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DBRS Upgrades ABN AMRO Bank to A (high), Trend Now Stable

Industry: Fin.Svc.--Banks & Trusts

DBRS Ratings Limited (DBRS) has today upgraded the ratings of ABN AMRO Bank N.V. (ABN AMRO Bank or the Bank), including the Long-Term Debt & Deposits ratings to A (high) from 'A', and the ratings of ABN AMRO Group N.V. (ABN AMRO or the Group), including the Issuer & Long-Term Debt ratings to 'A' from A (low). The trend on all ratings is now Stable. The Intrinsic Assessment (IA) for ABN AMRO Bank is A (high), while the support assessment remains SA3. As a result, the Bank's final ratings are positioned in line with the IA.

The ratings upgrade reflects the progress achieved by the Group in recent years, which has resulted in a well-positioned retail and commercial banking franchise and stable financial profile. The ratings take into account the Group's good asset quality, relative earnings stability and solid risk profile. Although DBRS expects the Group to face some earnings pressure from the current challenging operating environment, DBRS views the Group as well positioned relative to global peers.

The Group's ratings are underpinned by ABN AMRO's good market position in the Netherlands, and solid commercial and merchant banking franchise, which has notable strength in targeted niche businesses, such as clearing and Energy, Commodities and Transportation (ECT). ABN AMRO is ranked among the top three Dutch banks across the majority of banking products, with a number one position in new mortgage production in 2015, number two position in savings and leading market share in Dutch SME lending. The Group is also a leading private bank in the Netherlands and the Eurozone. The ratings also consider the Group's continued progress with its repositioning, illustrated by the successful IPO in November 2015. Following the IPO, and the subsequent exercise of the overallotment option, a total of 23% of the Group's depository receipts representing ordinary shares were listed on the Euronext Amsterdam exchange.

ABN AMRO has demonstrated good earnings generation in recent years, underpinned by its well-positioned franchise in the Netherlands, and solid corporate banking operations. ABN AMRO reported statutory income before provisions and tax (IBPT) of EUR 3.2 billion in 2015, up 19% year-on-year (YoY), as the Group experienced strong income growth across both Private and Corporate Banking. Although statutory IBPT has tracked lower in 1H16, down 33% YoY to EUR 1.2 billion, DBRS notes that this is in line with peers, as results have been impacted by both the challenging operating environment and a EUR 271 million one-off charge related to the



compensation of SME clients with interest rate derivatives. DBRS also positively notes that, despite the operating environment, the Group maintained solid net interest income growth in 1H16, particularly in Retail Banking, and as a result, reported a net interest margin (NIM) of 1.52% in 1H16, up 7 basis points (bps) YoY.

ABN AMRO's asset quality continues to improve. This is reflected in the Group's customer impaired loan ratio of 2.7% at end-1H16, down from 2.9% at end-2014, as improvements in the domestic operating environment resulted in a 17% reduction in impaired exposures in the consumer loan portfolio, and a 6% reduction in residential mortgages. DBRS also notes that the Group's lending exposure to sectors and geographies experiencing increased stress, such as energy, appears manageable. At end-1H16, only approximately EUR 4 billion of the Group's ECT on- and off-balance sheet exposure is estimated by ABN AMRO to be directly exposed to oil price risk. DBRS will, however, continue to monitor these exposures.

The Group's funding and liquidity position has also strengthened further in recent years, with the loan to deposit ratio reducing to 108% at end-1H16, from 125% in 2012, following good customer deposit growth. ABN AMRO also maintains a significant liquidity buffer that totalled EUR 79.6 billion at end-1H16, which is approximately four times in excess of the Group's wholesale funding with a maturity of less than one year. DBRS also notes that the Liquidity Coverage Ratio (LCR) remained above 100% at end-1H16.

