strong**
Liquidity and Funding: Strong funding profile, supported by its diversified funding sources, good access to capital markets as well as large liquidity buffers.	**Very Strong / Strong**
Capitalisation: Robust capital, with large cushions over minimum requirements. The Group is in a good position to face the impacts from regulatory capital developments	**Very Strong / Strong**

Financial Information

Coöperatieve Rabobank U.A.

EUR Millions	**30/06/2018**	**31/12/2017**	**31/12/2016**	**31/12/2015**	**31/12/2014**
Total Assets	607,845	602,991	662,593	678,827	681,086
Equity	40,514	39,610	40,524	41,197	38,871
Pre-provision operating income (IBPT) (1)	1,830	2,904	2,956	3,768	3,931
Net Income (1)	1,394	1,993	1,136	1,267	1,005
Net Interest Income / Risk Weighted Assets (%)(1)	4.0%	4.1%	3.8%	3.8%	3.9%
Risk-Weighted Earning Capacity (%)(1)	2.1%	1.8%	1.8%	2.2%	2.3%
Post-provision Risk-Weighted Earning Capacity (%)(1)	2.2%	1.8%	1.7%	1.7%	1.0%
Efficiency Ratio (%)(1)	64.6%	71.3%	70.9%	65.2%	66.3%
Impaired Loans % Gross Loans	4.2%	4.2%	4.1%	4.2%	4.5%
Core Tier 1 (As-reported)	15.8%	15.8%	14.0%	13.5%	13.6%

Source: Company data, SNL Financial, DBRS. Notes: (1) Adjusted to include payments on capital securities, trust preferred securities III to VI and minority interests.

Issuer Description

Coöperatieve Rabobank U.A. (Rabobank or the Group) is an international financial service provider headquartered in the Netherlands operating on the basis of cooperative principles. Following the merger of 106 local Rabobanks and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (the former legal name of Rabobank Nederland) in January 2016, the Group now operates as a single legal entity with one banking license.

Rating Rationale

The confirmation of the ratings reflected the Group's leading franchise in the Netherlands and in food & agriculture financing. The ratings also incorporate the strong financial fundamentals of Rabobank, including a robust capital position and sound asset quality as well as the Group's strengthened funding profile and large liquidity buffers. Conversely, the ratings also reflected Rabobank's still modest albeit improving profitability and efficiency levels.

Rabobank's earnings have been resilient in recent years although at lower levels than peers, due to the Group's cooperative status as well as modest efficiency profile, while Rabobank's risk profile remained sound, supported by a benign credit environment in the Netherlands, leading to reversals of impairment charges. Nonetheless, net interest income, which accounts for about 70% of Rabobank's total income, remain under pressure due to a prolonged low interest rate environment as well as still high mortgage prepayments, although declining.

Franchise Strength

Grid Grade: Very Strong/Strong

Rabobank is one of the three leading banks in the Netherlands with EUR 608 billion in total assets as at end-June 2018. The Group's main activities include retail and wholesale banking, private banking as well as leasing and real estate services. Rabobank's franchise is underpinned by its leading positions in the Dutch market and a strong global presence in food and agriculture financing.

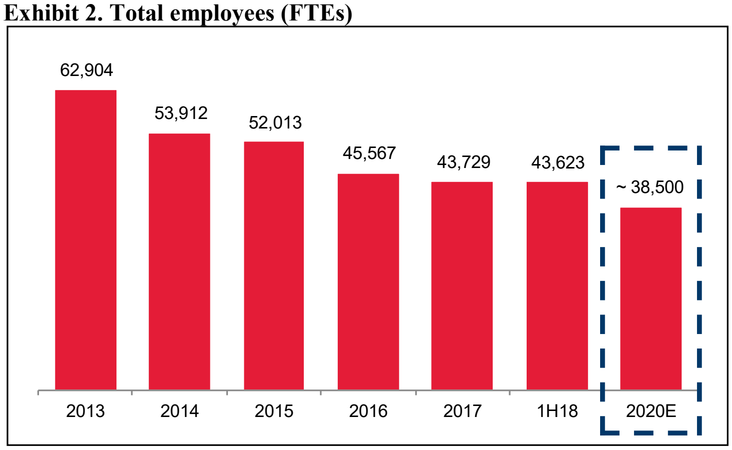
The Group is executing its Strategic Framework 2016-2020, focused on customer service excellence, balance sheet optimisation, and improvements in profitability and efficiency. The disposal of non-core assets continued in 2018, especially in the real estate segment, with the sale of a commercial real estate portfolio of FGH Bank worth EUR 1.3 billion as well as the downscaling of activities of Bouwfonds Investment management. The digital agenda remained a key focus of the Group, with the launch of innovative banking products and services and investments in digital initiatives.

The Group has already achieved its capital targets and is closer to its wholesale funding goal (Exhibit 1). Nonetheless, the efficiency target might prove more challenging, considering pressure on revenues from intense competition, the low interest rate environment as well as the acceleration in digital investments. Furthermore, the Group still has to reduce its headcount by approx. 5,100 FTEs to achieve the 38,500 FTE target initially set for 2018YE and later postponed to 2020. Despite the deceleration of this process in 2018, the Group remains committed to achieve the targeted reduction (Exhibit 2).

Exhibit 1. 2016-2020 Financial targets

		2015	2016	2017	1H18	Ambition 2020
Capital	CET1 ratio (Fully Loaded)	12.0%	13.5%	15.5%	15.8%	>14%
	Total Capital ratio	23.2%	25.0%	26.2%	26.1%	>25%
Profitability	ROIC	6.0%	5.2%	6.9%	8.8%	>8%
	Cost-to-Income	65.2%	70.9%	71.3%	64.6%	53-54%
Funding	Wholesale funding (EUR bln)	203	189	160	164	<150

Exhibit 2. Total employees (FTEs)



Source: Company data, DBRS.

