

Global Credit Research - 28 Jul 2015

Utrecht, Netherlands

## Ratings

Category	Moody's Rating
Outlook	Stable
Bank Deposits	Aa2/P-1
Baseline Credit Assessment	a2
Adjusted Baseline Credit Assessment	a2
Issuer Rating	Aa2
Senior Unsecured -Fgn Curr	Aa2
Senior Unsecured -Dom Curr	Baa2
Subordinate	A3
Pref. Stock Non-cumulative -Fgn Curr	Baa2
Pref. Stock Non-cumulative -Dom Curr	Baa3
Commercial Paper	P-1
Other Short Term -Fgn Curr	(P)P-1
Other Short Term -Dom Curr	(P)P-1
<b>Rabobank Australia Limited</b>	
Outlook	Stable
Bkd Bank Deposits -Dom Curr	Aa2/P-1
<b>Rabobank Curacao N.V.</b>	
Outlook	Stable
Bkd Sr Unsec MTN	(P)Aa2
Bkd Other Short Term	(P)P-1
<b>Rabobank Nederland, Singapore Branch</b>	
Commercial Paper -Dom Curr	P-1

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## Key Indicators

### Rabobank Nederland (Consolidated Financials)[1]

	[2]12-14	[3]12-13	[3]12-12	[3]12-11	[3]12-10	Avg.
Total Assets (EUR million)	637,891.06	38,603.06	99,814.07	30,478.06	51,193.0	[4]-0.5
Total Assets (USD million)	771,882.08	79,957.89	22,628.99	48,266.38	73,603.8	[4]-3.0
Tangible Common Equity (EUR million)	27,604.5	26,195.7	28,036.5	27,946.7	25,713.4	[4]1.8
Tangible Common Equity (USD million)	33,402.9	36,096.2	36,963.1	36,278.9	34,495.6	[4]-0.8
Problem Loans / Gross Loans (%)	3.4	3.5	2.3	2.1	1.7	[5]2.6
Tangible Common Equity / Risk Weighted Assets (%)	13.0	12.4	12.6	12.5	11.7	[6]13.0
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	43.2	46.1	34.9	31.4	27.7	[5]36.7
Net Interest Margin (%)	1.3	1.3	1.2	1.3	1.3	[5]1.3
PPI / Average RWA (%)	1.9	0.9	1.7	1.3	1.4	[6]1.9
Net Income / Tangible Assets (%)	0.2	0.2	0.2	0.3	0.4	[5]0.3
Cost / Income Ratio (%)	67.2	83.9	70.1	74.3	71.9	[5]73.5

Market Funds / Tangible Banking Assets (%)	39.6	39.3	43.0	45.7	46.5 [5]42.8
Liquid Banking Assets / Tangible Banking Assets (%)	20.9	21.3	23.0	21.4	17.9 [5]20.9
Gross Loans / Total Deposits (%)	137.3	136.6	136.1	133.3	143.1 [5]137.3

Source: Moody's

[1] All figures and ratios are adjusted using Moody's standard adjustments [2] Basel III - fully-loaded or transitional phase-in; IFRS [3] Basel II; IFRS [4] Compound Annual Growth Rate based on IFRS reporting periods [5] IFRS reporting periods have been used for average calculation [6] Basel III - fully-loaded or transitional phase-in & IFRS reporting periods have been used for average calculation

## Opinion

### SUMMARY RATING RATIONALE

On 28 May, we confirmed Rabobank Nederland's (Rabobank) long-term senior unsecured debt and deposit ratings at Aa2 with a stable outlook. Its short-term senior unsecured debt and deposit ratings were affirmed at Prime-1. On the same day, we downgraded the bank's Baseline Credit Assessment (BCA) and adjusted BCA to a2 from a1 previously. Furthermore, we assigned a Counterparty Risk Assessment (CR Assessment) of Aa1(cr) / Prime-1(cr) to Rabobank.

