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

Industry: Fin.Svc.--Banks & Trusts

DBRS, Inc. (DBRS) has today confirmed the ratings of ABN AMRO Group N.V. (ABN AMRO Group or the Group), including its Issuer & Long-Term Debt rating of “A” and its Short-Term Debt rating of R-1 (middle), and the Long-Term Debt & Deposits Rating of A (high) of ABN AMRO Bank N.V. (ABN AMRO or the Bank). The trend on the ratings is Stable. DBRS has also designated a support assessment of SA-2 to ABN AMRO, indicating DBRS’s view that some sort of timely systematic support would be afforded to ABN AMRO should it be required. As such, the long-term ratings are positioned one notch above the Group’s intrinsic rating of A (low) and the Bank’s intrinsic rating of “A”. Concurrent with today’s rating action DBRS has confirmed the AAA Long-Term ratings and R-1 (high) Short-Term ratings of ABN AMRO Bank N.V.’s debt guaranteed by the Dutch State. This confirmation follows DBRS’s confirmation of the AAA rating of the Kingdom of The Netherlands on 8 June 2012.

The intrinsic ratings are underpinned by ABN AMRO’s strong franchise in the Netherlands, its solid underlying earnings generation ability, its improving liquidity profile as well as its moderate credit profile, which may be tested in the current environment. 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. The successful, largely integrated merger combined the legacy ABN AMRO’s strong presence among mass affluent retail customers and Dutch Corporates with the former FBN’s smaller, but still solid commercial and merchant banking franchise, which has notable strength in targeted niche businesses such as clearing, as well as Energy, Commodities and Transportation (ECT). Currently, ABN AMRO is ranked among the top three Dutch banks across nearly all banking products. ABN AMRO maintains the number two position in savings and new mortgage production. In addition, the Bank maintains the leading market share in corporate banking and has a solid position in the Netherlands in SME banking. The Bank is also a leading private bank in the Netherlands and the Eurozone.

DBRS views ABN AMRO’s ability to utilise its franchise to generate solid underlying earnings as a factor supporting the intrinsic ratings. ABN AMRO’s solid earnings power benefits from its top tier market positions, as well as its diverse revenue streams across Retail and Private Banking and Commercial & Merchant Banking (C&MB). Although the economic environment in the Netherlands and throughout the Eurozone has impacted the headline results, which is most clearly evidenced by



the EUR 880 million provision charge against Greek corporate debt, underlying results have remained relatively resilient throughout 2011 and into 2012. Going forward, however, DBRS expects that the difficult operating environment in the Netherlands will likely have a negative impact on earnings, as loan impairments will likely increase, as seen in the latter part of 2011 and in the first quarter of 2012. Secondly, earnings will also be negatively impacted by DBRS's expectation of continued deposit competition, which pressures deposit margins, and reduces banking activities due to the prevailing recessionary environment in the Netherlands, pressuring both interest and fee income. Furthermore, increased cost of regulation and pending changes to bank fees will also have a negative impact on earnings going forward. Nonetheless, DBRS sees ABN AMRO as well-placed to meet these challenges.

Furthermore, the rating confirmation reflects the Bank's improved stand-alone liquidity and funding profile. ABN AMRO has reduced its reliance on short-term funding and has effectively refinanced its long-term maturities through 2012. Indeed, DBRS views ABN AMRO's practice of holding a substantial amount of liquidity as prudent, while it bolsters equity through earnings and strengthens its funding profile. ABN AMRO's liquidity buffer totalled EUR 52.3 billion at the end of 1Q12. Although this is about 10% lower than the level maintained at year-end 2011, it remains well over the regulatory minimum. Moreover, given that the Group, as of April 2012, has refinanced all long-term funding maturing in 2012, DBRS sees retaining the liquidity buffer as conservative, given the less than certain economic and capital markets environment. Importantly, the Group continues to maintain market access despite heightened uncertainties related to Eurozone sovereign debt. During 1Q12, ABN AMRO raised over EUR 8.1 billion of term funding in various currencies and maturities. Further, in April 2012, ABN AMRO issued an additional EUR 1.6 billion. The Group continues to advance its strategy of lengthening the average maturities of term funding while diversifying funding sources. Currently, the average original maturity of the new issuances is approximately 6.2 years, which lengthened the average remaining maturity of the Group's long-term funding to 4.1 years. With regards to capital, DBRS views capital as solid, with a Basel II Tier 1 ratio of 12.9% and a Core Tier 1 ratio of 10.6%, both marginally lower from year-end 2011 reflecting a slight increase in RWAs. DBRS notes that quarter-end capital levels exclude 40% of net reported profit reflecting the targeted amount under the Group's dividend policy.

