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Insight beyond the rating.

DBRS Confirms ABN AMRO Bank N.V. at A (high), Trend Stable

Industry: Fin.Svc.--Banks & Trusts

DBRS Ratings Limited (DBRS) has confirmed the ratings of ABN AMRO Group N.V. (ABN AMRO or the Group), the top-level holding company, including its 'A' Long-Term Issuer Rating. The ratings of ABN AMRO Bank N.V. (the Bank), the main operating subsidiary of the Group, are also confirmed at A (high) for the Long-Term Issuer Rating, and Long-Term Debt and Deposit ratings, and R-1 (middle) for the Short-Term Issuer Rating and Short-Term Debt rating. The Trend on all ratings is Stable. The Intrinsic Assessment (IA) for the Bank is A (high), resulting in the Bank's final ratings being positioned in line with its IA.

KEY RATING CONSIDERATIONS

The confirmation of the ratings reflects the strength of the Group's domestic retail and commercial banking franchise, which is underpinned by its key market presence in Dutch mortgages and savings. The ratings also incorporate the Group's consistent earnings generation, improved risk profile, solid funding and capitalisation. The Stable trend reflects DBRS's view that the ratings are well-placed at the current level, taking into account the impact related to regulatory capital developments.

RATING DRIVERS

Positive rating pressure could result from (i) a longer track record of strong returns across business segments, in addition to (ii) achieving improved efficiency levels, while (iii) maintaining solid levels of capital.

Negative pressure on the ratings would likely be driven by a substantial deterioration in (i) profitability or (ii) capital. (iii) A significant downturn to the Dutch housing market could also result in negative pressure given the Group's large domestic mortgage exposure.

RATING RATIONALE

ABN AMRO's ratings are underpinned by a leading and well-established franchise in the Netherlands. ABN AMRO has demonstrated solid earnings generation in recent years, supported by its largely Dutch franchise (78% of income in the Netherlands at end-2017). In spite of the still low interest rate environment, the Group generated a solid level of net profit in 2017 of EUR 2.8 billion, above EUR 1.8 billion in 2016, or EUR 2.1 billion excluding one-off items in 2016. DBRS views positively ABN AMRO's actions to improve its cost-to-income as illustrated by its internal target of

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56-58% by 2020 and improved cost-to-income of 57.9% at end-March 2018 compared to 60% in 2017. While ABN AMRO plans for further FTE reductions, DBRS positively notes investments in the franchise continue, especially in digital.

DBRS views ABN AMRO's risk profile as well managed, evidenced by the good quality loan book, solid diversification by industry and the low cost of risk. The Group reported an impaired and 90 days past due (dpd) ratio of 2.5% at end-March 2018, down from 2.6%, at end-2017 and 3.4% at end-2016, supported by further improvements in the Dutch operating environment. At the same time, while the Dutch housing market shows a strong upswing recovering 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 the fact that the average LTV of ABN AMRO's portfolio of Dutch residential mortgages (EUR 151 billion) was down to 69% at end-1Q18, from 76% at end-2016. Separately, the Energy Commodity and Transport portfolio continued to experience elevated impairment charges in 2017, at EUR 186 million, and 1Q18, at EUR 97 million, mainly driven by oil-related sectors (shipping and offshore segments) still facing a challenging operating environment. This is in part mitigated by a good diversification of the portfolio, with only EUR 3 billion directly exposed to oil price risk, according to DBRS's calculations. DBRS will continue to monitor these developments, and notes that ABN AMRO's management cost of risk guidance on the total loan book for 2018 remains below the through the cycle range of 25-30 bps.

The Group's funding and liquidity profile is viewed by DBRS as strong, in part reflecting the solid core retail and private banking funding base, and well diversified wholesale funding sources. ABN AMRO's loan to deposit ratio was 115% at end-March 2018 improved from 125% in 2012. ABN AMRO's liquidity buffer totaled EUR 67.7 billion at end-March 2018, which is approximately 2.5x in excess of the Group's wholesale funding with a maturity of less than one year, while the Group's Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) remained both above 100% at end-March 2018.

