STANDARD & POOR'S

Standard & Poor's Research

ABN AMRO Bank N.V.

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ABN AMRO Bank N.V.

SACP	a-

Anchor	a-	
Business Position	Adequate	0
Capital and Earnings	Adequate	0
Risk Position	Adequate	0
Funding	Average	0
Liquidity	Adequate	

+

Support	+2

GRE Support	0
Group Support	0
Sovereign Support	+2

+

Additional Factors	0

Issuer Credit Rating

A+/Negative/A-1

Major Rating Factors

Strengths:	Weaknesses:
• Good domestic market position. • Moderate credit and market risk profile, given focus on domestic retail and commercial banking. • High systemic importance in the Dutch banking industry.	• Less business and geographic diversification than larger universal banks. • Moderate profitability.

Outlook: Negative

The negative outlook on Dutch bank ABN AMRO Bank N.V. (ABN AMRO) mirrors that on The Netherlands (AAA/Negative/A-1+). Under our criteria, with all other factors remaining the same, one of the two notches of government support currently factored into the long-term counterparty credit rating on ABN AMRO would be removed if we lowered our long-term unsolicited rating on The Netherlands by one notch (for further details, see table 22 in "Banks: Rating Methodology And Assumptions," published on Nov. 9, 2011). We could also lower our rating on ABN AMRO if we were to observe a stronger than expected decline in real estate asset prices and a subsequent significant deterioration in the bank's asset quality. Under such a scenario, we would likely reconsider our economic imbalances score, part of our Dutch Banking Industry Country Risk Assessment (BICRA).

We expect ABN AMRO to continue to improve its operating efficiency in coming years thanks to the progressive benefits of the successful July 2010 merger with Fortis Bank Nederland N.V. (FBN). We expect the bank's capital ratios to increase only moderately because of average retained earnings and limited corporate lending growth. To revise our outlook on ABN AMRO to stable, we would need to take a similar action on the outlook on The Netherlands, and to see stabilization in the Dutch housing market.

We consider an upgrade unlikely within the next two years. According to our government support methodology and in light of our 'AAA' rating on The Netherlands, we would not raise our 'A+' long-term rating on ABN AMRO following a one-notch improvement in its SACP, as we would then remove one of the two notches of government support currently factored into the rating.

Rationale

The ratings on ABN AMRO reflect its 'a-' anchor and our view of ABN AMRO's "adequate" business position, "adequate" capital and earnings, "adequate" risk position, "average" funding, and "adequate" liquidity, as our criteria define these terms. The ratings also factor in ABN AMRO's "high" systemic importance in The Netherlands. In accordance with our criteria, we assess ABN AMRO's stand-alone credit profile (SACP) at 'a-'.

Anchor

The 'a-' anchor for ABN AMRO draws on our BICRA methodology. It reflects our assessment of The Netherlands' industry risk and our view of the weighted average economic risk in the countries in which ABN AMRO operates, based on the geographic distribution of its exposure at default, which is split between The Netherlands (80%), Europe (10%), and the rest of the world (10%). The economic risk score for The Netherlands is '2' on a scale of 1-10 (1 is the lowest risk and 10 is the highest); ABN AMRO's weighted score is close to that level. Our industry risk score on the Netherlands is '3' on a scale of 1-10. The Dutch banking industry is dominated by three large players. ABN AMRO, along with ING Bank N.V. (A+/Stable/A-1), is one of the two which have been subject to substantial restructuring as a result of state aid they have received. The system's relatively large reliance on wholesale funding is partly attributable to households' propensity to save into life insurance and pension products.

Business position: Adequate, a leading local player with moderate business and geographic diversification

Our assessment of ABN AMRO's business position as "adequate" reflects the dominance of stable activities in its business mix of domestic retail and commercial banking activities, and private banking, supported by sound market positions. ABN AMRO is the third-largest bank in the Netherlands, with a balance sheet mostly generated by its Dutch activities. It ranks third in the Dutch retail market, with key competitive advantages in the affluent individual banking segment. It is second in lending to small and midsize enterprises (SMEs) and first in domestic private banking. It is also a leading player in Dutch corporate banking.

