

**Rating Action: Corrections to Text, 28 June 2010 Release: Moody's affirms ABN AMRO Bank at Aa3; upgrades Fortis Bank (Nederland) to Aa3**

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Global Credit Research - 29 Jun 2010

**BFSR of ABN AMRO Bank N.V. downgraded to C-, in line with Fortis Bank (Nederland) N.V.**

London, 29 June 2010 -- Substitute the ninth paragraph with the following: Junior subordinated debt under the EUR 40 billion EMTN note programme was affirmed at A3, one notch above the adjusted BCA. The outlook on this programme is positive. The bank's EMTN programme allows for the issuance of junior subordinated debt. However, FBN currently has no outstanding junior subordinated debt issued under this programme.

Revised Release follows:

Moody's Investors Service has today affirmed the Aa3/Prime-1 long-term/short-term bank deposit and senior unsecured ratings of ABN AMRO Bank N.V. (ABN). The outlook on the long-term ratings has been revised to stable from negative. The bank financial strength rating (BFSR) was downgraded to C- from C (equivalent to a baseline credit assessment -- BCA-- of Baa1). The outlook on the BFSR was revised to positive from negative. At the same time, the long-term bank deposit and senior unsecured ratings of Fortis Bank (Nederland) N.V. (FBN) were upgraded to Aa3 from A1, whilst the short-term senior unsecured rating was affirmed at P-1. The outlook on the long-term ratings has been revised to stable from negative. FBN's BFSR was affirmed at C- (BCA of Baa1) and the outlook was revised to positive from negative.

These ratings actions coincide with the anticipated legal merger between the two banks, which is expected to conclude on 1 July 2010. On completion of the merger, Fortis Bank (Nederland) N.V. will cease to exist and will be merged into ABN AMRO Bank N.V.. Upon completion of the legal merger, the ratings of FBN will be withdrawn.

The legal merger represents one of the final steps in the restructuring of ABN AMRO Holding N.V. following the bank's acquisition in 2007 by a consortium of three banks (Royal Bank of Scotland Group plc, Banco Santander SA and Fortis SA), through a special purpose vehicle, RFS Holdings B.V. In December 2008, the Dutch government became the direct owner of Fortis's stake in ABN AMRO Group N.V. following the state bailout of Fortis Bank (Nederland) N.V. Since 1 April 2010, ABN and FBN have been reorganised under a common holding company (ABN AMRO Group N.V.), which is fully owned by the Dutch State. This structure will remain in place following the legal merger, with ABN AMRO Bank N.V. remaining the sole operating bank.

The C- bank financial strength rating (BFSR) of both ABN and FBN (mapping to a BCA of Baa1) reflects the combined bank's enhanced position within the Dutch banking sector with a balanced business mix between retail and commercial banking, its moderate risk profile and the strong capital position. These strengths are counterbalanced by the ongoing challenges and significant costs associated with the complex merger process as well as the continued interdependencies (these mainly relate to IT services and operations that FBN continues to receive from Fortis Bank SA/NV, which are expected to be closed by end Q3 2010 as well as certain trade finance transaction processing being received by ABN AMRO from RBS N.V.), current low profitability and challenged funding profile of the combined group. In particular, the group's funding profile is exposed to a significant amount of short-term funding that needs to be termed out. In October 2008 Fortis Bank (Nederland) N.V. was cut off from intergroup funding lines following its separation from Fortis group. Initially, FBN relied on the provision of a short-term facility from the Dutch state, which was subsequently refinanced using short-term wholesale funding. As such, FBN currently has a sizable amount of outstanding short-term funding and a further €10.5bn in ECB tenders that need to be refinanced this year. While good progress has been made in terming out this debt, the combined group will continue to remain exposed to volatility in wholesale funding markets. The positive outlook on the C- BFSR reflects Moody's view that the ongoing separation and integration progress and the substantial cost reduction programmes should lead to a positive improvement in the combined group's underlying financial strength.

The Aa3 bank deposit and senior debt ratings reflect that the combined bank's systemic importance has further increased, as evidenced by its market shares in lending (28% market share in Dutch corporate lending) and in deposits (around 20% market share in retail deposits) and the ongoing Dutch State investment in the combined group (100% of the ordinary shares). Moody's would expect that the Dutch State's support will remain extremely high in the medium term until the bank has further developed its stand-alone strength.

**HYBRID DEBT RATINGS CONFIRMED**

The rating agency affirmed the Ba2 ratings on the two hybrid securities currently assumed by ABN AMRO Bank N.V. -- GBP750 million perpetual subordinated upper tier 2 notes with cumulative deferral language (XS0244754254) and EUR1,000 million perpetual capital securities with cumulative deferral and ACSM settlement language (XS0246487457). The ratings on both securities were confirmed at Ba2 in February 2010, reflecting Moody's assumption that the securities faced a high probability of coupon deferral. The outlook on these instruments is stable.

Moody's also affirmed the ratings on the hybrid securities currently assumed by Fortis Bank (Nederland) and its subsidiary as well as the rating on the junior subordinated debt programme.

The EUR2 billion 8.75% non-cumulative Mandatory Convertible Securities (MCS) (ISIN: XS0328920862) jointly issued by Fortis Bank Nederland (Holding) N.V. (FBNH), Fortis Holdings (now Fortis Group) and Fortis Bank SA/NV were affirmed at Ba1. The outlook on this security is stable.

Junior subordinated debt under the EUR 40 billion EMTN note programme was affirmed at A3, one notch above the adjusted BCA. The outlook on this programme is positive. The bank's EMTN programme allows for the issuance of junior subordinated debt. However, FBN currently has no outstanding junior subordinated debt issued under this programme.

The 6.25% Non-cumulative Non-voting Class A Series 1 Preference Shares (the Class A1 Preference Shares) (ISIN: GB0057047275) were affirmed at Baa3, two notches below FBN's Adjusted BCA. The outlook on this security is stable.

For further details on these securities, please refer to our Press Release "Moody's concludes its review on hybrid securities ratings for Fortis Bank Nederland N.V. and its subsidiaries", published on 3rd March 2010.

The principal methodologies used in rating these issuers were "Bank Financial Strength Ratings: Global Methodology" (February 2007) and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology" (March 2007), which can be found at [www.moodys.com](http://www.moodys.com) in the ratings Methodologies Sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Rating Methodology Sub-directory on Moody's website.

The principal methodologies used in rating hybrid securities of Fortis Bank Nederland are "Moody's Guidelines for Rating Bank Hybrid Securities and Subordinated Debt", November 17, 2009, and "Frequently Asked Questions: Moody's Guidelines for Rating Bank Hybrid Securities and Subordinated Debt", November 17, 2009,

The last rating action on ABNAMRO Bank N.V. was on 5 February 2010 when new debt and deposit ratings were assigned to the 'new' ABN AMRO Bank N.V. following the completion of the legal separation of the bank from RFS Holdings B.V.

The last rating action on Fortis Bank (Nederland) N.V. was on 3 March 2010 when Moody's Investors Service concluded its review on the ratings of certain hybrid securities in line with its revised Guidelines for Rating Bank Hybrids and Subordinated Debt published in November 2009.

Both ABNAMRO Bank N.V. and Fortis Bank (Nederland) N.V. are headquarter in Amsterdam, The Netherlands. With combined total assets at end 2009 of €392bn, the combined entity would be the third largest bank in The Netherlands.

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