DBRS considers the Group to be in a good position to face the regulatory capital developments, in particular Basel IV, given ABN AMRO's planned capital cushion over minimum requirements, conservative capital management and strong internal capital generation. Illustrating this, the Group's fully-loaded Common Equity Tier 1 (CET1) ratio was 17.5% at end-1Q18 compared to the 2018 minimum SREP requirements of 10.4%. ABN AMRO also looks well placed to meet future Minimum Requirement for own funds and Eligible Liabilities (MREL) requirements. At end-1Q18, the Group held EUR 30 billion of MREL-eligible instruments, based solely on equity and subordinated instruments, equivalent to 27.8% of RWAs. DBRS notes that the fully-loaded leverage ratio was 4.0%, which is at the lower end of the international peer group, and reflects the relatively



high proportion of low RWA density assets on the balance sheet.

As part of this rating action, DBRS also discontinued the rating on ABN AMRO Bank's 4.7% Subordinated Notes due 2022 (ISIN XS0848055991) following their redemption.

DBRS has removed the intrinsic assessment (IA) of ABN AMRO Group given the main IA is at ABN AMRO Bank level.

The Grid Summary Grades for ABN AMRO Group N.V. are as follows: Franchise Strength – Strong; Earnings – Strong; Risk Profile – Strong/Good; Funding & Liquidity – Strong; Capitalisation – Strong.

Notes:

All figures are in EUR 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 SNL Financial, and Company Financials. DBRS considers the information available to it for the purposes of providing this rating to be of satisfactory quality.

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

This rating included participation by the rated entity or any related third party. DBRS had access to accounts, management and other relevant internal documents for the rated entity or a related third party.

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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:

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<http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

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Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
ABN AMRO Group N.V.	Long-Term Issuer Rating	Confirmed	A	Stb	Jul 19, 2018
ABN AMRO Group N.V.	Short-Term Issuer Rating	Confirmed	R-1 (low)	Stb	Jul 19, 2018
ABN AMRO Group N.V.	Long-Term Senior Debt	Confirmed	A	Stb	Jul 19, 2018
ABN AMRO Group N.V.	Short-Term Debt	Confirmed	R-1 (low)	Stb	Jul 19, 2018
ABN AMRO Bank N.V.	Long-Term Issuer Rating	Confirmed	A (high)	Stb	Jul 19, 2018
ABN AMRO Bank N.V.	Short-Term Issuer Rating	Confirmed	R-1 (middle)	Stb	Jul 19, 2018
ABN AMRO Bank N.V.	Long-Term Senior Debt	Confirmed	A (high)	Stb	Jul 19, 2018
ABN AMRO Bank N.V.	Short-Term Debt	Confirmed	R-1 (middle)	Stb	Jul 19, 2018
ABN AMRO Bank N.V.	Long-Term Deposits	Confirmed	A (high)	Stb	Jul 19, 2018
ABN AMRO Bank N.V.	Short-Term Deposits	Confirmed	R-1 (middle)	Stb	Jul 19, 2018
ABN AMRO Bank N.V.	Long Term Critical Obligations Rating	Confirmed	AA	Stb	Jul 19, 2018

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Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
ABN AMRO Bank N.V.	Short Term Critical Obligations Rating	Confirmed	R-1 (high)	Stb	Jul 19, 2018
ABN AMRO Bank N.V.	Dated Subordinated Debt	Confirmed	A (low)	Stb	Jul 19, 2018
ABN AMRO Bank N.V.	6.250% Sub Notes Due 2022	Confirmed	A (low)	Stb	Jul 19, 2018
ABN AMRO Bank N.V.	6.375% Sub Notes Due 2021	Confirmed	A (low)	Stb	Jul 19, 2018
ABN AMRO Bank N.V.	7.125% Sub Notes Due 2022	Confirmed	A (low)	Stb	Jul 19, 2018
ABN AMRO Bank N.V.	7.75% Sub Notes Due 2023	Confirmed	A (low)	Stb	Jul 19, 2018
ABN AMRO Bank N.V.	Floating Rate Sub Notes Due 2020	Confirmed	A (low)	Stb	Jul 19, 2018
ABN AMRO Bank N.V.	4.7% Sub Notes Due 2022	Discontinued - Repaid	Discontinued	--	Jul 19, 2018

For more information on this credit or on this industry, visit www.dbrs.com or contact us at info@dbrs.com.

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