Rabobank's Aa2 long-term debt and deposit ratings result from (1) the bank's standalone BCA of a2, (2) the application of Moody's Advanced Loss Given Failure (LGF) analysis, resulting in a two-notch uplift from the a2 BCA, and (3) government support uplift of one notch, reflecting a moderate probability of support.

The downgrade of the BCA to a2 reflects the deterioration of the bank's relative creditworthiness versus peers after a period of lacklustre operating results. Nonetheless, the bank's BCA is supported by its conservative business profile, as well as its strong financial fundamentals. The bank's leading position in the Dutch banking sector and strong position in the agribusiness sector worldwide, combined with its focus on domestic retail banking, are the primary drivers for a rather stable earnings generation capacity, albeit at a low level.

The BCA is also underpinned by the bank's high capital levels, which provide comfortable loss-absorption capacity, as well as its good asset quality overall. Nevertheless, Rabobank's BCA is constrained by its high reliance on wholesale funding, but this credit weakness is mitigated by sizeable liquidity buffers and the lengthening of the duration of debt issued by Rabobank in recent years.

Nonetheless, the bank's financial results have been impacted by elevated loan loss provisions, notably related to Dutch commercial real estate (CRE), and a number of large extraordinary items since 2012. Rabobank reported improved underlying results in the second half of 2014 and we believe that the bank's profitability will continue to improve in 2015 on the back of lower operating expenses and a declining cost of risk.

### RABOBANK'S BCA IS SUPPORTED BY ITS STRONG+ MACRO PROFILE

As a primarily domestic bank, Rabobank's operating environment is heavily influenced by the Netherlands and its Macro Profile is thus aligned with that of the Netherlands at Strong+. Dutch banks benefit from operating in a wealthy and developed country with a very high degree of economic, institutional and government financial strength as well as very low susceptibility to event risk. The main risks to the banking sector stem from (i) households, which have high leverage due to substantial amount of mortgage debt that exceeds 100% of GDP although they also have substantial level of savings that is locked in their pension and (ii) the SME sector which has suffered from a depressed economic environment.

The Dutch banking system is materially reliant on wholesale funding, which Moody's considers a credit weakness. Compared to other European countries, it has a relatively low stock of bank deposits because of the legal regime that requires Dutch households to invest a large portion of their savings in pension funds, some of which is returned to the banking sector in the wholesale markets.

### RATING DRIVERS

- Leading market positions in the Netherlands offer pricing power and stable earnings generation capacity
- Co-operative network-based corporate governance has not immunised the bank from risk management

deficiencies

- Overall resilient profitability despite recent period of lacklustre results
- Structural reliance on wholesale funding is mitigated by ample liquidity reserves and term structure of funding
- Capitalisation levels provide sound loss absorption capacity
- Solid asset quality, yet vulnerable to deterioration in the domestic housing and commercial real estate markets
- Large volume of subordinated debt and hybrid debt resulting in debt and deposit ratings benefiting from a very low loss-given-failure rate and two-notch uplift from the BCA
- Moderate probability of government support resulting in one-notch uplift from BCA for senior unsecured debt and deposits

## RATING OUTLOOK

The outlook on Rabobank's long-term senior unsecured debt and deposit ratings is stable.

### WHAT COULD CHANGE THE RATING UP

Rabobank's ratings are at the high end of banks' ratings globally, reflecting our view of the strong credit profile of the institution. An upgrade of the BCA and long-term ratings is remote in view of (i) its large reliance on wholesale funding; (ii) a relatively weak efficiency (albeit improving); and (iii) a still challenging operating environment which continues to put pressure on asset quality.

### WHAT COULD CHANGE THE RATING DOWN

The BCA could notably be lowered if (1) renewed weakness in the Dutch real estate sector impacted asset quality; (2) the bank were to rely more on short-term wholesale funding or its liquidity buffer decreased; and/or (3) the bank was unable to restore its currently low profitability levels in line with long-term historical metrics.

