



Date of Release: November 1, 2018

Insight beyond the rating.

DBRS Confirms Coöperatieve Rabobank at AA, Stable Trend

Industry: Fin.Svc.--Banks & Trusts

DBRS Ratings Limited (DBRS) confirmed Coöperatieve Rabobank U.A.'s (Rabobank or the Group) Long-Term Issuer Rating as well as its Long-Term Senior Debt and Long-Term Deposits at AA. Concurrently, the Group's Short-Term Issuer Rating was confirmed at R-1 (high). The trend on all ratings remains Stable. A full list of rating actions is included at the end of this press release.

KEY RATING CONSIDERATIONS

The confirmation of the ratings takes into consideration the Group's leading franchise in the Netherlands and in food & agriculture financing. The ratings also incorporate the strong financial fundamentals of Rabobank, including a robust capital position and sound asset quality as well as the Group's strengthened funding profile and large liquidity buffers. Conversely the ratings also reflect Rabobank's still modest albeit improving profitability and efficiency levels.

RATING DRIVERS

Upwards pressure on the ratings is unlikely at the moment, given the already high rating level. Conversely, negative rating implications could arise if (i) the Group is unable to achieve profitability and efficiency levels in line with similarly rated peers despite recent progress or (ii) there is a significant downturn in the Dutch housing market, which impacts the Group's asset quality, given their large domestic mortgage exposure.

RATING RATIONALE

Rabobank's earnings have been resilient in recent years although at lower levels than peers, due to the Group's cooperative status as well as modest efficiency profile. In 1H18, Rabobank posted a net profit of EUR 1.7 billion, up from EUR 1.5 billion in the previous year, thanks to supportive economic conditions as well as lower restructuring expenses. Excluding non-recurring items, however, underlying pre-tax profit was largely stable at EUR 2.3 billion, as lower expenses and higher returns from the real estate segment offset weaker core revenues. Net interest income, which accounted for 71% of Rabobank's total income in 1H18, was down 4%YoY to EUR 4.3 billion due to a prolonged low interest rate environment as well as still high mortgage prepayments, although declining. Rabobank's reported cost-to-income ratio (including regulatory levies) decreased to 64.6% from 67.6% in 1H17 (71.3% at end-2017). Nonetheless this still compares unfavorably with similarly rated peers. Furthermore, despite the initiatives under way, in DBRS' view achieving the 53-54%

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings Limited (England and Wales)(CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings México, Institución Calificadora de Valores S.A. de C.V. (Mexico)(CRA, NRSRO affiliate, DRO affiliate). Please note that DBRS Ratings Limited was registered as an NRSRO affiliate on July 14, 2017. For more information on regulatory registrations, recognitions and approvals, please see: <http://www.dbrs.com/research/225752/highlights.pdf>.

© 2018, DBRS. All rights reserved. The information upon which DBRS ratings and other types of credit opinions and reports are based is obtained by DBRS from sources DBRS believes to be reliable. DBRS does not audit the information it receives in connection with the analytical process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, other types of credit opinions, reports and any other information provided by DBRS are provided "as is" and without representation or warranty of any kind. DBRS hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS or its directors, officers, employees, independent contractors, agents and representatives (collectively, DBRS Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of ratings and rating reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS or any DBRS Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. Ratings and other types of credit opinions issued by DBRS are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness or recommendations to purchase, sell or hold any securities. A report with respect to a DBRS rating or other credit opinion is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. DBRS may receive compensation for its ratings and other credit opinions from, among others, issuers, insurers, guarantors and/or underwriters of debt securities. DBRS is not responsible for the content or operation of third party websites accessed through hypertext or other computer links and DBRS shall have no liability to any person or entity for the use of such third party websites. This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS. ALL DBRS RATINGS AND OTHER TYPES OF CREDIT OPINIONS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS AT <http://www.dbrs.com/about/disclaimer>. ADDITIONAL INFORMATION REGARDING DBRS RATINGS AND OTHER TYPES OF CREDIT OPINIONS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE



cost-to-income ratio set in the 2016-2020 framework might prove challenging, given the pressure on revenues from intense competition and low interest rates, the expected normalisation in cost of risk from exceptionally low levels as well as the acceleration in digital investments.