We view ABN AMRO's business stability as in line with the average of its domestic peers and peers with similar industry risk, in particular in Benelux, the region comprising Belgium, the Netherlands, and Luxembourg, or in the Nordic region. The bank franchise has recovered from the bad publicity linked to the 2007 takeover of the former ABN AMRO by a consortium led by The Royal Bank of Scotland PLC, the difficulties encountered by the consortium owning ABN AMRO in 2008, and the uncertainties related to the break up of the former ABN AMRO in 2009-2010. However, ABN AMRO has seen an erosion of its market shares in domestic deposits over the last two years. The bank market share in loans has also been on a declining trend owing to the April 2010 disposal of corporate activities required by the European Commission, and the ongoing restructuring of the Dutch housing market. ABN AMRO's stronger presence in the broker distribution channel, which is more affected by the current decline in new transactions than loans distributed through bank networks, is contributing to a reduction in ABN AMRO's total market share. The bank is, however, aiming to improve its customer relationship management, in particular under its ABN AMRO brand, and has reported an increase in its client satisfaction rate. We consider that the successful completion of the merger with FBN is supportive of the bank's business stability going forward.

We consider that ABN AMRO has less business and geographic diversification than other large universal banks with similar industry risk, in particular ING Bank and Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) (Rabobank; AA/Negative/A-1+). However, its diversification is average relative to the Dutch banking industry, and better than smaller domestic players, thanks especially to the size and the good franchise of its private banking activities, with €147 billion of assets under management at year-end 2011 and a presence in 15 countries. It is also involved in some niche corporate banking, operated internationally. The bank is strong in financing the energy, commodities, and transportation sectors, and in clearing activity. ABN AMRO Clearing covers 85 of the world's leading exchanges. It also covers non-exchange-listed investment instruments and alternative products such as over-the-counter derivatives or warrants.

We view ABN AMRO's management team as professional and competent and the bank's strategy as sound and conservative. The bank's medium-term strategy is to preserve its moderate risk profile, reducing operating costs--targeting a structurally below 60% cost to income ratio by 2014--while strengthening its franchise in the Dutch banking sector. In our view, the bank's management has delivered some significant milestones in the last 28 months, with a successful merger and the almost finalized integration of FBN. However, we consider that ABN AMRO in its current format does not have the same track record as more established peers. Compared with the best performing peers, we also consider that ABN AMRO's long-term strategy remains constrained by the uncertainty regarding the exact timing and details of the state shareholder's exit. The Dutch government continues to envisage an IPO in 2013-2014, but we believe it will not be easy to find a new stable ownership base in a financial and regulatory environment that is not favorable to bank shareholders.

Table 1

ABN AMRO Bank N.V. Key Figures

		--Year-ended Dec. 31--		
(Mil. €)	**2012***	**2011**	**2010**	**2009**
Adjusted assets	418,895.0	402,346.0	377,094.0	386,052.0
Customer loans (gross)§	267,945.0	261,079.0	265,702.0	270,031.0
Adjusted common equity	14,477.0	12,356.0	11,896.3	8,742.1
Operating revenues	3,813.0	7,794.0	7,659.0	6,986.0
Noninterest expenses	2,247.0	4,838.0	5,145.0	5,126.0
Core earnings	835.5	1,104.0	1,267.0	255.0

*Data as of June 30. §Excluding reverse repurchase agreements and securities borrowing transactions.

Table 2

ABN AMRO Bank N.V. Business Position

		--Year-ended Dec. 31--		
(%)	**2012***	**2011**	**2010**	**2009**
Total revenues from business line (mil. €)	3,813.0	7,794.0	7,440.0	6,986.0
Commercial banking/total revenues from business line	20.6	21.5	22.4	34.8
Retail banking/total revenues from business line	40.1	41.2	47.6	62.1
Merchant banking/total revenues from business line	20.8	17.1	13.6	N/A
Private banking/total revenues from business line	14.9	16.7	16.5	N/A
Other revenues/total revenues from business line	3.6	3.5	N/A	3.1
Return on equity	12.2	5.7	(4.1)	N/A

*Data as of June 30.

N/A--Not applicable.