Rabobank's long-term debt and deposit ratings would be downgraded as a consequence of (1) a downgrade of the BCA; and/or (2) increased loss-given-failure for senior debt and deposit holders due to lower levels of subordinated debt or a lower level of pari passu debt benefiting these creditors.

## DETAILED RATING CONSIDERATIONS

### LEADING MARKET POSITIONS IN THE NETHERLANDS OFFER PRICING POWER AND STABLE EARNINGS GENERATION CAPACITY

Rabobank holds a leading position in domestic retail banking, which represented 58% of its revenues in 2014. The bank also operates strong international activities focusing on the food and agribusiness sector. We consider that Rabobank's franchise is one of the most robust amongst Dutch peers, based on the bank's strong integration in the local community and extensive experience in specialty areas (e.g. the food and agribusiness sector); this, in turn, results in strong pricing power and steady earnings generation capacity.

In the Netherlands, Rabobank's operations are carried out by a large network of local co-operative institutions (Rabobanks) and are supported by the wholesale banking capacities of Rabobank Nederland. The group's market shares range from 22% to 39%, both in the retail and corporate areas, whilst it reaches 85% in the domestic food and agribusiness banking segments (market shares as of year-end 2014).

International operations are also an area of strategic importance to Rabobank, both as a way to support Dutch clients operating internationally via the foreign branch network, and to capitalise on its knowledge and experience in the food and agribusiness sector with clients outside the Netherlands. This strategy is being pursued through its "wholesale banking and international rural and retail banking" entities in a selected number of countries. These include, the United States, Brazil and Chile, accounting altogether for around 9.2% of Rabobank's private sector loan book; Europe outside the Netherlands representing 3.4% of the bank's total loans; and Australia and New Zealand, representing together 4.3% of the bank's total loans.

Some of Rabobank's other operations introduce a higher level of earnings volatility relative to the bank's traditional retail banking activities. These include insurance (via a 29% stake in the Achmea group (unrated)) and property (Bouwfonds Property Development, FGH Bank, Bouwfonds REIM, and MAB Development).

## CO-OPERATIVE NETWORK-BASED CORPORATE GOVERNANCE HAS NOT IMMUNISED THE BANK FROM RISK MANAGEMENT DEFICIENCIES

Rabobank's corporate governance is dominated by the relationship between the 113 local Rabobanks, which form together the co-operative network, and Rabobank Nederland, the group's central body. In addition to its original function as a provider of support to the local Rabobanks and the holding company for several specialist subsidiaries, Rabobank Nederland has supervisory responsibilities over the local Rabobanks on behalf of the regulator and has wholesale and international banking operations. The local Rabobanks' scope of operations - largely focused on lending, collecting deposits and savings, private banking and provision of payments and cash management services - is subject to strict internal rules, which notably does not allow them to access capital markets. Risk policies are centralised and market risks other than credit risk must be hedged with Rabobank Nederland's treasury.

However, the local Rabobanks and representatives of the local communities have important powers under the Articles of Association over the group's strategic decisions. Through their representation in the Central Delegates Assembly (which meets at least four times a year) and the General Meeting, the local Rabobanks can act as a counter-balancing force against the bank's management in decisions involving major investments outside the Netherlands as well as domestic activities, scrutinising the benefit of these decisions for the co-operative interests. We believe this governance model has historically played an important role in containing the risks taken by the bank. Nonetheless, recent elevated loan loss provisions linked to real estate lessors and real estate development showed that the cooperative organisation did not immunise the bank against risk concentrations in the Netherlands and revealed risk management deficiencies. The investigations on LIBOR/EURIBOR manipulation also uncovered compliance shortcomings, which was unexpected at Rabobank and has led to remediation measures.