Business Segments

The Group's activities are organised into four main operating segments: Domestic Retail Banking, Wholesale, Rural and Retail (or WRR), Leasing, and Real Estate.

Domestic Retail Banking (Reported Net Profit of EUR 1.1 billion in 1H18)

DBRS continues to view the Group's domestic retail and SME business as the anchor of the overall franchise. This segment provides a full range of banking products and financial services to retail and SME customers through the local Rabobanks, Obvion (a mortgage lender) and Roparco (savings bank). The Group benefits from leading domestic positions in residential mortgages (20% market share), private savings (33%) and food and agribusiness lending (~86%). In 1H18, the division reported a net profit of EUR 1.1 billion, stable year-over-year (YoY) as decreasing impairment reversals were offset by lower staff costs, following the digitalisation of services and centralisation of mid- and back-office functions, particularly at local Rabobanks. Despite the decrease in mortgage volumes due to early repayments, the size of the loan portfolio was relatively flat at EUR 280 billion, thanks to higher lending to small and medium sized companies.

Wholesale, Rural & Retail Banking (Reported Net Profit of EUR 585 million in 1H18)

Wholesale Rural & Retail Banking (WRR) serves large Dutch and foreign corporates, and includes Rabobank's international food and agribusiness franchise, where the Group is acknowledged as a global leader, and accounts for 60% of the segment's total loan portfolio. This division also incorporates the Group's international capital-markets businesses such as Global Financial Markets, Corporate Finance, and Trade and Commodity Finance. For 1H18, WRR reported a net profit of EUR 585 million, up 18% YoY, supported by lower impairment charges which decreased to EUR 0, from EUR 105 million a year earlier, driven by supportive macroeconomic conditions.

Leasing (Reported Net Profit of EUR 230 million in 1H18)

Rabobank provides vendor finance globally through DLL, its fully-owned leasing subsidiary. This arm offers asset-based financial solutions to manufacturers, distributors and end-users amongst others within the food and agricultural sectors. For the first six months of 2018, DLL reported a net profit of EUR 230 million, compared to EUR 176 million a year earlier. The higher results in 2018 were supported by higher fees from syndicated financial leases and disposals of end-of-lease assets.

Real Estate (Reported Net Profit of EUR 116 million in 1H18)

The Real Estate segment encompasses the activities of Bouwfonds Property Development (BPD), FGH Bank and Rabo Real Estate Group. Principally operating in the Netherlands, and to a lesser extent in Germany, this segment is active in retail and corporate real estate especially in the development of residential areas, property finance and real estate fund management. For 1H18, the division posted a net profit of EUR 116 million, from EUR 71 million in 1H17. The result benefitted from the sale of FGH Bank's remaining non-core CRE loans, in line with the Group's strategy to scale down non-core exposures.

Other Segments (Reported Net Loss of EUR 229 million in 1H18)

Other segments comprise a variety of areas, including financial results of associates (in particular Achmea B.V.), treasury and head office.

Earnings Power

Grid Grade: Strong

Rabobank's earnings have been resilient in recent years although at lower levels than peers, due to the Group's cooperative status as well as a modest efficiency profile. In 1H18, Rabobank posted a net profit of EUR 1.7 billion, up 12% from EUR 1.5 billion in the previous year. The increase was supported by lower restructuring expenses and improved results on fair value items, particularly in hedge accounting. Excluding non-recurring items, however, underlying pre-tax profit was largely stable at EUR 2.3 billion, as lower expenses and higher returns from the real estate segment offset weaker core revenues. Cost of risk remained at exceptionally low levels.

Exhibit 3. Total Revenue Evolution (EUR mln)

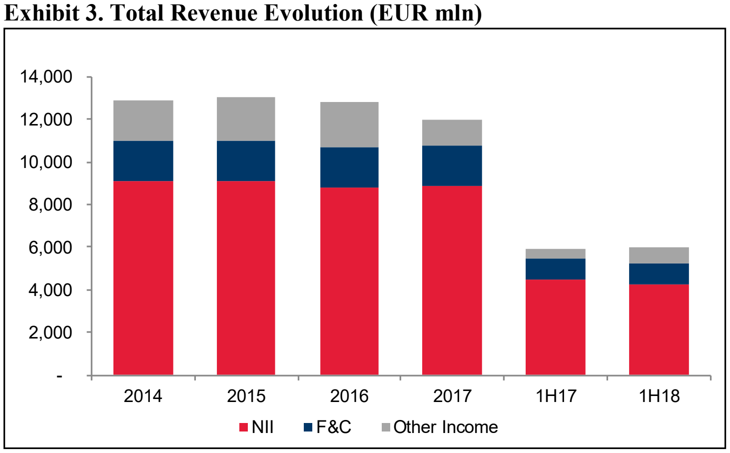
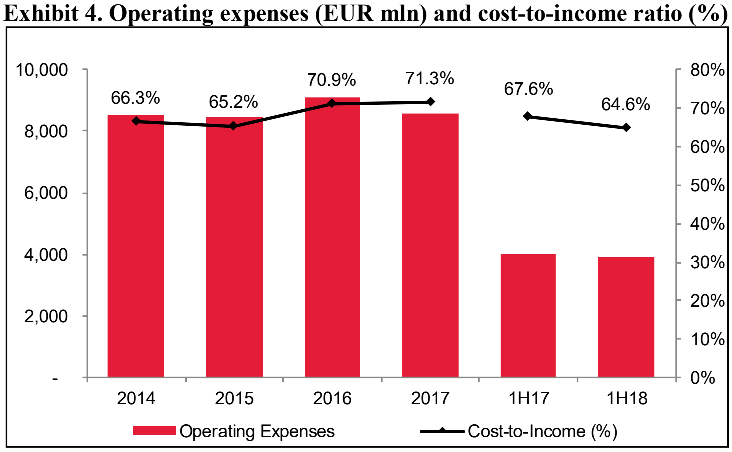


Exhibit 4. Operating expenses (EUR mln) and cost-to-income ratio (%)



Source: Company data, DBRS.