DBRS views the Dutch State's ownership as well as the Bank's performance as adding significant stability to the Bank, and affords it the time needed to continue to improve its financial profile and franchise. While DBRS views the current ownership structure as a positive to the rating, ABN AMRO faces the longer term challenge of emerging from public ownership as a stronger stand-alone private entity.



Furthermore, DBRS continues to view ABN AMRO as a critically important banking organisation (CIB) in the Netherlands. As a CIB, the Group's ratings are subject to the floor rating, which is "A" at the Group level for long-term debt and R-1 (middle) for short-term debt, and is A (high) at the Bank level for long-term debt and deposits and R-1 (middle) for short-term debt and deposits. In DBRS's opinion, the prompt and decisive actions taken by the Dutch Government to support both ABN AMRO and the former Fortis Bank (Nederland) in the past several years illustrates and supports the CIB designation.

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 DBRS Criteria – Intrinsic and Support Assessments. Both can be found on the DBRS website under Methodologies.

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

This rating is endorsed by DBRS Ratings Limited for use in the European Union.

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Approver: Roger Lister

Initial Rating Date: 25 June 2010

Most Recent Rating Update: 1 September 2010

For additional information on this rating, please refer to the linking document under Related Research.

Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
ABN AMRO Group N.V.	Issuer & Long-Term Debt	Confirmed	A	Stb	Jun 14, 2012
ABN AMRO Group N.V.	Short-Term Debt	Confirmed	R-1 (middle)	Stb	Jun 14, 2012
ABN AMRO Bank N.V.	Long-Term Debt Guaranteed by Dutch State	Confirmed	AAA	Stb	Jun 14, 2012

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Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
ABN AMRO Bank N.V.	Short-Term Debt Guaranteed by Dutch State	Confirmed	R-1 (high)	Stb	Jun 14, 2012
ABN AMRO Bank N.V.	Long-Term Debt & Deposits	Confirmed	A (high)	Stb	Jun 14, 2012
ABN AMRO Bank N.V.	Short-Term Debt & Deposits	Confirmed	R-1 (middle)	Stb	Jun 14, 2012
ABN AMRO Bank N.V.	6.5% Bank Bonds Due 2017	Confirmed	A (high)	Stb	Jun 14, 2012
ABN AMRO Bank N.V.	4.5% Bank Bonds Due 2013	Confirmed	A (high)	Stb	Jun 14, 2012
ABN AMRO Bank N.V.	4.5% Bank Bonds Due 2014	Confirmed	A (high)	Stb	Jun 14, 2012
ABN AMRO Bank N.V.	5% Bank Bonds Due 2012	Confirmed	A (high)	Stb	Jun 14, 2012
ABN AMRO Bank N.V.	7.75% Sub Notes Due 2023	Confirmed	A	Stb	Jun 14, 2012
ABN AMRO Bank N.V.	Floating Rate Sub Notes Due 2015	Confirmed	A	Stb	Jun 14, 2012
ABN AMRO Bank N.V.	Floating Rate Sub Notes Due 2015	Confirmed	A	Stb	Jun 14, 2012
ABN AMRO Bank N.V.	Floating Rate Sub Notes Due 2015	Confirmed	A	Stb	Jun 14, 2012
ABN AMRO Bank N.V.	Floating Rate Sub Notes Due 2016	Confirmed	A	Stb	Jun 14, 2012
ABN AMRO Bank N.V.	Floating Rate Sub Notes Due 2017	Confirmed	A	Stb	Jun 14, 2012
ABN AMRO Bank N.V.	Floating Rate Sub Notes Due 2017	Confirmed	A	Stb	Jun 14, 2012
ABN AMRO Bank N.V.	Floating Rate Sub Notes Due 2018	Confirmed	A	Stb	Jun 14, 2012
ABN AMRO Bank N.V.	Floating Rate Sub Notes Due 2020	Confirmed	A	Stb	Jun 14, 2012
ABN AMRO Bank N.V.	4.310% Perpetual Sub Notes	Confirmed	A (low)	Stb	Jun 14, 2012
ABN AMRO Bank N.V.	5% Perpetual Sub Notes	Confirmed	A (low)	Stb	Jun 14, 2012
ABN AMRO Bank N.V.	5.5% Bank Bonds Due 2010	Discontinued - Repaid	Discontinued	--	Jun 14, 2012
ABN AMRO Bank N.V.	6.5% Bank Bonds Due 2011	Discontinued - Repaid	Discontinued	--	Jun 14, 2012

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