In light of the aforementioned developments, Rabobank is currently in the process of reviewing its governance model, which could result in local banks and Rabobank Nederland working together from a single cooperative with a combined banking license. The goal would be to enhance corporate governance of the group and improve efficiency. The final decisions on this project have not been taken yet. However, the process is well underway and January 1, 2016 is the proposed date for formally implementing the new governance model. We expect Rabobank will preserve a governance model based on its cooperative network and high risk management standards.

## OVERALL RESILIENT PROFITABILITY DESPITE RECENT PERIOD OF LACKLUSTRE RESULTS

As a co-operative group, Rabobank does not operate with the same high profitability objectives and constraints as joint-stock companies, but is more focussed on generating steadier albeit modest profits over time. Consequently, the group has maintained a more conservative policy than some of its competitors. Rabobank's business lines generally have a good degree of predictability and the bank's low earnings volatility over a multi-year time frame supports this view. This feature offsets the somewhat lower profitability levels. Nonetheless, the bank has posted a series of lacklustre results since 2012, impacted by elevated loan loss charges linked to Dutch CRE exposures and by a number of non-recurring charges.

In 2014, Rabobank's net banking revenues remained broadly stable at EUR 12,857 million (-1% versus 2013), with interest profit rising slightly due to a modest restoration of the margin on savings, partly offset by a decline in interest profit at the wholesale banking and international retail banking business. Commission income fell by 6% during the period, mainly due to lower commissions on insurance and investment products at the domestic retail banking business. Despite these modest revenue trends, Rabobank was able to enhance the bank's efficiency through good progress on its restructuring plan. Operating expenses fell by 17% to EUR 8,055 million in 2014, essentially due to a 15% decline in the number of employees. As a result of these significant efforts, the cost-to-income ratio decreased to 62.6% in 2014 (2013: 74.9%), a ratio closer to that of similarly-rated peers. We expect revenues to be relatively flat in the near future, with a modest pickup in lending volumes thanks to the expected rebound of the European economy counterbalanced by margin pressures linked to the low interest rate environment. We believe that operating expenses will continue to decrease as Rabobank proceeds with its restructuring plan until 2016.

Rabobank's loan loss provisions represented 57 bps of average gross loans in 2014 (2013: 56 bps), a level which is much higher than the long-run historical average of around 32 bps. This elevated cost of risk derives essentially from domestic lessors of real estate (34% of total loan loss provisions) and domestic SMEs (40%), with greenhouse horticulture still a weak sector. Domestic mortgages, with a cost of risk of 5 bps, produced 4% of the bank's loan loss provisions in 2014, although they represent 48% of the loan book. We expect the large loan loss provisions related to CRE exposures during 2013 and 2014 to represent the majority of the necessary provisions

linked to Dutch CRE, although elevated provisions are still expected in 2015. In addition, EUR 448 million were recorded as additions to existing provisions following the Asset Quality Review (AQR) led by the European Central Bank in 2014, an adjustment which is non-recurring and which represented 17% of the bank's loan loss provisions for the year. Going forward, we expect loan loss provisions to decrease as a percentage of pre-provision income to a level closer to the long-term historical average of one third from close to 60% in recent years.

Rabobank posted a net profit of EUR 1,842 million in 2014, an 8% decrease over 2013. This result was negatively impacted by an exceptional resolution levy of EUR 321 million in connection with the nationalization of SNS Reaal. We expect net profits to increase significantly in 2015 on the back of lower provisions linked to Dutch CRE and absent both the AQR provisions and the SNS resolution levy.

Our baa2 assigned score for Profitability reflects the historical stability and quality of earnings of the bank, as well as the expected rebound of profitability going forward. This score is adjusted from the b1 score derived from the lacklustre earnings of the last three years.

#### STRUCTURAL RELIANCE ON WHOLESALE FUNDING IS MITIGATED BY AMPLE LIQUIDITY RESERVES AND TERM STRUCTURE OF FUNDING

Despite its high structural reliance on wholesale funding, Rabobank's liquidity is robust and reflects its conservative asset and liability management and high liquidity buffers.