Net interest income (NII), which accounted for 71% of Rabobank's total income in 1H18, was down 4%YoY to EUR 4.3 billion due to a prolonged low interest rate environment as well as a reduced average loan portfolio. Fees and commissions (F&C) were stable at EUR 1 billion, while other income increased to EUR 774 million, from EUR 496 million in 1H17, mainly on the back of gains from FGH Bank's sale of its non-core CRE portfolio, good performance at Bouwfonds Property Development (BPD) and less negative hedge accounting results. Considering that NII is the main contributor to the Group's total income in 1H18, Rabobank's earnings remain sensitive to developments in interest rates, which are expected to remain compressed in the next 12/18 months, as well as to intense market competition.

Operating expenses were down 4% YoY to EUR 3.6 billion, from EUR 3.8 billion in 1H17, supported by the ongoing headcount reduction. Nonetheless, Rabobank's efficiency remained only modest. The Group's cost-to-income ratio (including regulatory levies) stood at 64.6% in 1H18, down from 67.6% in 1H17 and 71.3% at end-2017, which still compares unfavourably with peers and remains higher than the 2020 target of 53%-54%. Despite the significant progress in network optimisation, achieving the 2020 target will be challenging, in DBRS' view, given the prolonged low interest environment, intense competitions and increasing investments in digitalisation and innovation.

Cyclically low cost of risk continued to support Rabobank's earning capacity, with impairment write-back of EUR 37 million in 1H18 (EUR 67 million in 1H17), supported by favorable economic conditions, particularly in the Netherlands.

Risk Profile

Grid Grade: Strong

Rabobank's risk profile is mainly linked to credit risk and is generally conservative. The Group's private sector loan portfolio totalled EUR 415.7 billion at June 2018, equivalent to 95% of the Group's total loans, and mostly comprised of domestic retail lending, accounting for 67% of the loan book, while the remainder consists of lending and advances to Wholesale, Rural and Retail customers (26%) and leasing (7%) (Exhibit 5)

In 2017 and 2018, Rabobank's asset quality was sound, benefitting from a benign credit environment in the Netherlands, with lower defaults and higher recovery rates. In 2017, the stock of non-performing loans (or NPLs) decreased by 3% YoY to EUR 18.3 billion, whilst the Group's reported gross NPL ratio, calculated according to the EBA definition, was stable at 3.5%, due to a smaller loan book following disposals and FX effects. The first time application of EBA's more prudent definition of default to the loan portfolio, which Rabobank decided to frontload in 2018 despite the January 2021 implementation deadline, increased the Group's stock of NPLs by EUR 1.9 billion to EUR 20.2 billion (or 3.8% of total loans) as of January 1, 2018. Nonetheless, the positive trend in asset quality persisted in 1H18, with NPLs down by EUR 1.5 billion to EUR 18.8 billion (3.5%), also due to the disposal of Commercial Real-Estate (CRE) loans (Exhibit 6).

Exhibit 5. Private Sector Loan Book – Segment distribution (%)

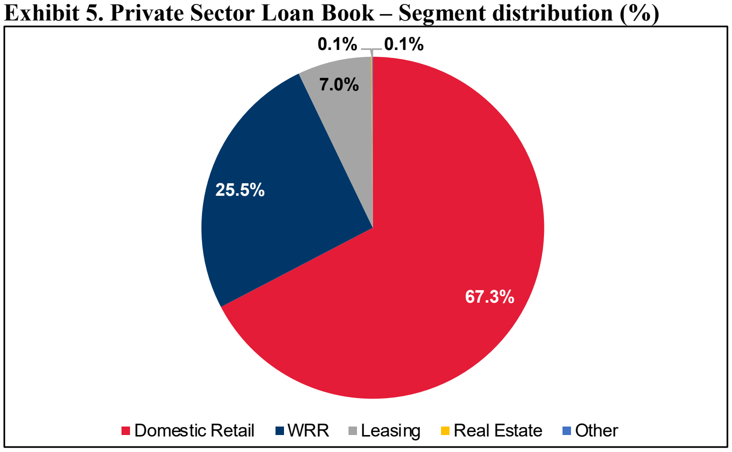
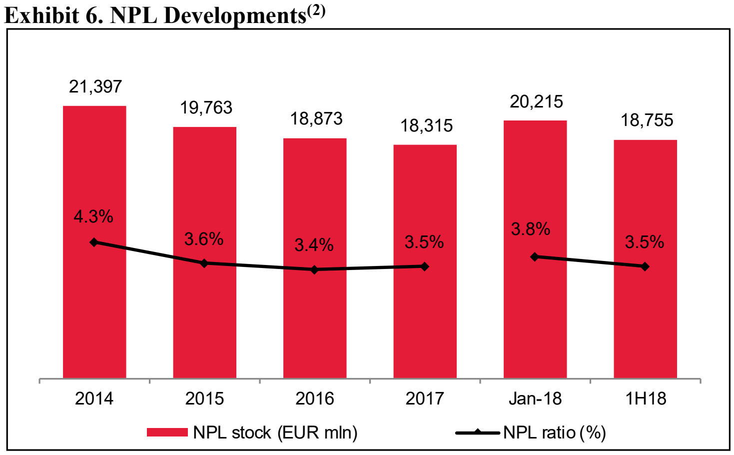


Exhibit 6. NPL Developments(2)



Source: Company data, DBRS. Notes: (2) NPL determined by applying the EBA Definition.