ABN AMRO has strengthened its capital position in recent years through solid internal capital generation. At end-1H16, ABN AMRO reported a fully-loaded common equity tier (CET1) ratio of 16.2%, comfortably above the Group's current fully-loaded regulatory requirement, and a leverage ratio of 3.7%. Although there are still a number of regulatory developments outstanding, including the introduction of Minimum Requirement for Own Fund and Eligible Liabilities (MREL), DBRS considers that ABN AMRO is relatively well positioned to meet these challenges. At end-1H16, ABN AMRO reported MREL of 6.8%, based solely on equity and subordinated instruments.

RATING DRIVERS

Given the recent upgrade and current operating environment, DBRS views positive rating pressure over the near to medium-term as unlikely. Over the longer-term, ABN AMRO's continued success in enhancing its franchise by executing on its strategy, while also improving returns across business segments, combined with further progress in adjusting to the evolving regulatory environment, could add positive pressure to the rating.

A substantial deterioration in profitability or a significant increase in the Group's risk profile,



potentially from its exposure to the oil and gas industry, could have negative implications. A significant downturn to the Dutch economy could also result in negative pressure given the Group's large domestic exposure.

Notes:

All figures are in EUR unless otherwise noted.

The principal applicable methodology is the Global Methodology for Rating Banks and Banking Organisations (July 2016). Other applicable methodologies include the DBRS Criteria – Support Assessments for Banks and Banking Organisations (March 2016), DBRS Criteria: Rating Bank Capital Securities – Subordinated, hybrid, Preferred & Contingent Capital Securities (February 2016) and DBRS Criteria: Critical Obligations Rating (February 2016). These can be found at: <http://www.dbrs.com/about/methodologies>

The sources of information used for this rating include company documents, the European Central Bank, the European Banking Authority and SNL Financial. 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.

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 historical default rates published by the European Securities and Markets Authority ("ESMA") in a central repository, see: <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.	Issuer & Long-Term Debt	Upgraded	A	Stb	Sep 16, 2016
ABN AMRO Group N.V.	Short-Term Debt	Confirmed	R-1 (low)	Stb	Sep 16, 2016
ABN AMRO Bank N.V.	Long-Term Debt & Deposits	Upgraded	A (high)	Stb	Sep 16, 2016
ABN AMRO Bank N.V.	Short-Term Debt & Deposits	Upgraded	R-1 (middle)	Stb	Sep 16, 2016
ABN AMRO Bank N.V.	Long Term Critical Obligations Rating	Upgraded	AA	Stb	Sep 16, 2016
ABN AMRO Bank N.V.	Short Term Critical Obligations Rating	Upgraded	R-1 (high)	Stb	Sep 16, 2016
ABN AMRO Bank N.V.	6.5% Bank Bonds Due 2017	Upgraded	A (high)	Stb	Sep 16, 2016
ABN AMRO Bank N.V.	Dated Subordinated Debt	Upgraded	A	Stb	Sep 16, 2016
ABN AMRO Bank N.V.	6.375% Sub Notes Due 2021	Upgraded	A	Stb	Sep 16, 2016
ABN AMRO Bank N.V.	4.7% Sub Notes Due 2022	Upgraded	A	Stb	Sep 16, 2016
ABN AMRO Bank N.V.	6.25% Sub Notes Due 2022	Upgraded	A	Stb	Sep 16, 2016
ABN AMRO Bank N.V.	6.250% Sub Notes Due 2022	Upgraded	A	Stb	Sep 16, 2016

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Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
ABN AMRO Bank N.V.	7.125% Sub Notes Due 2023	Upgraded	A	Stb	Sep 16, 2016
ABN AMRO Bank N.V.	7.75% Sub Notes Due 2023	Upgraded	A	Stb	Sep 16, 2016
ABN AMRO Bank N.V.	Floating Rate Sub Notes Due 2017	Upgraded	A	Stb	Sep 16, 2016
ABN AMRO Bank N.V.	Floating Rate Sub Notes Due 2020	Upgraded	A	Stb	Sep 16, 2016

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