At year-end 2014, the group disclosed a loan-to-deposit ratio of 133% (year-end 2013: 135%). Despite some improvement, the excess of loans over deposit funding remains sizeable at EUR136 billion at year-end 2014 (year-end 2012: EUR151 billion) and continues to create a structural reliance on wholesale funding. In addition, a portion (35%) of the deposits is derived from international institutional and corporate investors, which may prove less stable than retail deposits.

Nevertheless, we believe that Rabobank's reliance on wholesale funding, which is a feature of the Dutch banking system, is largely mitigated by its conservative asset and liability management, based on an adequate duration of the bank's funding and a substantial liquidity portfolio. Of the EUR234 billion gross wholesale funding outstanding at year-end 2014, approximately EUR161 billion was long-term debt (excluding the portion of long-term debt with residual maturity of less than one year). Out of these, long-term debt worth EUR30 billion had residual maturities of five years or more. As of year-end 2014, the bank's liquidity buffer, consisting of cash, high-quality government bonds and other central bank eligible assets amounted to EUR123 billion, representing around 223% of the bank's net interbank borrowings and short-term debt securities (including the portion of long-term debt, the residual maturity of which is less than one year), resulting in a very robust liquidity profile.

The Basel 3 liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) of Rabobank stood at 144% and 115% respectively at year-end 2014.

The assigned combined liquidity score of a3 is the result of significant upward adjustments to account for the favourable term structure of market funding, the quality of liquid assets and the low asset encumbrance.

#### CAPITALISATION LEVELS PROVIDE SOUND LOSS ABSORPTION CAPACITY

We consider Rabobank's strong loss absorption capacity to be a key credit strength. At year-end 2014, Rabobank's Basel 3 Common Equity Tier 1 (CET1) ratio and Tier 1 ratio were 13.6% and 16.0% respectively, which provides good resilience to our stress tests.

The bank increased substantially its Tier 2 capital, which at 5.3% of risk-weighted assets at year-end 2014 (2013: 3.5%; 2012: 3.2%), has been the main contributor to the rise in the group's capital ratio to 21.3% as of the same date. This results from Rabobank's intention to further increase the level of loss absorption capital and subordinated 'bail-in-able' debt to protect the senior unsecured bondholders. The strategy of the bank consists in progressively increasing the share of retained earnings and Tier 2 debt (or other forms of subordinated debt) in its capital mix.

Rabobank disclosed a buffer of equity and subordinated debt of EUR51.3 billion which protects senior unsecured debt at year-end 2014, equivalent to 25% of risk-weighted assets and 7.5% of the balance sheet total. This bail-in buffer, which is Rabobank's own measurement of bail-in-able cushion, looks higher than the Financial Stability Board's (FSB) Total Loss-Absorbing Capital (TLAC) because it is based on gross numbers (it does not include any regulatory deductions to CET1 and/or grandfathering of old-style Tier 1 instruments). Rabobank has not been put on the list of Global Systemically Important Bank (G-SIB) by the FSB and therefore is not expected to comply

with TLAC requirements. Nonetheless, we expect similar measures to apply to Domestic-SIB in the future. In addition, Rabobank will have to comply with the EU's Minimum Required Eligible Liabilities (MREL) from 1 January 2016 onwards.

Our assigned capital score of aa3 reflects the bank's strong ratios and our belief that the bank's capitalisation is a strength.