The Domestic Retail Banking loan book remained healthy, underpinned by strong performance of domestic residential mortgages, which accounted for 69% of this segment. The stock of NPLs in the residential mortgage portfolio decreased to EUR 2.3 billion at end-June 2018, from EUR 2.9 billion at the beginning of 2018, while the NPL ratio improved to 1.2% at June 2018, from 1.5% at beginning 2018. At the same time, while the Dutch housing market has shown a strong upswing recovery since 2013, there are also some signs of overheating locally. At present, DBRS views this as manageable given stricter regulatory requirements on mortgage lending since 2013, as well as a declining average loan-to-value ratio (LTV) of Rabobank's Dutch residential mortgages portfolio, down to 67%, from 69% at end-2017. The share of residential mortgages having an LTV > 100%, furthermore, was down to 8%, from 11% at end-2017 (of which 2% are guaranteed by the NHG). The portion of interest-only mortgages, however, remains high at 22% of the portfolio, and is expected to decline slowly, driven by early repayments, growing share of amortising loans in new production, also in a context of less favorable tax incentives and an increased focus by the supervisor.

Rabobank's EUR 106.2 billion Wholesale, Rural & Retail (WRR) lending portfolio is well diversified by geography and industry. More than 80% of the loan book is abroad, with a focus on food and agribusiness and trade related sectors in food producing countries such as Australia, New Zealand and United States. The segment's NPL ratio stood at 5.7%, while impairment charges in 1H2018 went down to 0 bps, from 20 bps in 1H17.

In line with Rabobank's objective to manage down non-strategic assets, the Real Estate segment shrank to just EUR 300 million, from EUR 1.8 billion at end-2017 and EUR 2.7 billion at end-2016, following the integration of FGH Bank within the Domestic Retail and WRR segments as well as the run off of non-core exposures. The de-risking of the broader domestic commercial real estate portfolio, which is distributed among Domestic Retail Banking, WRR and real estate segments continued to progress, and stood at EUR 22 billion (7.3% of private loan portfolio) at end-June 2018, compared to EUR 22.9 billion at end-June 2017 and EUR 23.8 billion at end-2016. In this context, in 1H18 the Group disposed of a non-strategic real estate portfolio totalling EUR 1.3 billion to RNHB and in August 2018 announced the sale of the French subsidiary of BPD.

Rabobank has a manageable market risk profile. As of end-2017, the Group estimated that a 25 bps downward shift in the yield curve would reduce the Group's income by EUR 148 million. Market risk in the trading book is monitored through Value at Risk (VaR), with a 97.5% confidence level and a horizon of one day. The highest VaR recorded in 2017 was EUR 4.9 million, well below the Group's maximum VaR limit.

Rabobank remains exposed to legal and reputation risks, especially increased scrutiny by supervisors and regulators on AML/KYC practices across the whole European banking industry could add pressures.

Funding and Liquidity

Grid Grade: Very Strong/Strong

The Group maintains a solid funding profile, underpinned by its diversified funding sources as well as a large liquidity buffer. Following good deposit growth and deleveraging efforts, Rabobank's loan-to-deposit (LTD) ratio improved to 120% in June 2018, from 126% in 2015. In line with the Group's Strategic Framework 2016-2020, wholesale funding usage reduced, reaching EUR 164 billion at end-June 2018, from EUR 203 billion at end-2015, and is closer to the 2020 target of EUR 150 billion. Despite the improvement, this remains considerable, in part reflecting the structural features of Rabobank's domestic market, the Netherlands, where a significant part of household savings is channelled through local pension schemes. This is mitigated by the Group's diversified funding mix and extended maturity profile, with no significant refinancing concentration.

Rabobank maintains very good access to global capital markets in various currencies. In 1H2018, Rabobank issued approximately EUR 6 billion of senior unsecured bonds, and more recently issued its debut senior non-preferred bonds. The Group launched its EUR 25 billion Covered Bond Programme in May 2017 and had approximately EUR 6.2 billion of covered bonds outstanding as of end-August 2018. Asset encumbrance remained low, at approximately EUR 54 billion as of end-2017, equivalent to 9% of Rabobank's total assets.

Exhibit 7. Private sector funding (EUR billion) and LTD ratio (%)

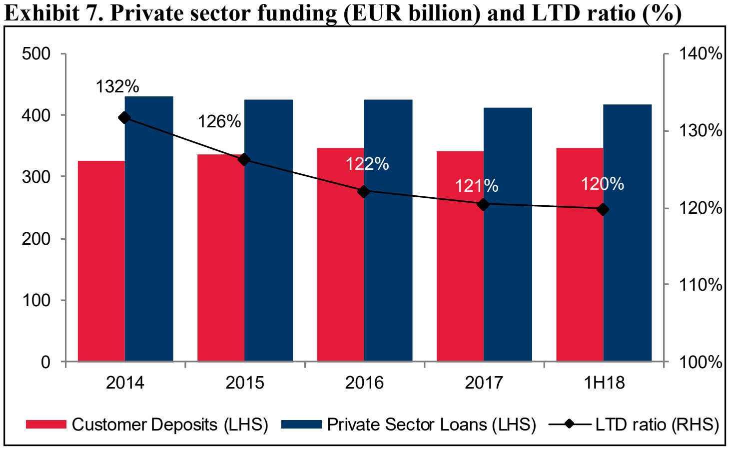
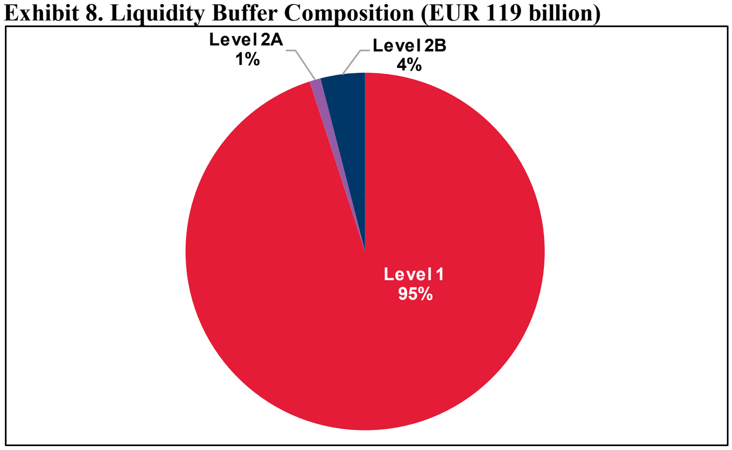


Exhibit 8. Liquidity Buffer Composition (EUR 119 billion)



Source: Company data, DBRS. Data as of June 30, 2018

The liquidity position of the group remained solid. At end-June 2018, the Group's total liquidity buffer measured in high quality liquid assets (HQLA) and retained residential mortgage backed securities (RMBS) eligible as ECB collateral stood at EUR 119 billion, which compares well with the Bank's maturities in the next twelve months. At end-June 2018, Rabobank's liquidity coverage ratio (LCR) stood at 136% and the net stable funding ratio (NSFR) stood at 119%.

Capitalisation

Grid Grade: Very Strong/Strong

Rabobank maintained a robust capital position in 2017 and 1H18. In DBRS' view, the Group is in a good position to face the impact from regulatory capital developments, given the Group's conservative capital management, balance-sheet optimization process under way, as well as flexibility to access markets.

The Group's CET1 ratio (fully loaded) strengthened to 15.8% at June 2018, from 15.5% at end-2017, mainly driven by retained earnings which more than offset the 14 bps negative impact from the first-time adoption of IFRS9. This provides a cushion of more than 500 bps over the 10.375% minimum CET1 SREP requirement for 2018 (and 11.75% expected for 2019). The Group's total capital ratio is solid at 26.1%, and compares favorably with peers, thanks to a large layer of Tier 2 bonds totaling EUR 14.6 billion at end-June 2018 (Exhibit 9). Rabobank's resilient capital position was confirmed in the 2018 EBA Stress Test, in which the Group reported fully loaded CET1 ratio at 11.44% and leverage ratio at 4.67% under the adverse scenario in 2020.

On an indicative basis, Basel IV is estimated to increase the Group's risk weighted assets (RWAs) by around 30%-35% based on end-2017 balance-sheet, equivalent to approximately 400 bps of fully loaded CET1. The impact is significant and DBRS anticipates the Group to continue the balance-sheet optimisation process under way and to improve its internal capital generation capacity. DBRS notes the Bank reported an average net profit (including payments on the Bank's capital securities) of ~70 bps of CET1 capital per annum in the last three years. Rabobank has also been proactively disposing of non-core assets and mortgage portfolios, with total RWAs decreasing to EUR 199 billion at end-June 2018, from EUR 211 billion at end-2016. The long implementation period (2022-2027), furthermore, gives the Group time to adjust its capital position.

Rabobank has received a binding minimum requirement for own funds and eligible liabilities (MREL) of approximately EUR 65 billion, or 30.96% of the Group's RWAs in 2016. Including senior preferred bonds, which are MREL eligible according to BRRD I, Rabobank already complies with the requirement. However, the Group aims to meet its MREL requirement with own funds and non-preferred senior bonds, which at end-June 2018 totaled EUR 53 billion, or 26.5% of RWAs (Exhibit 10). Rabobank expects to fill the gap with senior non-preferred instruments, with an issuance target in the range of EUR 3-5 billion per year. These will in part replace senior unsecured redemptions. In this context, in August 2018, Rabobank issued its first senior non preferred bond for a total of EUR 1 billion, followed by a second issuance of USD 1.25 billion in September 2018.

Exhibit 9. Capital ratios – Phased-in (%)

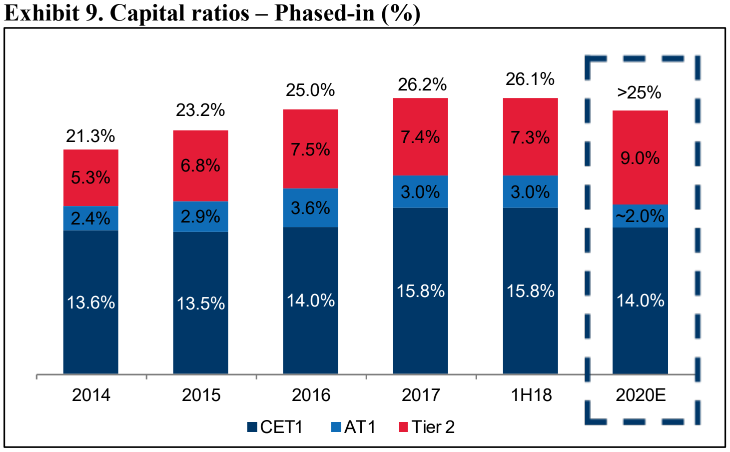
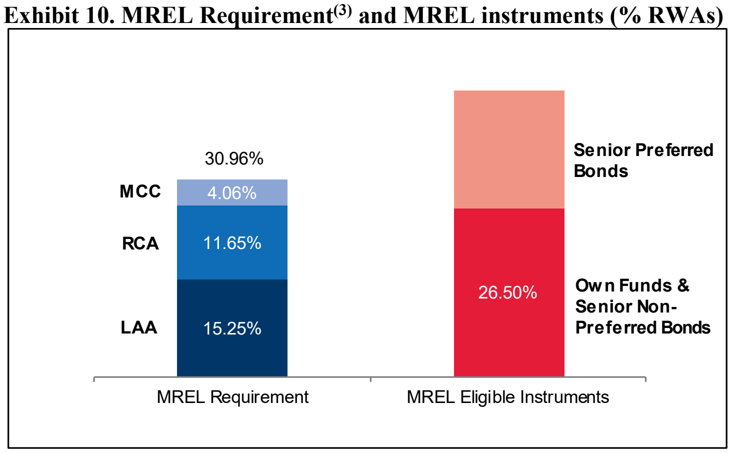


