

Banks Ratings Navigator		
Navigator date:	03 May 2016	
Last rating action:	14 Apr 2016	
Sector Details:		
Bank sector:	Universal Commercial	
Region:	DM Europe	
Country:	Netherlands	
Country IDR:	AAA Stable	
Last action:	13 Nov 15 Affirmed	
Country ceiling:	AAA	
Macro prudential indicator:	1	
Bank systemic indicator:	a	
Bank Rating History		
<b>Viability Rating (VR)</b>		
14 Apr 16	a+	Affirmed
14 Jan 16	a+	New Rating
Issuer Default Rating (IDR)		
14 Apr 16	AA- Stable	Affirmed
14 Jan 16	AA- Stable	Affirmed
09 Jun 15	AA- Stable	Affirmed
Support Rating Floor (SRF)		
14 Apr 16	NF	Affirmed
14 Jan 16	NF	New Rating
19 May 15	WD	Withdrawn
Bar Chart Legend:		
Vertical bars = VR range of Rating Factor		
Bar Colors = Influence on final VR		
■	Higher Influence	
■	Moderate Influence	
■	Lower Influence	
Bar Arrows = Rating Factor Outlook		
↑	Positive	↓ Negative
↕	Evolving	□ Stable
Peer Ratings bars = Count of banks		
64	DM Europe Universal Commercial	
4	Netherlands Universal Commercial	
Relevant Criteria & References		
<a href="#">Global Bank Rating Criteria (Mar 2015)</a>		
<a href="#">Macro-Prudential Risk Monitor (Nov 2015)</a>		
Analysts		
Olivia Perney (+ 33 1 44 29 91 74)		
Jens Hallen (+44 20 3530 1326)		

	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Financial Profile			Viability Rating	Support Rating Floor	Issuer Default Rating
							Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity			
aaa										aaa	AAA	AAA
aa+										aa+	AA+	AA+
aa										aa	AA	AA
aa-										aa-	AA-	AA- Stable
a+										a+	A+	A+
a										a	A	A
a-										a-	A-	A-
bbb+										bbb+	BBB+	BBB+
bbb										bbb	BBB	BBB
bbb-										bbb-	BBB-	BBB-
bb+										bb+	BB+	BB+
bb										bb	BB	BB
bb-										bb-	BB-	BB-
b+										b+	B+	B+
b										b	B	B
b-										b-	B-	B-
ccc										ccc	CCC	CCC
cc										cc	CC	CC
c										c	C	C
f										f	NF	D or RD

Support Rating Floor	Value		
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)	A+ to A-		
Actual country D-SIB SRF	NF		
<b>Support Rating Floor:</b>	<b>NF</b>		
Support Factors	Positive	Neutral	Negative
Sovereign ability to support system			
Size of banking system			✓
Size of potential problem	✓		
Structure of banking system			✓
Liability structure of banking system		✓	
Sovereign financial flexibility			
Sovereign propensity to support system		✓	
Track record of banking sector support		✓	
Resolution legislation			✓
Government statements of support			✓
Sovereign propensity to support bank			
Systemic importance		✓	
Ownership		✓	
Liability structure of bank		✓	
Specifics of bank failure		✓	
Policy banks			
Policy role			
Funding guarantees and legal status			
Government ownership			

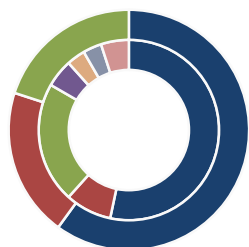
Drivers & Sensitivities	
<b>Modest Risk Appetite Supports VR</b>	Cooperatieve Rabobank's VR is underpinned by its modest risk appetite, which Fitch believes will remain central to the bank's strategy, and also factors in its leading position in retail banking in the Netherlands and further improvement in capitalisation.
<b>Focus on Core Banking Activities</b>	Fitch does not expect the group to deviate from its focus on core businesses. The resilient Dutch residential mortgage loan portfolio reflects fairly conservative underwriting standards, and the de-risking of commercial real estate lending is reducing downside tail risks.
<b>Improving Capitalisation Factored into Rating</b>	Fitch expects Rabobank to hit its target of a minimum common equity Tier 1 ratio of 14% by 2020. Rabobank is considering reducing its assets significantly to meet higher capital requirements and strengthen its balance-sheet flexibility.
<b>Addressing Weak Structural Profitability</b>	Weaker profitability than peers reflects Rabobank's high cost base, partly arising from the group's cooperative nature. Fitch expects that the bank's structural and cyclical earnings improvement trend will continue to reduce the profitability gap with similarly rated peers.
<b>High Wholesale Funding; Prudent Liquidity</b>	Rabobank is structurally reliant on wholesale funding, making it sensitive to investor confidence. However, market access has been solid, the bank maintains an ample liquidity buffer, and liquidity management is prudent.
<b>Sensitive to Setback in Improving Trend</b>	Rabobank's VR is sensitive to any material setbacks in the improving trend in the bank's structural profitability or delays in strengthening capitalisation. A reduced focus on maintaining a high liquidity buffer would also put negative pressure on the rating.
<b>IDR Above VR</b>	The Long-Term IDR is one notch above the VR reflecting the bank's significant junior debt buffer, which could be made available to protect the senior obligations from default in case of failure.
<b>IDR Sensitive to Reduced Junior Debt Buffer</b>	We believe the size of the junior debt buffer would need to be maintained at a minimum of 10% of risk exposure to maintain the one-notch uplift on the IDR. We assume this will be further strengthened, in line with the minimum total capital ratio target of 25% by 2020.

Key Financial Ratios (19 Apr 2016)	Rabobank				Direct Peers Median				Region Sector Median			
	Number of Banks:				5	6	6	6				
	Statement:				FYE15	FYE14	FYE13	FYE12	FYE15	FYE14	FYE13	FYE12
<b>Size (USDbn)</b>												
Total assets	730	827	923	991	425	565	608	589	278	323	353	367
Risk weighted assets (incl. Basel floor/cap)	232	257	291	294	118	177	182	182	118	108	123	131
Total equity	35	38	41	44	18	28	30	28	16	17	19	16
Fitch core capital (FCC)	31	33	35	35	18	23	23	20	15	15	17	13
<b>Asset Quality</b>												
Growth of gross loans	-1.5%	-0.1%	-5.0%	2.9%	1.1%	3.0%	-0.2%	2.3%	0.7%	0.1%	-3.1%	-1.4%
Impaired loans/gross loans	4.4%	3.6%	3.6%	2.4%	2.6%	3.0%	3.0%	2.5%	4.2%	5.3%	5.9%	5.8%
Reserves for impaired loans/impaired loans	42.9%	58.0%	53.1%	34.3%	55.8%	58.0%	58.6%	62.9%	58.2%	57.7%	58.6%	54.5%
Imp loans less reserves for imp Loans/FCC	39.7%	25.1%	29.7%	27.5%	16.3%	20.0%	21.6%	24.2%	13.9%	19.7%	27.0%	19.9%
Loan impairment charges/avg gross loans	0.3%	0.6%	0.6%	0.5%	0.2%	0.3%	0.4%	0.4%	0.3%	0.4%	0.6%	0.8%
<b>Earnings and Profitability</b>												
Net interest income/average earning assets	1.5%	1.5%	1.5%	1.4%	1.5%	1.4%	1.4%	1.3%	1.6%	1.6%	1.6%	1.5%
Non-interest expense/gross revenues	69.1%	63.2%	79.6%	66.6%	56.3%	58.0%	58.8%	62.5%	62.5%	62.6%	63.2%	60.9%
Loans & secs imp charges/pre-imp op. profit	24.8%	52.4%	112.8%	48.4%	15.7%	21.4%	29.0%	29.9%	21.0%	24.3%	33.4%	45.6%
Operating profit/average total assets	0.5%	0.4%	-0.0%	0.3%	0.7%	0.7%	0.6%	0.5%	0.6%	0.5%	0.4%	0.4%
Operating profit/risk weighted assets	1.5%	1.1%	-0.1%	1.1%	2.5%	2.0%	1.8%	1.6%	1.7%	1.5%	1.3%	1.1%
Net income/average total equity	6.9%	6.0%	6.3%	5.9%	11.9%	8.0%	8.7%	9.1%	7.2%	6.2%	5.8%	3.5%
<b>Capital and Leverage</b>												
Fitch core capital/risk weighted assets	13.2%	12.7%	12.1%	12.0%	14.9%	12.9%	12.1%	11.0%	13.7%	12.7%	12.0%	10.7%
Fitch eligible capital/risk weighted assets	15.9%	14.3%	13.5%	13.4%	15.9%	14.5%	12.8%	11.1%	14.1%	12.8%	11.8%	11.0%
Tangible common equity/tangible assets	4.4%	4.1%	4.0%	4.1%	4.8%	4.5%	4.1%	4.1%	5.3%	5.3%	5.2%	3.8%
Core Tier 1 regulatory capital ratio	13.5%	13.6%	13.5%	13.1%	15.5%	14.3%	14.0%	12.0%	14.4%	13.4%	12.0%	10.8%
Internal capital generation	3.0%	2.2%	3.3%	2.8%	3.6%	4.5%	4.1%	4.3%	3.7%	3.4%	3.5%	2.7%
<b>Funding and Liquidity</b>												
Loans/customer deposits	132.6%	139.8%	139.7%	143.9%	132.6%	132.3%	133.0%	135.6%	111.6%	117.5%	116.3%	124.7%
Interbank assets/interbank liabilities	75.5%	103.1%	131.8%	73.9%	76.7%	99.1%	144.6%	94.5%	77.5%	71.9%	87.3%	78.4%
Customer deposits/total funding excl derivs	59.7%	57.3%	57.5%	54.1%	59.7%	58.0%	59.4%	56.2%	67.0%	64.5%	62.2%	57.1%

**Business Mix**

(by profit or revenue)

- Retail banking (60%)
- SME banking (20%)
- Corporate banking (20%)
- Investment banking (0%)
- Transaction banking (0%)
- Asset management (0%)
- Insurance (0%)
- Other (0%)

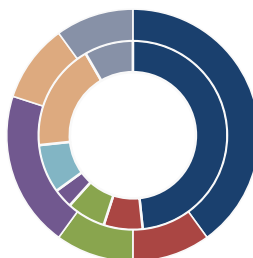


Outer: Rabobank  
Inner: Direct Peers Average

**Lending Type**

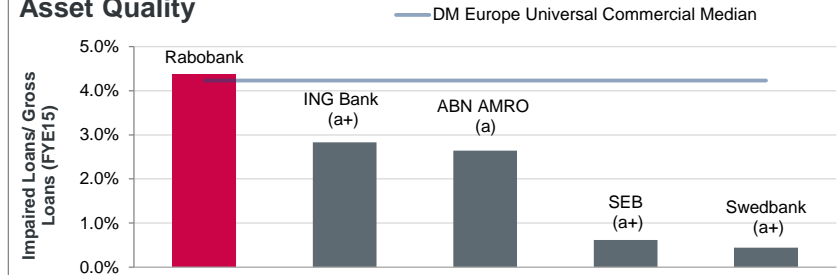
(by loans)

- Resi mortgages (40%)
- Comm mortgages (10%)
- Asset finance (10%)
- Other secured (20%)
- Personal unsecured (0%)
- Comm unsecured (10%)
- Fls & Sovs (10%)
- High yield (0%)
- Other unsecured (0%)

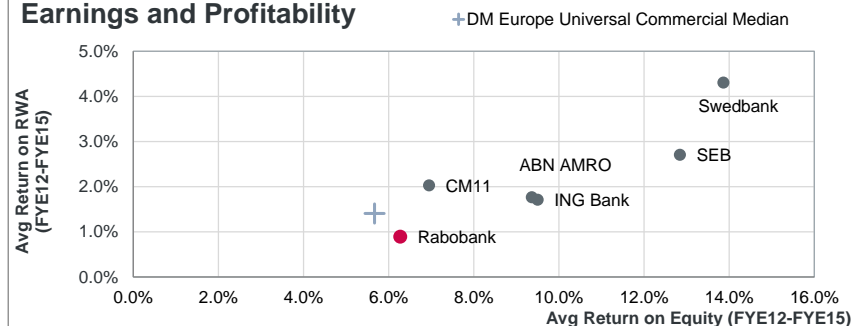


Outer: Rabobank  
Inner: Direct Peers Average

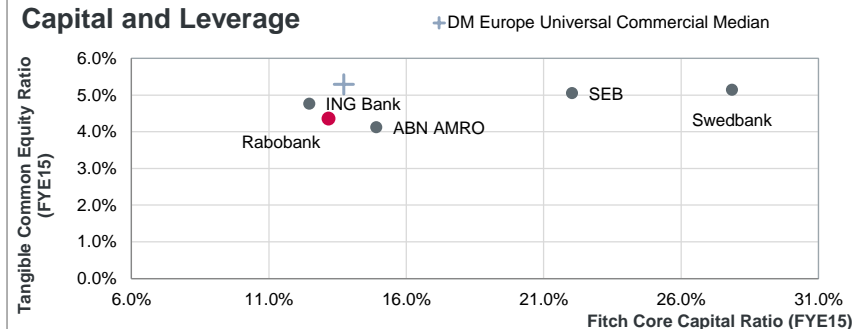
**Asset Quality**



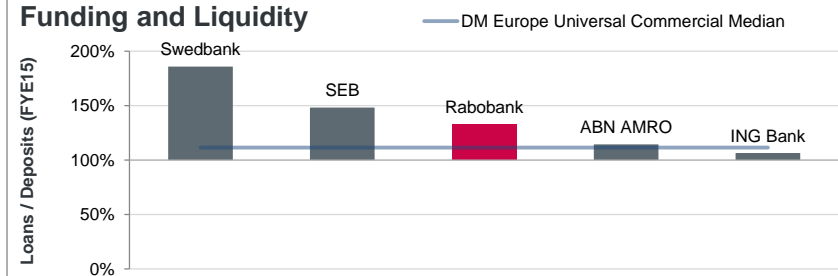
**Earnings and Profitability**



**Capital and Leverage**



**Funding and Liquidity**



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