Table 3

Breakdown Of Underlying Revenues And After Tax Profit By Business Lines

(Mil. €)	**H1 2012**	**2011**	**H1 2011**	**2010**	**H1 2012/H1 2011 (%)**	**2011/2010 (% change)**
Revenues						
Retail banking	1,530	3,212	1,607	3,539	(4.8)	(9.2)
Private banking	567	1,302	612	1,226	(7.4)	6.2
Commercial banking	784	1,677	867	1,665	(9.6)	0.7
Merchant banking	795	1,330	707	1,010	12.4	31.7
Group functions	137	273	317	219	(56.8)	24.7
Separation and integration items	0	0	0	(862)	N.M.	N.M.
Total reported revenues	3,813	7,794	4,110	6,797	(7.2)	14.7
(Mil. €)	**H1 2012**	**2011**	**H1 2011**	**2010**	**H1/2012/H1 2011 (%)**	**2011/2010 (% change)**
After tax profit						
Retail banking	396	888	476	1,127	(16.8)	(21.2)
Private banking	63	255	116	64	(45.7)	298.4
Commercial banking	35	(64)	36	57	(2.8)	(212.3)
Merchant banking	206	421	283	115	(27.2)	266.1

Table 3

Breakdown Of Underlying Revenues And After Tax Profit By Business Lines (cont.)						
Group functions	127	(540)	63	(286)	101.6	88.8
Separation and integration items	84	(271)	(110)	(1,491)	N.M.	N.M.
Total after tax profit	743	689	864	(414)	(14.0)	(266.4)

Source: Standard & Poors. N.M.--Not meaningful.

Capital and earnings: Adequate with moderate earnings generation but a sound capital base

We view ABN AMRO's capital and earnings as "adequate" based on our expectation that the bank's risk-adjusted capital (RAC) ratio before diversification should remain in the 7.6% to 8% range in the two coming years.

Our RAC ratio at year-end 2011 stood at 7.6%. Our pro forma RAC ratio at year-end 2010 had been substantially reduced by the exclusion of €1.2 billion in hybrid capital instruments with step-ups from our calculation of total adjusted capital (the numerator of our RAC ratio), and to a lesser extent, by the higher capital requirement linked to our change in the economic risk score of The Netherlands to '2' from '1' (see table 4).

Table 4

ABN AMRO Changes In Reported And Pro Forma Risk-Adjusted Capital Ratio

(Mil. €)	Reported (BICRA December 2011)*	Pro forma BICRA Feb 17§	Reported (BICRA at Dec 2010)*
Reported date for EAD and capital	Dec. 31, 2011	Dec. 31, 2010§	Dec. 31, 2010
Economic risk score BICRA Netherlands	2	2	1
RAC ratio (%)	7.6	7.3	8.8
Total adjusted capital	14,316	13,856	15,029
S&P total RWA‡ before diversification	189,399	190,114	171,476

EAD--Exposure at default. RWA--Risk-weighted assets. Source: Standard & Poor's. *With criteria and parameters, such as BICRA economic risk scores in force on the reporting date. §Pro forma, with criteria and parameters, such as BICRA economic risk scores, in force as of Feb. 17, 2012.

Table 5

ABN AMRO Bank N.V. Standard & Poor's Risk-Adjusted Capital Framework Data

(Mil. €)	EAD (*)	Basel II RWA (§)	Average Basel II RW (%)	Standard & Poor's RWA	Average Standard & Poor's RW (%)
Government and central banks	40,567	1,463	4	1,619	4
Institutions	23,571	7,950	34	4,583	19
Corporate	94,579	57,013	60	75,669	80
Retail	141,174	26,325	19	43,529	31
Of which mortgage	120,386	14,113	12	28,893	24
Securitization†	36,582	4,838	13	22,479	61
Other assets	5,813	2,675	46	6,003	103
Total credit risk	342,286	100,263	29	153,881	45
Equity in the banking book‡	716	1,375	231	6,192	865
Trading book market risk	--	3,663	--	7,613	--
Total market risk	--	5,038	--	13,805	--
Total insurance risk	--	--	--	5,963	--
Total operational risk	--	13,013	--	15,751	--

Table 5

ABN AMRO Bank N.V. Standard & Poor's Risk-Adjusted Capital Framework Data (cont.)					
RWA before diversification	--	118,286	--	189,399	100
Total Diversification/Concentration Adjustments	--	--	--	(22,664)	(12)
RWA after diversification	--	118,286	--	166,735	88
(Mil. €)		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**Standard & Poor's RAC ratio (%)**
Capital ratio before adjustments		15,349	13.0	14,316	7.6
Capital ratio after adjustments		15,349	13.0	14,316	8.6

*EAD--Exposure at default. §RWA--Risk-weighted assets. †Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. ‡Equity exposure includes the minority equity holdings in financial.