Rabobank's risk profile remains sound, supported by a benign credit environment in the Netherlands. At end-June 2018, DBRS-calculated gross non-performing loans (NPL) ratio stood at 4.5%, from 5.0% at the beginning of 2018. The Bank's domestic residential mortgage lending, which accounts for approximately half of the loan book, maintained a very low NPL ratio of 1.2% at June 2018, down from 1.5% at January 2018 (after the implementation of the EBA definition of default). At the same time, while the Dutch housing market shows a strong upswing recovery since 2013, there are also some signs of overheating locally. At present, DBRS views this as manageable given stricter regulatory requirements on mortgage lending since 2013, as well as a declining average loan-to-value (LTV) ratio of Rabobank's Dutch residential mortgages portfolio, down to 67%, from 69% at end-2017. The share of residential mortgages having an LTV > 100%, furthermore, was down to 8%, from 11% at end-2017. The Group is also making progress in deleveraging its domestic commercial real estate portfolio, through recoveries and disposals, with the loan book decreasing to EUR 22 billion at June-2018, from EUR 22.9 billion at end-2017 and EUR 23.8 billion at end-2016.

Rabobank maintains a solid funding profile, underpinned by its diversified funding sources as well as a large liquidity buffer. Following good deposit growth and deleveraging efforts, Rabobank's loan-to-deposit ratio improved to 120% in June 2018, from 126% at end-2015. In line with the Group's Strategic Framework 2016-2020, wholesale funding usage continued to reduce, reaching EUR 164 billion at end-June 2018 from EUR 171 billion at end-June 2017, and EUR 203 billion at end-December 2015, and is closer to the 2020 target of EUR 150 billion. The liquidity position of the Group was robust at EUR 119 billion while the liquidity coverage ratio (LCR) stood at 136% and the net stable funding ratio (NSFR) at 119% at end-June 2018.

DBRS considers Rabobank's capital position to be robust. The Group's fully loaded CET1 ratio strengthened to 15.8% at end-June 2018, from 15.5% at end-2017, mainly driven by retained profits. This provides a large cushion over the 10.375% minimum CET1 SREP requirement set for 2018 and 11.75% expected for 2019. Rabobank estimated that Basel IV could increase the Group's RWAs by 30-35%, based on end-2017 balance sheet, equivalent to approximately 400bps of fully loaded CET1. The impact is significant and DBRS anticipates the Group to continue the balance sheet optimisation process under way and to improve its internal capital generation capacity.

Rabobank has received a binding MREL requirement of approximately EUR 65 billion, or 30.96% of the Group's RWAs at end-2016. Including senior preferred bonds, which are MREL eligible



according to BRRD I, Rabobank already complies with the requirement. However, the Group aims to meet the requirement with own funds and non-preferred senior bonds, which at end-June 2018 stood at EUR 53 billion, or 26.5% of RWAs. The Group expects to fill the gap with the issuance of EUR 3-5 billion per annum of senior non preferred bonds. In this context, in August 2018, Rabobank issued its first senior non preferred bond for a total of EUR 1 billion, followed by a second issuance of USD 1.25 billion in September 2018.

The Grid Summary Grades for Coöperatieve Rabobank U.A. are as follows: Franchise Strength – Very Strong/Strong; Earnings – Strong; Risk Profile – Strong; Funding & Liquidity – Very Strong/Strong; Capitalisation – Very Strong/Strong.

Notes:

All figures are in Euros unless otherwise noted.

The principal applicable methodology is the Global Methodology for Rating Banks and Banking Organisations (July 2018). This can be found at: <http://www.dbrs.com/about/methodologies>

The sources of information used for this rating include company documents and SNL Financial. DBRS considers the information available to it for the purposes of providing this rating to be of satisfactory quality.

DBRS does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance.

Generally, the conditions that lead to the assignment of a Negative or Positive Trend are resolved within a twelve-month period. DBRS's outlooks and ratings are under regular surveillance.

For further information on DBRS historical default rates published by the European Securities and Markets Authority ("ESMA") in a central repository, see: <http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

Ratings assigned by DBRS Ratings Limited are subject to EU and US regulations only.

Lead Analyst: Vitaline Yeterian, Vice President, Global FIG

Rating Committee Chair: Elisabeth Rudman, Managing Director, Head of EU FIG, Global FIG

Initial Rating Date: May 16, 2001

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings Limited (England and Wales)(CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings México, Institución Calificadora de Valores S.A. de C.V. (Mexico)(CRA, NRSRO affiliate, DRO affiliate). Please note that DBRS Ratings Limited was registered as an NRSRO affiliate on July 14, 2017. For more information on regulatory registrations, recognitions and approvals, please see: <http://www.dbrs.com/research/225752/highlights.pdf>.

