Press Release

Date of Release: March 2, 2015

DBRS: Rabobank 2014 Results Supported by Improved Cost Controls

Industry: Fin.Svc.--Banks & Trusts

Summary:
• Reduced underlying expenses support improved underlying earnings
• Impairment charges remain elevated at EUR 2.6 billion, with bad debt costs above the long-term average at 60 bps
• DBRS rates Rabobank Nederland at AA (high) with a Negative trend for Long-Term Deposits and Senior Debt

From DBRS Ratings Limited's (DBRS) perspective, the full year 2014 results of Rabobank Group's (Rabobank or the Bank) indicate the progress being made on lowering the cost base. On an underlying, DBRS adjusted basis (this includes the payments on capital securities and the Dutch bank tax but excludes the 2013 settlement in relation to the LIBOR submission process), the Bank reported income before provisions and taxes (IBPT) of EUR 3.9 billion, up 23% year-on-year (YoY) driven by a 10% reduction in underlying operating expenses. Further reduction in the number of employees, and lower restructuring costs were the major drivers, helping the Bank to achieve an improved DBRS calculated cost-income ratio of 68.1%. Statutory net profit for the year was EUR 1.8 billion, down 8% YoY, driven principally by the EUR 321 million cost to the Bank of the resolution levy linked to the cost of nationalising SNS Reaal and the substantial one-offs in 2013, including the sale of Robeco.

Impairment charges, however, remained elevated in 2014, at EUR 2.6 billion, driven mainly by the domestic commercial real estate portfolio. DBRS also notes that impairment charges increased within the domestic retail banking portfolio as a result of the charge recognised in connection with Asset Quality Review. In relation to the average loan portfolio, bad debt costs amounted to 60 basis points (bps), significantly higher than the long-term average of 32 bps.

Total impaired loans remained flat YoY at EUR 16.1 billion, with reductions in impaired loans in the domestic retail banking, wholesale & international retail and leasing portfolios being offset by a 14% increase in the domestic real estate portfolio (including property development) following further deterioration of the real estate market in 2014. As a result, the impaired loan ratio in the domestic real estate portfolio increased to 18.8%, from 15.1% at end-2013. Given the still challenging market conditions in the commercial real estate (CRE) market in the Netherlands, DBRS expects CRE impairment charges to remain elevated in the near future. However as the Dutch economy begins to recover, DBRS expects the quality of the other loan books will improve.

Rabobank has continued to strengthen its balance sheet, posting solid capital ratios at the end of 2014. The Bank's fully loaded common equity tier 1 (CET1) ratio was 11.8%, an increase of 100 bps from end-1H14, whilst the fully-loaded leverage ratio was 3.6%. On a transitional basis, the CET1 ratio was 13.6%, and the leverage ratio was 4.9%.

DBRS rates Rabobank Nederland at AA (high) with a Negative trend for Long-Term Deposits and Senior Debt.

Notes:
All figures are in Euros (EUR) unless otherwise noted.

For more information on this credit or on this industry, visit www.dbrs.com or contact us at info@dbrs.com.

Ross Abercromby
Senior Vice President - Global FIG
+44 20 7855 6657
rabercromby@dbrs.com

David Laterza, CPA
Senior Vice President - Global FIG
+1 212 806 3270
dlaterza@dbrs.com

Jack Deegan
Assistant Vice President - Global FIG
+44 20 7855 6689
jdeegan@dbrs.com

Alan G. Reid
Group Managing Director – Financial Institutions and Sovereign Group
+1 212 806 3232
areid@dbrs.com

ALL DBRS RATINGS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS. ADDITIONAL INFORMATION

REGARDING DBRS RATINGS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON WWW.DBRS.COM.