Our expectation that ABN AMRO will moderately improve its RAC ratio by the end of 2013, takes into consideration an improvement in earnings after a mediocre 2011, and limited growth in assets. We also factor in that the bank has set the principle of a 40% pay-out ratio on its profit, which is a high compared with peers. We assess ABN AMRO's capital sustainability, as defined under our criteria, at about 50 basis points (bps) of Standard & Poor's risk-weighted assets.

We consider that ABN AMRO's quality of capital and earnings is in line with peers, with an improved quality of capital and a lower-than-peers' quality of earnings, especially in comparison with Nordic peers that exhibit very strong ratios. The quality of our total-adjusted capital (TAC) improved substantially in June 2012 because of the settlement of legal proceedings on mandatory convertible securities with Ageas Insurance Ltd.'s holding company. The settlement led to a €1.6 billion increase in our adjusted common equity on June 30, 2012, compared with Dec. 31, 2012 (as in regulatory core equity tier 1), and to the removal of €1.75 billion of hybrid instrument from our TAC (as from total Tier 1). The net impact of this settlement on our TAC was a drop of €150 million, but hybrid instruments will account for about 1% of the TAC on a pro forma basis, versus 14% at year-end 2011.

ABN AMRO's underlying profitability before impairment improved during the first half 2012 and in 2011 thanks to moderate business expansion and the first fruits of cost saving linked to the merger. However, the bank's 2011 reported profit was hurt by a strong increase in cost of risk driven by an €880 million impairment on a €1.3 billion Greek corporate exposure guaranteed by the government. We expect revenues to decline slightly in full year 2012 due to higher funding costs and less lending volume in mortgage activity, partly offset by lower operating expenses. In line with the first half of the year, cost of risk in 2012 should increase significantly, in particular in commercial banking, but should remain below 2011 levels, which included Greek impairments. Despite improvement, we expect ABN AMRO's profitability to remain moderate, and lower than many European peers', with lower interest income margins and fees, and still high operating expenses (see chart 1). We expect our core earning to revenues ratio to be about 16% in 2012-2013, from 15% in 2010.

Table 6

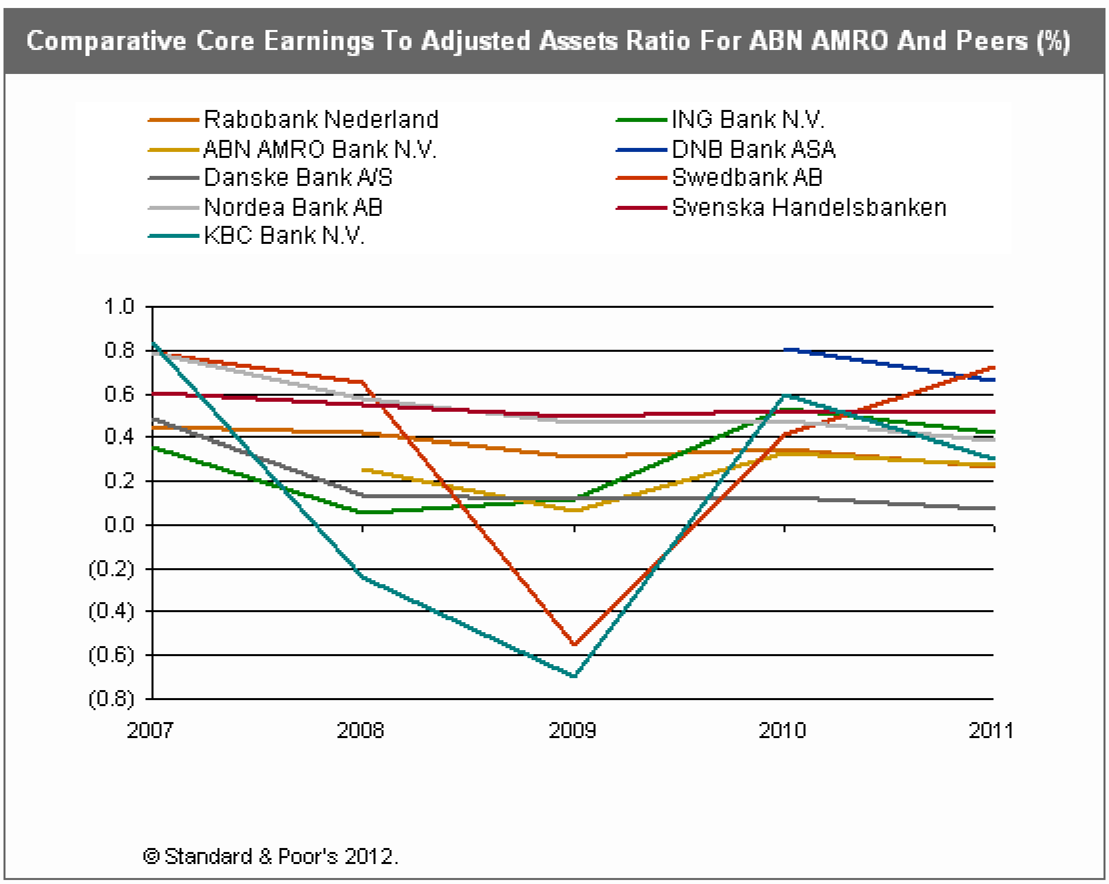
ABN AMRO Bank N.V. Capital And Earnings				
		--Year-ended Dec. 31--		
(%)	**2012***	**2011**	**2010**	**2009**
Tier 1 capital ratio	12.7	13.0	12.8	N/A

