Press Release

Date of Release: October 17, 2014

DBRS Confirms ABN AMRO; Bank at A (high), Trend Stable

Industry: Fin.Svc.--Banks & Trusts

DBRS Ratings Limited (DBRS) has today confirmed the "A" Issuer & Long-Term Debt ratings of ABN AMRO Group N.V. (ABN AMRO Group or the Group), and the A (high) Long-Term Debt & Deposits Rating of ABN AMRO Bank N.V. (ABN AMRO or the Bank). The trend is Stable on all of the ratings. DBRS designates a support assessment of SA-2 to ABN AMRO, indicating DBRS's view that timely systemic support would be provided to ABN AMRO should it be required. As such, the long-term ratings are positioned one notch above the Group's intrinsic assessment (IA) of A (low) and the Bank's intrinsic assessment of "A". The one-notch differential between the Bank and the Group rating reflects the structural subordination of the holding company.

DBRS views the Bank's "A" IA as underpinned by the strong franchise in the Netherlands, the improving underlying earnings generation ability and its improved liquidity and capital position. Importantly, in DBRS's view, the combination of ABN AMRO and the former Fortis Bank (Nederland) (FBN) has created a full service bank with a solid franchise and good market position in the Netherlands, and the ownership by the Dutch State has provided the time needed to improve the Bank's financial profile and franchise. Following the August 2013 announcement by the Government that, in principle, a flotation of the Group is viewed as the best option for the government to exit its investment in ABN AMRO, the Group has been working towards this. DBRS understands that a final decision is to be made by the government in 2H14 based on criteria including the overall condition of the Dutch financial sector, the level of private market interest in ABN AMRO, and whether the Group is ready to undertake the process. As a result, DBRS would not expect any privatisation to occur until 2015 at the earliest.

ABN AMRO continues to report improving underlying earnings generation capacity which is underpinned by its well-positioned franchise in the Netherlands. Nonetheless, the Bank's recent results have been impacted by the slowdown in the Dutch economy. In 1H14 the Group reported an operating profit before impairment charges of EUR 1.595 billion, up 10% on the same period of 2013. The 8% improvement in net interest income (NII) was mainly driven by higher lending margins as reflected in the reported net interest margin increasing to 1.47% from 1.31%. Costs continue to be proactively managed and as a result, the Bank's reported underlying cost-income ratio improved to 59% in 1H14 from 61% in 1H13. Although there is now some evidence that the Dutch economy is beginning to recover impairment provisions continue to weigh on profitability. In 1H14 the impairment charge was EUR 703 million, down 8% on the same period of 2013. Given that the operating environment in the Netherlands remains weak DBRS would expect the impairment charges to remain elevated and therefore to reduce net profit in the near-to medium term.

DBRS views ABN AMRO's risk profile as relatively low, consistent with its retail and commercial banking franchise, with 80% of total risk weighted assets (RWAs) being credit-linked. The customer lending portfolio, which at end-1H14 totalled EUR 263 billion, excluding professional securities transactions, is generally well diversified by product and sector, although geographically the credit risk exposure is concentrated primarily in the Netherlands (80%). Exposures outside the domestic market are mainly focused on the rest of Europe, including Germany, France, Belgium, and the United Kingdom while exposure to Euro periphery sovereigns remains marginal. However, the Bank's underlying asset quality remains under some pressure reflecting the on-going weak economic environment in its domestic market and at end-1H14 total impaired customer loans were EUR 7.8 billion or 2.7% of total gross customer loans. Given the still challenging market conditions for real estate in the Netherlands DBRS views ABN AMRO's exposure to commercial real estate as a challenge still facing the Bank, however with a total exposure of EUR 14.1 billion at end-2013, the Bank is less exposed than peers. DBRS also notes that EUR 4.0 billion of the exposure is to social housing companies, of which EUR 2.3 billion is guaranteed by a Dutch State entity. Impaired loans were 5.8% of the total commercial real estate portfolio at end-2013, up from 4.7% at year-end 2012, and DBRS notes that the coverage ratio remains solid at 63%.

The Group's funding profile is viewed by DBRS as solid, reflecting the strong core retail and private banking funding base and well diversified wholesale funding sources. In 1H14, customer deposits (excluding securities transactions) rose by EUR 1.7 billion to EUR 209 billion benefiting from the positive trend in the Retail Banking division in the Netherlands which remains the main source of funding for the Group and this has led to an improvement in the reported loan-to-deposit ratio to 119% at end-1H14 from 135% in 2010. DBRS also views positively the reduction in the level of encumbered assets.