Exhibit 10. MREL Requirement[(3)] and MREL instruments (% RWAs)



Source: Company data, DBRS. Notes: (3) MREL requirement consists of Loss Absorption Amount (LAA), Recapitalisation Amount (RCA) and Market Confidence Charge (MCC).

	2018H1		2017Y		2016Y		2015Y		2014Y	
Coöperatieve Rabobank U.A.	30/06/2018		31/12/2017		31/12/2016		31/12/2015		31/12/2014	
	EUR		EUR		EUR		EUR		EUR	
EUR Millions	IFRS		IFRS		IFRS		IFRS		IFRS	
Balance Sheet										
Cash and deposits with central banks	67,461	11.10%	66,861	11.09%	84,405	12.74%	64,943	9.57%	43,409	6.37%
Lending to/deposits with credit institutions	25,806	4.25%	27,254	4.52%	25,444	3.84%	32,434	4.78%	45,962	6.75%
Financial Securities*	31,715	5.22%	30,750	5.10%	37,360	5.64%	41,915	6.17%	46,572	6.84%
- Trading portfolio	0	0.00%	1,567	0.26%	2,313	0.35%	2,952	0.43%	3,567	0.52%
- At fair value	0	0.00%	494	0.08%	467	0.07%	1,190	0.18%	3,235	0.47%
- Available for sale	26,239	4.32%	28,689	4.76%	34,580	5.22%	37,773	5.56%	39,770	5.84%
- Held-to-maturity	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
- Other	5,476	0.90%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Financial derivatives instruments	24,651	4.06%	25,505	4.23%	42,372	6.39%	48,113	7.09%	56,489	8.29%
- Fair Value Hedging Derivatives	NA	-	4,396	0.73%	4,934	0.74%	4,961	0.73%	6,317	0.93%
- Mark to Market Derivatives	NA	-	21,109	3.50%	37,438	5.65%	43,152	6.36%	50,172	7.37%
Gross lending to customers	443,407	72.95%	438,903	72.79%	461,420	69.64%	475,910	70.11%	472,937	69.44%
- Loan loss provisions	4,058	0.67%	5,446	0.90%	7,487	1.13%	8,391	1.24%	9,348	1.37%
Insurance assets	NA	-	NA	-	NA	-	NA	-	NA	-
Investments in associates/subsidiaries	2,447	0.40%	2,521	0.42%	2,417	0.36%	3,672	0.54%	3,807	0.56%
Fixed assets	4,708	0.77%	4,780	0.79%	4,883	0.74%	8,146	1.20%	7,600	1.12%
Goodwill and other intangible assets	981	0.16%	1,002	0.17%	1,089	0.16%	1,493	0.22%	2,059	0.30%
Other assets	10,727	1.76%	10,861	1.80%	10,690	1.61%	10,592	1.56%	11,599	1.70%
Total assets	**607,845**	**100.00%**	**602,991**	**100.00%**	**662,593**	**100.00%**	**678,827**	**100.00%**	**681,086**	**100.00%**
Total assets (USD)	709,188		724,053		698,790		737,294		824,460	
Loans and deposits from credit institutions	19,913	3.28%	18,922	3.14%	22,006	3.32%	19,038	2.80%	18,066	2.65%
Repo Agreements in Deposits from Customers	NA	-	108	0.02%	212	0.03%	488	0.07%	2,025	0.30%
Deposits from customers	346,617	57.02%	344,563	57.14%	351,374	53.03%	348,977	51.41%	328,690	48.26%
- Demand	NA	-	77,914	12.92%	76,757	11.58%	77,966	11.49%	56,255	8.26%
- Time and savings	NA	-	252,698	41.91%	258,852	39.07%	258,446	38.07%	259,429	38.09%
Issued debt securities	148,146	24.37%	144,226	23.92%	171,988	25.96%	188,401	27.75%	204,377	30.01%
Financial derivatives instruments	26,520	4.36%	28,103	4.66%	48,024	7.25%	54,556	8.04%	66,236	9.73%
- Fair Value Hedging Derivatives	NA	-	6,945	1.15%	10,379	1.57%	12,848	1.89%	17,938	2.63%
- Other	NA	-	21,158	3.51%	37,645	5.68%	41,708	6.14%	48,298	7.09%
Insurance liabilities	NA	-	NA	-	NA	-	NA	-	NA	-
Other liabilities	9,738	1.60%	11,289	1.87%	11,604	1.75%	10,667	1.57%	10,893	1.60%
- Financial liabilities at fair value through P/L	NA	-	13,792	2.29%	16,520	2.49%	16,991	2.50%	19,744	2.90%
Subordinated debt	16,397	2.70%	16,170	2.68%	16,861	2.54%	15,503	2.28%	11,928	1.75%
Hybrid Capital	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Equity	40,514	6.67%	39,610	6.57%	40,524	6.12%	41,197	6.07%	38,871	5.71%
Total liabilities and equity funds	**607,845**	**100.00%**	**602,991**	**100.00%**	**662,593**	**100.00%**	**678,827**	**100.00%**	**681,086**	**100.00%**
Income Statement										
Interest income	8,096		15,956		16,530		17,593		18,638	
Interest expenses	3,822		7,113		7,695		8,454		9,520	
Net interest income and credit commissions	3,970	69.34%	8,162	71.97%	7,947	66.69%	8,192	67.00%	8,281	68.37%
Net fees and commissions	981	17.14%	1,915	16.89%	1,826	15.32%	1,892	15.47%	1,879	15.51%
Trading / FX Income	0	0.00%	NA	-	NA	-	NA	-	NA	-
Net realised results on investment securities (available for sale)	11	0.19%	158	1.39%	87	0.73%	148	1.21%	418	3.45%
Net results from other financial instruments at fair value	141	2.46%	NA	-	NA	-	NA	-	NA	-
Net income from insurance operations	NA	-	NA	-	NA	-	NA	-	NA	-
Results from associates/subsidiaries accounted by the equity method	144	2.52%	245	2.16%	106	0.89%	351	2.87%	145	1.20%
Other operating income (incl. dividends)	478	8.35%	861	7.59%	1,951	16.37%	1,644	13.45%	1,389	11.47%
Total operating income	5,725	100.00%	11,341	100.00%	11,917	100.00%	12,227	100.00%	12,112	100.00%
Staff costs	2,127	54.61%	4,472	53.00%	4,680	52.23%	4,786	56.58%	5,086	62.17%
Other operating costs	1,588	40.77%	3,559	42.18%	3,843	42.89%	3,230	38.18%	2,658	32.49%
Depreciation/amortisation	180	4.62%	406	4.81%	438	4.89%	443	5.24%	437	5.34%
Total operating expenses	3,895	100.00%	8,437	100.00%	8,961	100.00%	8,459	100.00%	8,181	100.00%
Pre-provision operating income	**1,830**		**2,904**		**2,956**		**3,768**		**3,931**	
Loan loss provisions**	-37		-169		310		1,193		2,693	
Post-provision operating income	1,867		3,073		2,646		2,575		1,238	
Impairment on tangible assets	NA		91		812		0		12	
Impairment on intangible assets	0		31		4		653		61	
Other non-operating items***	0		0		0		0		-321	
Pre-tax income	1,867		2,951		1,830		1,922		844	
(-)Taxes	473		958		694		655		-161	
(-)Other After-tax Items (Reported)	0		0		0		0		0	
(+)Discontinued Operations (Reported)	0		0		0		0		0	
(-)Minority interest	0		0		0		0		0	
Net income	**1,394**		**1,993**		**1,136**		**1,267**		**1,005**	
Net income (USD)	1,626		2,393		1,198		1,376		1,217	