Table 6

ABN AMRO Bank N.V. Capital And Earnings (cont.)				
S&P RAC ratio before diversification	N.M.	7.6	8.8	N.M.
S&P RAC ratio after diversification	N.M.	8.6	10.0	N.M.
Adjusted common equity/total adjusted capital	98.6	86.3	79.2	73.5
Net interest income/operating revenues	66.0	64.1	64.0	61.1
Fee income/operating revenues	20.7	23.2	23.1	27.7
Market-sensitive income/operating revenues	6.7	6.4	8.3	4.9
Noninterest expenses/operating revenues	58.9	62.1	67.2	73.4
Preprovision operating income/average assets	0.8	0.8	0.7	N/A
Core earnings/average managed assets	0.4	0.3	0.3	N/A

*Data as of June 30. RAC--Risk-adjusted capital. N/A--Not applicable. N.M.--Not meaningful.

Chart 1



Risk position: A moderate risk profile with a sharp domestic focus and a reasonable appetite for growth

Our assessment of ABN AMRO's risk position as "adequate" incorporates our view that the bank's risk management and exposure are in line with its domestic industry and that risks are well captured by our RAC framework. We expect only limited change in ABN AMRO's loan and risk exposure, with an emphasis on moderate organic growth, and containment of market risk-weighted assets.

AMRO doesn't yet have a consistent track record under its new profile, but its credit experience appears in line with domestic peers' and many international peers'. We consider that the large impairment posted on the Greek exposure is largely the legacy of the former components of the bank. ABN AMRO's residual exposure to South European countries is now limited.

ABN AMRO's risk profile is dominated by credit risk, which is mostly concentrated in the Netherlands. The focus on retail activities means that the bank bears some non-negligible structural interest rates, including modeling risk linked to asset-liability management (ALM) assumptions on deposits. The operational risk is also non negligable given the size of private banking activities, and the existence of specific niches such as clearing.

The loan portfolio is 90% focused on the Netherlands and dominated by low-risk mortgages. We see the quality of ABN AMRO's mortgage lending book as in line with the market average. The commercial portfolio is granular, with no large corporate client and moderate sector concentration. Financial investments are essentially high quality government bonds held as part of the liquidity buffer of the bank.

ABN AMRO has limited market risk, primarily interest rate risk in the banking book. The financial markets desk is small for now, but even as it develops we expect the appetite for proprietary trading to stay minimal with the bulk of activities client driven. The value at risk averaged €3 million in the first half of 2012. ALM is not considered a profit center but a support function to hedge commercial activities.