Despite the pressure on earnings the Bank's capital position remains solid with at end-1H14, a fully-loaded CRD IV Common Equity Tier 1 ratio (CET1) of 12.7% and a Basel 3 fully-loaded leverage ratio of 3.6%. DBRS notes that, as a result, ABN AMRO is already above its own fully-loaded CET1 target of 11.5%-12.5% for 2017, and that it already meets the Dutch Central Bank's additional capital buffer requirements for end-2019, which will result in ABN AMRO's minimum CET1 ratio being at least 10.0%.

Given the still weak operating conditions in the Netherlands and the Group's large exposure to its domestic market, as well as the planned privatisation process, any positive rating pressure is unlikely in the medium-term. Given the Stable trend DBRS would not expect to downgrade ABN AMRO in the short-to medium term, however negative rating pressure would likely increase should there be notable deterioration in the credit performance of residential mortgages or commercial real estate from current levels leading to substantially higher impairment charges, or if the Group were to significantly increase its risk profile.

Concurrently DBRS has assigned an A (low) "Dated Subordinated Debt" class rating to ABN AMRO Bank N.V. and also listed on its website additional Dated Subordinated Debt instruments issued by the Bank. The A (low) rating is in line with the rating previously assigned to certain Dated Subordinated Debt instruments issued by the Bank.

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

The principal applicable methodology is the Global Methodology for Rating Banks and Banking Organisations (June 2014). Other applicable methodologies include the DBRS Criteria: Support Assessments for Banks and Banking Organisations (January 2014) and DBRS Criteria: Rating Bank Capital Securities – Subordinated, Hybrid, Preferred & Contingent Capital Securities (December 2013). These can be found at: http://www.dbrs.com/about/methodologies

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

This is an unsolicited rating. This credit rating was not initiated at the request of the issuer.

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 historic default rates published by the European Securities and Markets Administration ("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 regulations only.

Lead Analyst: Ross Abercromby
Rating Committee Chair: Roger Lister
Initial Rating Date: June 25, 2010
Most Recent Rating Update: October 18, 2013

DBRS Ratings Limited
1 Minster Court, 10th Floor
Mincing Lane
London
EC3R 7AA
United Kingdom
Registered in England and Wales: No. 7139960

For additional information on this rating, please refer to the linking document located at:
http://www.dbrs.com/research/236983/banks-and-banking-organisations-linking-document.pdf

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

Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
ABN AMRO Group N.V.	Issuer & Long-Term Debt	Confirmed	A	Stb	Oct 17, 2014
ABN AMRO Group N.V.	Short-Term Debt	Confirmed	R-1 (low)	Stb	Oct 17, 2014
ABN AMRO Bank N.V.	Long-Term Debt & Deposits	Confirmed	A (high)	Stb	Oct 17, 2014
ABN AMRO Bank N.V.	Short-Term Debt & Deposits	Confirmed	R-1 (middle)	Stb	Oct 17, 2014
ABN AMRO Bank N.V.	6.5% Bank Bonds Due 2017	Confirmed	A (high)	Stb	Oct 17, 2014
ABN AMRO Bank N.V.	4.310% Perpetual Sub Notes	Confirmed	A (low)	Stb	Oct 17, 2014
ABN AMRO Bank N.V.	7.75% Sub Notes Due 2023	Confirmed	A (low)	Stb	Oct 17, 2014
ABN AMRO Bank N.V.	Floating Rate Sub Notes Due 2017	Confirmed	A (low)	Stb	Oct 17, 2014

Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
ABN AMRO Bank N.V.	Floating Rate Sub Notes Due 2020	Confirmed	A (low)	Stb	Oct 17, 2014
ABN AMRO Bank N.V.	5% Perpetual Sub Notes	Confirmed	A (low)	Stb	Oct 17, 2014
ABN AMRO Bank N.V.	Dated Subordinated Debt	New Rating	A (low)	Stb	Oct 17, 2014
ABN AMRO Bank N.V.	6.375% Sub Notes Due 2021	New Rating	A (low)	Stb	Oct 17, 2014
ABN AMRO Bank N.V.	6.250% Sub Notes Due 2022	New Rating	A (low)	Stb	Oct 17, 2014
ABN AMRO Bank N.V.	7.125% Sub Notes Due 2023	New Rating	A (low)	Stb	Oct 17, 2014
ABN AMRO Bank N.V.	6.25% Sub Notes Due 2022	New Rating	A (low)	Stb	Oct 17, 2014
ABN AMRO Bank N.V.	4.7% Sub Notes Due 2022	New Rating	A (low)	Stb	Oct 17, 2014

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 - European Financial Institutions Group
+44 20 7855 6657
rabercromby@dbrs.com

David Laterza, CPA
Senior Vice President - Financial Institutions Group
+1 212 806 3270
dlaterza@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.