*Includes derivatives when breakdown unavailable, **LLP includes Impairments on financial assets, ***Incl. Other Provisions, ****Adjusted to include payments on capital securities, trust preferred securities III to VI and minority interests

	2018H1	2017Y	2016Y	2015Y	2014Y
Off-balance sheet and other items	30/06/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Asset under management	NA	NA	NA	NA	NA
Derivatives (notional amount)	NA	2,967,953	3,170,212	2,968,182	2,704,102
BIS Risk-w eighted assets (RWA)	199,348	198,269	211,226	213,092	211,870
No. of employees (end-period)	43,623	43,729	45,567	52,013	53,912
Earnings and Expenses					
Earnings					
Net interest margin [1]	1.35%	1.33%	1.22%	1.25%	1.28%
Yield on average earning assets	2.76%	2.60%	2.55%	2.68%	2.88%
Cost of interest bearing liabilities	1.44%	1.36%	1.37%	1.48%	1.69%
Pre-provision earning capacity (total assets basis) [2]	0.70%	0.57%	0.57%	0.69%	0.71%
Pre-provision earning capacity (risk-w eighted basis) [3]	2.15%	1.75%	1.81%	2.22%	2.26%
Net Interest Income / Risk Weighted Assets	3.98%	4.12%	3.76%	3.84%	3.91%
Non-Interest Income / Total Revenues	30.66%	28.03%	33.31%	33.00%	31.63%
Post-provision earning capacity (risk-w eighted basis)	2.18%	1.83%	1.67%	1.66%	0.98%
Expenses					
Efficiency ratio (operating expenses / operating income)	64.60%	71.32%	70.89%	65.23%	66.28%
All inclusive costs to revenues [4]	68.03%	75.20%	82.01%	69.18%	64.99%
Operating expenses by employee	178,576	192,938	196,655	162,632	151,747
Loan loss provision / pre-provision operating income	-2.02%	-5.82%	10.49%	31.66%	68.51%
Profitability Returns					
Pre-tax return on Tier 1 (excl. hybrids)	18.19%	15.49%	11.85%	13.51%	8.14%
Return on equity	8.34%	6.68%	4.90%	5.25%	4.65%
Return on average total assets	0.55%	0.41%	0.29%	0.31%	0.26%
Return on average risk-w eighted assets	1.68%	1.28%	0.92%	1.01%	0.84%
Growth					
Loans	2.72%	-4.51%	-2.91%	0.85%	1.19%
Deposits	1.13%	-1.97%	0.61%	5.67%	0.45%
Net interest income	-10.87%	2.71%	-2.99%	-1.07%	-8.95%
Fees and commissions	-0.71%	4.87%	-3.49%	0.69%	-6.10%
Expenses	-2.94%	-5.85%	5.93%	3.40%	-10.27%
Pre-provision earning capacity	-4.94%	-1.76%	-21.55%	-4.15%	3.39%
Loan-loss provisions	-44.78%	-154.52%	-74.02%	-55.70%	6.40%
Net income	-6.25%	75.44%	-10.34%	26.07%	-48.72%
Risks					
RWA% total assets	32.80%	32.88%	31.88%	31.39%	31.11%
Credit Risks					
Impaired loans % gross loans	4.2%	4.2%	4.1%	4.2%	4.5%
Loss loan provisions % impaired loans	21.6%	29.7%	39.7%	42.5%	44.0%
Impaired loans (net of LLPs) % equity	36.3%	30.0%	24.6%	25.7%	26.2%
Liquidity and Funding					
Customer deposits % total funding	65.27%	65.77%	62.50%	61.02%	58.38%
Total w holesale funding % total funding [5]	34.73%	34.23%	37.50%	38.98%	41.62%
- Interbank % total funding	3.75%	3.61%	3.91%	3.33%	3.21%
- Debt securities % total funding	27.90%	27.53%	30.59%	32.94%	36.30%
- Subordinated debt % total funding	3.09%	3.09%	3.00%	2.71%	2.12%
Short-term w holesale funding % total w holesale funding	10.80%	42.44%	44.16%	44.81%	46.97%
Liquid assets % total assets	20.56%	20.71%	22.22%	20.52%	19.96%
Net short-term w holesale funding reliance [6]	-21.76%	-10.20%	-10.50%	-7.30%	-4.74%
Adjusted net short-term w holesale funding reliance [7	-21.76%	-28.16%	-29.01%	-28.96%	-24.57%
Customer deposits % gross loans	78.17%	78.51%	76.15%	73.33%	69.50%
Capital [9]					
Tier 1	18.75%	18.76%	17.55%	16.45%	15.99%
Tier 1 excl. All Hybrids	11.98%	11.83%	10.86%	9.97%	9.75%
Core Tier 1 (As-reported)	15.80%	15.80%	14.00%	13.49%	13.60%
Tangible Common Equity / Tangible Assets	4.21%	4.05%	3.74%	3.56%	3.36%
Total Capital	26.08%	26.19%	25.03%	23.21%	21.31%
Retained earnings % Tier 1	73.23%	71.97%	69.34%	72.46%	72.41%

[1] (Net interest income + dividends)% average interest earning assets.
[2] Pre-provision operating income % average total assets.
[3] Pre-provision operating income % average total risk-w eighted assets.
[4] (Operating & non-op. costs) % (op. & non-op. revenues)
[5] We take into account the stock of LLPs in this ratio.
[6] Whole funding excludes corporate deposits.
[7] (Short-term w holesale funding - liquid assets) % illiquid assets
[8] (Short-term w holesale funding - liquid assets- loans maturing w ithin 1 year) % illiquid assets
[9] Capital ratios of Interim results exclude profits for the year
* Interim information is annualised w here needed.

Rating Methodology

The applicable methodology is the Global Methodology for Rating Banks and Banking Organisations (July 2018), which can be found on our website under Methodologies.

Ratings

Issuer	Debt	Rating	Rating Action	Trend
Coöperatieve Rabobank U.A.	Long-Term Issuer Rating	AA	Confirmed	Stable
Coöperatieve Rabobank U.A.	Short-Term Issuer Rating	R-1 (high)	Confirmed	Stable
Coöperatieve Rabobank U.A.	Long Term Critical Obligations Rating	AAA	Confirmed	Stable
Coöperatieve Rabobank U.A.	Short Term Critical Obligations Rating	R-1 (high)	Confirmed	Stable
Coöperatieve Rabobank U.A.	Long-Term Senior Debt	AA	Confirmed	Stable
Coöperatieve Rabobank U.A.	Short-Term Debt	R-1 (high)	Confirmed	Stable
Coöperatieve Rabobank U.A.	Long-Term Deposits	AA	Confirmed	Stable
Coöperatieve Rabobank U.A.	Short-Term Deposits	R-1 (high)	Confirmed	Stable

Ratings History

Issuer	Debt	Current	2017	2016	2015
Coöperatieve Rabobank U.A.	Long-Term Issuer Rating	AA	AA	--	--
Coöperatieve Rabobank U.A.	Short-Term Issuer Rating	R-1 (high)	R-1 (high)	--	--
Coöperatieve Rabobank U.A.	Long Term Critical Obligations Rating	AAA	AAA	AAA	--
Coöperatieve Rabobank U.A.	Short Term Critical Obligations Rating	R-1 (high)	R-1 (high)	R-1 (high)	--
Coöperatieve Rabobank U.A.	Long-Term Senior Debt	AA	AA	AA	AA
Coöperatieve Rabobank U.A.	Short-Term Debt	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)
Coöperatieve Rabobank U.A.	Long-Term Deposits	AA	AA	--	--
Coöperatieve Rabobank U.A.	Short-Term Deposits	R-1 (high)	R-1 (high)	--	--

Previous Action(s)

- DBRS Confirms Coöperatieve Rabobank at AA, Stable Trend, November 1, 2018.
- DBRS Confirms Coöperatieve Rabobank at AA, Stable Trend, November 8, 2017.
- DBRS Confirms Rabobank at AA, Trend Stable, November 10, 2016.

Related Research

- Dutch Mortgages, DBRS Illustrative Insights, July 11, 2018
- DBRS: Basel IV - Significant but Manageable Impact for Resilient Dutch Banks, March 6, 2018.
- Dutch Household Finances, DBRS Illustrative Insights, February 21, 2018
- 'A Quick Guide to 2018 European Bank Capital Requirements - TSCR, OCR, TCD, MDA', February 1, 2018.

Previous Report

- Coöperatieve Rabobank U.A., Rating Report, November 30, 2017.

Note:
All figures are in Euros unless otherwise noted.