



Date of Release: March 7, 2011

## **DBRS Comments on ABN AMRO's Full Year and 4Q10 Results: Ratings Unchanged; Senior at "A"**

**Industry: Fin.Svc.--Banks & Trusts**

DBRS Inc. (DBRS) has today commented that its Issuer & Long-Term Debt rating of "A" with a Stable trend for ABN AMRO Group N.V. (ABN AMRO or the Group) is unchanged following the release of its fourth quarter and full-year 2010 results. DBRS's ratings for ABN AMRO Bank N.V. (the Bank), the Group's bank subsidiary, are also unchanged, including its A (high) Long-Term Debt & Deposits rating.

In DBRS's view, ABN AMRO's results evidence the solid progress the Group has achieved as it separated its operations from its former parent and integrated the legacy Fortis franchise in the Netherlands. While executing on these complex tasks the Group also invested to rebuild certain areas of the franchise, notably in the Commercial & Merchant Banking (C&MB) segment, whilst maintaining share in key retail banking product areas. Though the Group reported a net loss of EUR 414 million for 2010 due to the forced EC Remedy sales and ongoing restructuring, integration and separation costs, DBRS sees the Group's underlying results as offering a more accurate depiction of underlying business trends. With that as a backdrop, on an underlying basis, ABN AMRO reported a 2010 net profit of EUR 1.1 billion on operating income of EUR 7.7 billion, compared to a net profit of EUR 142 million and operating income of EUR 7.0 billion in 2009. Loan impairments provided the largest contribution to the improved results, declining 47% from 2009 to EUR 837 million, reflecting the improved operating environment. For 4Q10, the Group reported underlying net profit of EUR 309 million, comparable to 3Q10 net profit of EUR 313 million, which excludes a EUR 130 million after-tax gain on the repurchase of subordinated debt in the quarter.

DBRS sees underlying results as supporting the view that the ABN AMRO franchise remains solid in the Netherlands despite a few tumultuous years. The Group's top tier market positions in Retail & Private Banking and its strong niche commercial banking businesses are critical underpinnings of the ratings. Important for ABN AMRO as it looks to build its intrinsic strength will be its ability to continue to generate solid underlying earnings. On this front, while DBRS does not expect the same level of y-o-y declines in impairments in 2011, DBRS anticipates that the Group's ability to realise forecasted cost synergies will bolster profits. Similarly, net interest income, which increased 15% y-o-y to EUR 4.9 billion, benefited from the runoff or repricing of some higher cost deposits, especially in 1H10. This is not expected to recur in 2011, although DBRS sees the potential for a



rising interest rate environment which would likely benefit asset margins. DBRS will also look for increased revenues and improved operating efficiency within the business areas (primarily C&MB) where ABN AMRO made considerable investments in 2010 to re-establish its franchise.

In DBRS's view, improving underlying results and the successful separation and integration of legacy ABN AMRO and Fortis Bank Nederland have provided greater clarity on the future stand-alone prospects of the Group. Combined with an improved operating environment these factors enabled ABN AMRO to meaningfully improve its funding profile in 2010. In 2010, ABN AMRO repaid all Government-guaranteed commercial paper as well as its ECB tenders. In total, ABN AMRO raised EUR 26.3 billion of long-term funding through a variety of instrument types and has been able to lengthen the duration of its funding. The Group continues to diversify its investor base, both by geography and product-type, increasing its funding flexibility. ABN AMRO has near-term maturities of EUR 8 billion in 2011 and EUR 18 billion in 2012. DBRS sees the Group as currently well-positioned to refinance and extend its maturities, while growing its franchise. Thus far in 2011, ABN AMRO has placed approximately EUR 6 billion of long-term funds.

The Group also continues to carry adequate amounts of liquidity and has maintained sound capital levels. ABN AMRO built a significant liquidity buffer as it navigated through the uncertain process surrounding legal restructurings and the legal merger. Following the merger that buffer has been reduced, but at EUR 48 billion at year end, it remains ample in DBRS's view. At year-end ABN AMRO reported a loan-to-deposit ratio of 135% which DBRS views as acceptable given the Group's use of covered bonds as a funding tool. While DBRS sees covered bonds as a relatively stable source of wholesale funding for the Group given the structure and performance of the Dutch housing market, they do inflate the Group's loan-to-deposit ratio. Capital levels, including a Basel II Tier 1 ratio of 12.8% and a Core Tier 1 ratio of 10.4% as of 31 December 2010 remain solid in DBRS's view. DBRS notes that, based on the current guidelines, the Group appears well-positioned to comply with the proposed Basel III capital requirements. Assuming a full phase-in of Basel III requirements at year-end 2010, ABN AMRO's Core Tier 1 ratio was 8.5%.

#### Notes:

All figures are in EUR unless otherwise noted.

The principal applicable methodology is the Global Methodology for Rating Banks and Banking Organisations. Other methodologies used include the Enhanced Methodology for Bank Ratings – Intrinsic and Support Assessments. Both can be found on the DBRS website under Methodologies.



The sources of information used for this rating include the issuer. DBRS considers the information available to it for the purposes of providing this rating was of satisfactory quality.

Lead Analyst: Steve Picarillo  
Approver: Alan G. Reid  
Initial Rating Date: 25 June 2010  
Most Recent Rating Update: 1 July 2010

This commentary was disclosed to the issuer and no amendments were made following the disclosure.

For additional information on this rating, please refer to the linking document below.

For more information on this credit or on this industry, visit [www.dbrs.com](http://www.dbrs.com) or contact us at [info@dbrs.com](mailto:info@dbrs.com).

Steven Picarillo  
Senior Vice President - Financial Institutions Group  
+1 212 806 3238  
[spicarillo@dbrs.com](mailto:spicarillo@dbrs.com)

Roger Lister  
Chief Credit Officer - Financial Institutions Group  
+1 212 806 3231  
[rlister@dbrs.com](mailto:rlister@dbrs.com)

Michael Schaller, CFA  
Assistant Vice President - U.S. Financial Institutions Group  
+1 212 806 3236  
[mschaller@dbrs.com](mailto:mschaller@dbrs.com)

Alan G. Reid  
Managing Director – Financial Institutions and Sovereign Group  
+1 212 806 3232  
[areid@dbrs.com](mailto: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**

Copyright © 2011, DBRS Limited, DBRS, Inc. and DBRS Ratings Limited (collectively, DBRS). All rights reserved. The information upon which DBRS ratings and reports are based is obtained by DBRS from sources DBRS believes to be accurate and reliable. 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. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, 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 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 providing a DBRS rating 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 receives compensation for its rating activities from issuers, insurers, guarantors and/or underwriters of debt securities for assigning ratings and from subscribers to its website. 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 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, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON <http://www.dbrs.com>.



METHODOLOGIES, ARE AVAILABLE ON [WWW.DBRS.COM](http://WWW.DBRS.COM).

Copyright © 2011, DBRS Limited, DBRS, Inc. and DBRS Ratings Limited (collectively, DBRS). All rights reserved. The information upon which DBRS ratings and reports are based is obtained by DBRS from sources DBRS believes to be accurate and reliable. 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. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, 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 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 providing a DBRS rating 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 receives compensation for its rating activities from issuers, insurers, guarantors and/or underwriters of debt securities for assigning ratings and from subscribers to its website. 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 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, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON <http://www.dbrs.com>.