#### SOLID ASSET QUALITY, YET VULNERABLE TO DETERIORATION IN THE DOMESTIC HOUSING AND COMMERCIAL REAL ESTATE MARKETS

We view Rabobank's asset quality as sound because of (1) its rather conservative underwriting and investment policy; and (2) its very limited exposure to countries in riskier parts of the euro area. Nevertheless, with 76% of its private sector lending in the Netherlands, Rabobank is particularly exposed to a deterioration of the Dutch economy and more particularly of its real estate sector. In 2012, 2013 and 2014, the bulk of the deterioration in asset quality came from the CRE portfolio:

- Within the domestic retail banking segment (with a loan portfolio of EUR290 billion or 67% of Rabobank's total private-sector lending at year-end 2014), the property sector as well as lending to greenhouse horticulture and inland shipping have contributed to the increase in credit costs. However, the residential mortgage portfolio, which represents a large portion of the segment, continued to perform well, with a credit cost of 5.4 bps in 2014 (2013: 6.1 bps). Although this market continues to perform well, we continue to consider that its specific features - including very high loan-to-value (LTV) ratios and a proportion of bullet loans of 25% - make it vulnerable in a scenario of a severe deterioration of the economy. Nonetheless, we note that new mortgages now have the statutory obligation to amortise in order to benefit from the tax deductibility of interests.

- Within the wholesale and international retail banking segment (with a loan portfolio of EUR95 billion or 22% of Rabobank's total loan book at year-end 2014), credit costs have decreased to 44 bps in 2014 (2013: 57 bps), partly due to de-risking and the run-off of ACC Bank in Ireland.

- The performance of the leasing portfolio (EUR27 billion or 6% of Rabobank's total loan book at year-end 2014) has improved with credit costs of 43 bps (2013: 59 bps).

- The real-estate segment continued to deteriorate with value adjustments of 364 bps in 2014 (2013: 278 bps; 2012: 124bps). The poor performance of the Dutch CRE market continues to weigh heavily on the portfolio of the Bank (Rabo Real Estate Group's loan portfolio accounted for EUR16.8 billion or 3.9% of Rabobank's total loan book at year-end 2014). However, Rabo Real Estate Group reported a net loss of only EUR263 million in 2014 compared to EUR -814 million in 2013. In 2013, Rabo Real Estate Group's result was affected by approximately EUR0.6 billion of impairments on land held through the bank's equity participations in development projects. We expect much lower impairments going forward. The Asset Quality Review performed by the Dutch National Bank (DNB) in 2013 on the group's CRE exposures concluded that Rabobank maintained an adequate level of capital for this portfolio.

Rabobank was included in the ECB's Comprehensive Assessment. On 26 October 2014, the ECB announced that the group had passed the two stress tests by significant margins. Rabobank's CET1 ratio was reported to be 11.20% under the baseline scenario and 8.35% under the adverse scenario, against minimum thresholds of 8% and 5.5%, respectively.

Our assigned Asset Risk score of a3 contributes negatively to the overall assessment of the bank's standalone credit strength.

Overall, our assigned BCA is a2, in line with the our assessment of the bank's Financial Profile.

#### NOTCHING CONSIDERATIONS

##### LOSS GIVEN FAILURE AND ADDITIONAL NOTCHING

Rabobank is subject to the EU Bank Resolution and Recovery Directive (BRRD), which we consider to be an Operational Resolution Regime. We assume residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets, a 25% run-off in "junior" wholesale deposits, a 5% run-off in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. These assumptions are in keeping with our standard assumptions.

We believe that Rabobank's deposits are likely to face very low loss-given-failure, due to the loss absorption

provided by subordinated debt and, potentially, by senior unsecured debt should deposits be treated preferentially in a resolution, as well as the substantial volume of deposits themselves. This is supported by the combination of the substantial deposit volume (we estimate junior deposits to make up about 11% of the bank's tangible banking assets in failure), and the subordination of 5.6% of tangible banking assets (and about 26% in the event of deposits being preferred to senior unsecured debt). This results in a Preliminary Rating Assessment (PRA) two notches above the BCA.

We believe that Rabobank's senior unsecured debt is also likely to face very low loss-given-failure. This is supported by the combination of senior unsecured debt's own volume (about 21% of the group's tangible banking assets in failure, or 32% including junior deposits), and the amount of subordination (including subordinated debt, low-trigger/old style hybrid debt and residual equity) of about 6%. This results in a Preliminary Rating Assessment (PRA) two notches above the BCA.

