

Coöperatieve Rabobank U.A.'s Debt Issuance Program Senior Nonpreferred Notes Assigned 'A-' Rating

Primary Credit Analyst:

Nicolas Hardy, Paris (33) 1-4420-7318; nicolas.hardy@spglobal.com

Secondary Contact:

Philippe Raposo, Paris (33) 1-4420-7377; philippe.raposo@spglobal.com

PARIS (S&P Global Ratings) May 14, 2018--S&P Global Ratings said today that it had assigned its 'A-' issue rating to the senior nonpreferred notes that Dutch Coöperatieve Rabobank U.A. (Rabobank; A+/Positive/A-1) may issue under its recently updated €160 billion global medium-term note program, according to the current terms and conditions.

The issue rating relies on our analysis of Rabobank's updated base prospectus for its €160 billion euro medium-term note program, under which the notes would be issued. The rating also takes into account our assessment of Rabobank's stand-alone credit profile (SACP) at 'a', which is based on our analysis of the Rabobank group. The rating is subject to our review of the notes' final documentation.

On March 9, 2018, the Dutch legislator submitted a bill to the Dutch parliament implementing EU Directive 2017/2399 to introduce a new category of unsecured debt. In a liquidation, this new category would rank junior to ordinary unsecured creditors and preferred debts, but senior to subordinated debt. We expect this legislation to come into force in The Netherlands before the end of 2018.

The rating on Rabobank's proposed senior nonpreferred notes is one notch lower

than the SACP assessment, reflecting the deduction of one notch for subordination risk. This follows our approach when an instrument is subordinated to senior unsecured debt. It is consistent with our approach to other rated senior nonpreferred notes. In our view, holders of senior nonpreferred notes face a higher default risk than holders of senior preferred notes and other senior liabilities, since senior nonpreferred notes would be bailed in before more senior debt in the event of a resolution under the EU's bank recovery and resolution directive.

The issue rating also reflects our view that:

- The notes would convert into equity or be written off in the event of bankruptcy and not before the bank reaches the point of nonviability.
- The resolution authority would have the power to convert or write down the proposed notes only after subordinated liabilities and shareholders' equity had absorbed losses in full.
- The write-down or conversion of the notes in resolution would not be an event of default and would not cause the default of the bank or more senior instruments.
- Unlike regulatory capital instruments, the proposed notes would be excluded from burden-sharing under EU state-aid rules, in our view.
- The senior nonpreferred notes do not carry additional default risk relative to Rabobank' SACP, other than the subordination in resolution and liquidation to senior preferred notes and other senior liabilities.

As a result of the above-mentioned features and our view that The Netherlands has an effective resolution regime, we would likely consider the notes, once issued, as eligible for inclusion in our calculation of Rabobank's additional loss-absorbing capacity (ALAC). At the moment, the long-term issuer credit rating on Rabobank benefits from one notch of uplift above its unsupported group credit profile under our ALAC criteria. This is because we forecast an ALAC buffer remaining above the minimum required level of 5% of S&P Global Ratings' risk-weighted assets at year-end 2018.

RELATED CRITERIA

- Criteria - Financial Institutions - General: Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- Criteria - Financial Institutions - General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria - Financial Institutions - Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014

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- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Financial Institutions - Banks: Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Financial Institutions - Banks: Commercial Paper I: Banks, March 23, 2004

Additional Contact:

Financial Institutions Ratings Europe; FIG_Europe@spglobal.com

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