

Corporate Credit > Europe Investment Grade



RABOBANK NEDERLAND

Updated: Oct 30, 2015

Trade Idea:

- Buy

Investment Rationale:

- Conservative business profile with pretty good financial fundamentals. Strong domestic market shares: mortgages 22%, savings 36%, SMEs 39%, food & agribusiness 85%.
- Unique cross guarantee (local Rabobanks liable for each other's obligations (1st level); ensures intra-group credit support (2nd level).
- Rabobank released for 1H15 a strong net profit of EUR1.5bn (+41% yoy). The result was primarily based on significantly lower loan loss provisions (70% yoy) which benefited from the recovery in the Dutch economy. Loan impairment charges fell to 16bp of the average loan portfolio which compares well to a long-term average of 36bp. Operating income (-1% yoy; limited growth of the loan portfolio) and expenses (-3% yoy) declined.
Fundamentals remain sound, with a fully loaded CET1 ratio of 11.8% (unchanged) and the leverage ratio estimated at 3.9%. The c/i ratio declined to 60.6% (vs. 61.7%). A LCR at 130% and a NFSR at 115% also confirm this.
- Management expects a mixed picture for FY15 as a whole, with a positive economic outlook on one hand, and the belief that it will be a difficult year for some customers on the other hand.
- Although the spreads recently recovered nicely there seems to be some juice left.

Recommendation(s):

View	Trade Horizon	Ticker	CPN	Maturity	Ratings		CCY	Issue Size	Yield	Spread			Cash Price	ISIN
					S&P	Moody's				Entry	Target	Loss		
Outperform	12 mo	RABO BK	3.87 5	07/25/2023	BBB+	A3	EUR	1,000	2.29	209	170	225	111.11	XS0954910146

* Levels as of 10/30/2015