© 2018, DBRS. All rights reserved. The information upon which DBRS ratings and other types of credit opinions and reports are based is obtained by DBRS from sources DBRS believes to be reliable. DBRS does not audit the information it receives in connection with the analytical process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, other types of credit opinions, reports and any other information provided by DBRS are provided "as is" and without representation or warranty of any kind. DBRS hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS or its directors, officers, employees, independent contractors, agents and representatives (collectively, DBRS Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of ratings and rating reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS or any DBRS Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. Ratings and other types of credit opinions issued by DBRS are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness or recommendations to purchase, sell or hold any securities. A report with respect to a DBRS rating or other credit opinion is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. DBRS may receive compensation for its ratings and other credit opinions from, among others, issuers, insurers, guarantors and/or underwriters of debt securities. DBRS is not responsible for the content or operation of third party websites accessed through hypertext or other computer links and DBRS shall have no liability to any person or entity for the use of such third party websites. This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS. ALL DBRS RATINGS AND OTHER TYPES OF CREDIT OPINIONS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS AT <http://www.dbrs.com/about/disclaimer>. ADDITIONAL INFORMATION REGARDING DBRS RATINGS AND OTHER TYPES OF CREDIT OPINIONS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE



Most Recent Rating Update: November 8, 2017

DBRS Ratings Limited
20 Fenchurch Street
31st Floor
London
EC3M 3BY
United Kingdom
Registered in England and Wales: No. 7139960

Information regarding DBRS ratings, including definitions, policies and methodologies, is available on www.dbrs.com.

Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
Coöperatieve Rabobank U.A.	Long-Term Issuer Rating	Confirmed	AA	Stb	Nov 1, 2018
Coöperatieve Rabobank U.A.	Long Term Critical Obligations Rating	Confirmed	AAA	Stb	Nov 1, 2018
Coöperatieve Rabobank U.A.	Long-Term Senior Debt	Confirmed	AA	Stb	Nov 1, 2018
Coöperatieve Rabobank U.A.	Long-Term Deposits	Confirmed	AA	Stb	Nov 1, 2018
Coöperatieve Rabobank U.A.	Short-Term Issuer Rating	Confirmed	R-1 (high)	Stb	Nov 1, 2018
Coöperatieve Rabobank U.A.	Short Term Critical Obligations Rating	Confirmed	R-1 (high)	Stb	Nov 1, 2018
Coöperatieve Rabobank U.A.	Short-Term Debt	Confirmed	R-1 (high)	Stb	Nov 1, 2018
Coöperatieve Rabobank U.A.	Short-Term Deposits	Confirmed	R-1 (high)	Stb	Nov 1, 2018

Vitaline Yeterian
Vice President - Global FIG
+44 20 7855 6623
vyeterian@dbrs.com

Mario Carrara
Assistant Vice President - Global FIG
+44 20 7855 6648
MCarrara@dbrs.com

AVAILABLE ON <http://www.dbrs.com>.



Elisabeth Rudman
Managing Director, Head of EU FIG, Global FIG
+44 20 7855 6655
erudman@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.

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings Limited (England and Wales)(CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings México, Institución Calificadora de Valores S.A. de C.V. (Mexico)(CRA, NRSRO affiliate, DRO affiliate). Please note that DBRS Ratings Limited was registered as an NRSRO affiliate on July 14, 2017. For more information on regulatory registrations, recognitions and approvals, please see: <http://www.dbrs.com/research/225752/highlights.pdf>.

© 2018, DBRS. All rights reserved. The information upon which DBRS ratings and other types of credit opinions and reports are based is obtained by DBRS from sources DBRS believes to be reliable. DBRS does not audit the information it receives in connection with the analytical process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, other types of credit opinions, reports and any other information provided by DBRS are provided "as is" and without representation or warranty of any kind. DBRS hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS or its directors, officers, employees, independent contractors, agents and representatives (collectively, DBRS Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of ratings and rating reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS or any DBRS Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. Ratings and other types of credit opinions issued by DBRS are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness or recommendations to purchase, sell or hold any securities. A report with respect to a DBRS rating or other credit opinion is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. DBRS may receive compensation for its ratings and other credit opinions from, among others, issuers, insurers, guarantors and/or underwriters of debt securities. DBRS is not responsible for the content or operation of third party websites accessed through hypertext or other computer links and DBRS shall have no liability to any person or entity for the use of such third party websites. This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS. ALL DBRS RATINGS AND OTHER TYPES OF CREDIT OPINIONS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS AT <http://www.dbrs.com/about/disclaimer>. ADDITIONAL INFORMATION REGARDING DBRS RATINGS AND OTHER TYPES OF CREDIT OPINIONS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE