

Coöperatieve Rabobank U.A

DBRS: Rabobank Reports Solid FY15 with Lower Impairments

* Coöperatieve Rabobank U.A. (Rabobank or the Bank) reported a net profit of EUR 2.2 billion in FY15, up 20% year-on-year (YoY) despite a total of EUR 623 million goodwill impairments. These related principally to Rabobank NA (RNA), Rabobank's California-based retail operations, and predominantly taken in 1H15. The Bank's improved performance in FY15 was driven primarily by a 61% YoY decrease in impairment charges.

* On an underlying DBRS adjusted basis (including payments on capital securities, as well as regulatory levies), the Bank reported income before provisions and taxes (IBPT) of EUR 3.6 billion in FY15, up 2% YoY, reflecting marginal underlying revenue growth as well as a 29% YoY decrease in regulatory levies. The Bank, however, estimates that regulatory levies will increase by approximately 44% in 2016, to EUR 495 million, driven principally by the inclusion of the Deposit Guarantee Scheme. As a result, cost control remains a key focus for the Bank. Operating costs, excluding regulatory levies, increased 1% YoY reflecting in part increased provisions for the reorganisation of the Bank. DBRS, however, positively notes that staff costs were down 6% YoY following reductions in internal staff levels, with further significant staff reductions anticipated between 2016-2018.

* Impairment charges continued their downward trend, with a 61% decrease YoY, to EUR 1,033 million, reflecting the more positive domestic economic conditions and the improved asset quality of the loan portfolio in the Netherlands. As a result, bad debt costs amounted to 24 basis points (bps) of average lending, below the long-term average of 36 bps. Rabobank's overall asset quality remains satisfactory, with a non-performing loan ratio of 4.6% at end-2015, down 30 bps YoY.

* Rabobank has continued to strengthen its balance sheet, posting solid capital ratios at the end-2015. The Bank's fully loaded common equity tier 1 (CET1) ratio was 12.0%, an increase of 20 bps YoY, whilst the fully-loaded leverage ratio was 3.9%. On a transitional basis, the CET1 ratio was 13.5%, well in advance of the Bank's minimum SREP requirement, and the leverage ratio was 5.1%.

	FY15	1H 2015 Coöperatieve Rabobank U.A	FY14 Coöperatieve Rabobank U.A	1H 2014 Coöperatieve Rabobank U.A	FY13 Coöperatieve Rabobank U.A
IBPT/RWAs	1.68%	1.78%	1.66%	1.73%	1.09%
NPL Ratio	4.60%	4.82%	4.90%	3.20%	3.70%
Cost-to-income Ratio	70.35%	67.41%	70.88%	69.21%	81.21%
Net Loans-to-Deposits Ratio	126.23%	132.37%	131.69%	134.09%	133.21%
CET1 Ratio	12.00%	11.80%	11.80%	10.80%	11.10%

Table Key (QoQ % Change)	Improvement				Deterioration				
	More than 40%	21% to 40%	11% to 20%	6% to 10%	0% to 5%	0% to 5%	6% to 10%	11% to 20%	21% to 40%

Current DBRS Ratings: Coöperatieve Rabobank U.A		
Long-Term Deposits & Senior Debt	AA	Stable
Short-Term Debt	R-1 (high)	Stable
Long Term Critical Obligations Rating	AAA	Stable
Short Term Critical Obligations Rating	R-1 (high)	Stable



Footnotes:

IBPT/RWAs:

NPL Ratio:

Cost-to-income Ratio:

Net Loans-to-Deposits Ratio:

CET1 Ratio:

All ratios on a statutory basis

Income before provisions and taxes (adjusted to include payments on capital securities, trust preferred securities III to VI and minority interests) / avg. risk-weighted-assets under Basel III - Half year ratios are annualised

Non-performing loans / Total gross loans (Note: from FY14 figures are for NPE rather than impaired loans)

Total operating expenses/total gross operating income (adjusted to include payments on capital securities, trust preferred securities III to VI and minority interests)

Net private sector loans / deposits excluding repos (when available)

Basel III Common Equity Tier 1

Notes:

All figures are in EUR unless otherwise stated.

Data Sources: Company Documents; SNL

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