Table 7

ABN AMRO Bank N.V. Risk Position

		--Year-ended Dec. 31--		
(%)	**2012***	**2011**	**2010**	**2009**
Growth in customer loans§	5.3	(1.7)	(1.6)	N.M.
Total diversification adjustment / S&P RWA before diversification	N.M.	(12.0)	(13.0)	N.M.
Total managed assets/adjusted common equity (x)	29.1	32.8	31.9	44.2
New loan loss provisions/average customer loans	0.4	0.7	0.3	N/A
Net charge-offs/average customer loans	0.4	0.2	N.M.	N/A
Gross nonperforming assets/customer loans + other real estate owned	3.2	3.3	N/A	N/A
Loan loss reserves/gross nonperforming assets	64.3	64.6	N/A	N/A

*Data as of June 30. §Excluding reverse repurchase agreements and securities borrowing transactions. N/A--Not applicable. N.M.--Not meaningful.

Funding and liquidity: In line with major domestic peers

Our view of ABN AMRO's funding as "average" factors in a large customer deposit base and good access to the domestic and international capital markets, partly offset by some reliance on wholesale markets, in particular to residential mortgage-backed securities and covered bonds. ABN AMRO has strongly improved its funding situation since the end of 2009 by issuing longer-term unsecured debt. ABN AMRO's loan-to-deposit ratio of 136% on Dec. 31, 2011, was less favorable than peers', although it remains in line with our view of Dutch banking industry risk under our BICRA. The bank's business mix means that it benefits from a large proportion of stable retail and private banking deposits.

Our opinion of ABN AMRO's liquidity as "adequate" factors in prudent liquidity management. This includes the monitoring of stable funding over nonliquid assets, a survival period, contingency risk management with regular stress tests, and maintenance of a large liquidity buffer to access European Central Bank (ECB; AAA/Stable/A-1+) funding, which stood at €53 billion in June 2012.

Table 8

ABN AMRO Bank N.V. Funding And Liquidity

		--Year-ended Dec. 31--		
(%)	**2012***	**2011**	**2010**	**2009**
Core deposits/funding base	54.1	54.0	59.2	62.3
Customer loans (net)/customer deposits§	134.1	136.1	135.9	130.8
Long term funding ratio	70.2	76.0	81.3	80.5
Broad liquid assets/short-term wholesale funding (x)	N/A	1.0	0.7	0.5
Net broad liquid assets/short-term customer deposits	N/A	(0.3)	(11.5)	(34.1)
Net short-term interbank funding/total wholesale funding	N/A	(12.0)	(6.6)	8.0
Short-term wholesale funding/total wholesale funding	N/A	56.0	50.6	59.0

*Data as of June 30. §Excluding reverse repurchase agreements and securities borrowing transactions. N/A--Not available.

External support: Fully owned by Dutch government

ABN AMRO is fully owned by the Dutch government, through its holding company ABN AMRO Group N.V. Dutch banking authorities apply their prudential supervision to ABN AMRO at the same level as ABN AMRO Group N.V., especially with regard to capital ratio requirements.

We do not consider ABN AMRO to be a government-related entity (GRE) under our criteria because we understand that the period of state ownership will be limited. The notch of support reflects our view of the bank's systemic importance for the Netherlands.

Additional rating factors: None

No additional rating factors affect this rating.

Related Criteria And Research

- Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Group Rating Methodology And Assumptions, Nov. 9, 2011
- Bank Hybrid Capital Methodology And Assumptions, Nov. 1, 2011
- No Pain, No Gain: How The Housing Market Correction Is Affecting Dutch Banks, June 27, 2012
- Industry Report Card: Dutch Banks Are Raising Their Defenses Against The Current Tide Of Economic Uncertainty, April 4, 2012

Anchor Matrix

Industry Risk	Economic Risk 1	2	3	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	**a-**	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of August 31, 2012)

ABN AMRO Bank N.V.	
Counterparty Credit Rating	A+/Negative/A-1
Junior Subordinated	BBB-
Senior Secured	A+
Senior Unsecured	A+
Short-Term Debt	A-1
Subordinated	BBB+
Counterparty Credit Ratings History	
23-Jan-2012	A+/Negative/A-1
08-Dec-2011	A+/Watch Neg/A-1
25-Jun-2010	A/Stable/A-1
05-Feb-2010	A+/Negative/A-1
Sovereign Rating	
Netherlands (The) (State of) (Unsolicited Ratings)	AAA/Negative/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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