For junior securities issued by Rabobank, our LGF analysis confirms a high level loss-given-failure, given the small volume of debt and limited protection from more subordinated instruments and residual equity. We also incorporate additional notching for junior subordinated and hybrid debt instruments reflecting the coupon features.

## GOVERNMENT SUPPORT

The implementation of the BRRD has led us to reconsider the potential for government support to benefit certain creditors. We now expect a moderate probability of government support for deposits and debt, resulting in a one-notch uplift to the PRAs of both the long-term deposits and senior unsecured debt of the bank compared to two notches currently.

For subordinated and other junior securities, we continue to believe that potential government support is low and these ratings do not include any related uplift. Junior securities also include additional downward notching from the BCA reflecting coupon suspension risk ahead of a potential failure.

## COUNTERPARTY RISK ASSESSMENT

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (e.g., swaps), letters of credit, guarantees and liquidity facilities.

The CR Assessment is positioned at Aa1(cr)/Prime-1(cr).

The CR Assessment, prior to government support, is positioned three notches above the Adjusted BCA of a2 (similar to the a2 BCA), based on the cushion against default provided to the senior obligations represented by the CR Assessment by subordinated instruments amounting to 35% of Tangible Banking Assets. The main difference with our Advanced LGF approach used to determine instrument ratings is that the CR Assessment captures the probability of default on certain senior obligations, rather than expected loss, therefore we focus purely on subordination and take no account of the volume of the instrument class.

## ABOUT MOODY'S BANK SCORECARD

Our Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our Scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The Scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

## Rating Factors

### Rabobank Nederland

Macro Factors	
Weighted Macro Profile	Strong +

Financial Profile						
Factor	Historic Ratio	Macro Adjusted Score	Credit Trend	Assigned Score	Key driver #1	Key driver #2
<b>Solvency</b>						
<b>Asset Risk</b>						
<i>Problem Loans / Gross Loans</i>	3.4%	a3	← →	a3	Quality of assets	Sector concentration
<b>Capital</b>						
<i>TCE / RWA</i>	15.7%	aa3	← →	aa3	Risk-weighted capitalisation	
<b>Profitability</b>						
<i>Net Income / Tangible Assets</i>	0.2%	b1	↑	baa2	Earnings quality	
<b>Combined Solvency Score</b>		a3		a2		
<b>Liquidity</b>						
<b>Funding Structure</b>						
<i>Market Funds / Tangible Banking Assets</i>	39.6%	ba2	← →	baa2	Term structure	Deposit quality
<b>Liquid Resources</b>						
<i>Liquid Banking Assets / Tangible Banking Assets</i>	20.9%	baa1	← →	a1	Quality of liquid assets	Encumbrance
<b>Combined Liquidity Score</b>		baa3		a3		

<b>Financial Profile</b>
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<b>a2</b>
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<b>Qualitative Adjustments</b>
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<b>Adjustment</b>
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Business Diversification
Opacity and Complexity
Corporate Behavior
<b>Total Qualitative Adjustments</b>

0
0
0
<b>0</b>

Sovereign or Affiliate constraint
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Aaa
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Scorecard Calculated BCA range
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a1 - a3
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<b>Assigned BCA</b>
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<b>a2</b>
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Affiliate Support notching
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<b>0</b>
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<b>Adjusted BCA</b>
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<b>a2</b>
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Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency rating	Foreign Currency rating
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Deposits	2	0	aa3	1	Aa2	Aa2
Senior unsecured bank debt	2	0	aa3	1	Aa2	Aa2
Dated subordinated bank debt	-1	0	a3	0	A3	A3
Non-cumulative bank preference shares	-1	-2	baa2	0	Baa2(hyb)	Baa2(hyb)

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