

## **FITCH AFFIRMS ABN AMRO AT 'A+'; UPGRADES INDIVIDUAL RATING TO 'C'**

Fitch Ratings-London/Paris-29 June 2011: Fitch Ratings has upgraded ABN AMRO Bank N.V.'s (ABN AMRO) Individual Rating to 'C' from 'D'. Fitch has also affirmed ABN AMRO's Long-term Issuer Default Rating (IDR) at 'A+', Short-term IDR at 'F1+', Support Rating at '1' and Support Rating Floor at 'A+'. At the same time, the agency has upgraded ABN AMRO's XS0244754254 Upper Tier 2 perpetual subordinated notes to 'BB-' from 'B+' and the XS0246487457 Tier 1 perpetual capital securities to 'BB-' from 'B'; and removed both securities from Rating Watch Negative (RWN). A full list of ratings is at the end of this comment.

The upgrade of ABN AMRO's Individual Rating is driven by the material progress realised in the merger process between ABN AMRO and Fortis Bank (Nederland) (FBN), resulting in reduced operational risk. It also reflects improvement in the bank's funding profile and its increasing, albeit still moderate, operating profitability.

The Individual Rating continues to incorporate ABN AMRO's strong franchise in the Netherlands and its solid capitalisation (core Tier 1 capital ratio of 11.3% at end-March 2011). It also considers the remaining challenges in completing the integration process and rebuilding some of the businesses it had to give up for competition reasons. The targeted cost/income ratio of 60%-65% by 2012 (71.5% in 2010), which is rather high when compared to better performing peers, could be challenged by lower-than-anticipated revenue generation. In addition, ABN AMRO's Individual Rating factors in some reliance on the capital markets for the bank's funding needs, as demonstrated by a loan-to-deposit ratio of 137% at end-2010.

As a consequence of the rating action, the notching between ABN AMRO's Individual Rating, reflecting its unsupported creditworthiness, and its Long-term IDR has reduced but the standalone strength of the bank remains lower than that implied by the expected support from the Dutch state in case of need. This is reflected in the fact that the ABN AMRO's Long-term IDR is at its Support Rating Floor of 'A+'. The very high probability that the Dutch state ('AAA'/Stable) would provide support to the bank in case of need derives from the bank's systemic importance to the domestic economy, its ownership structure (100% of ABN AMRO's ordinary shares are held by the state) and the Dutch authorities' track record in rescuing the national troubled, systemically important banks.

The upgrade of the XS0244754254 Upper Tier 2 perpetual subordinated notes and XS0246487457 Tier 1 perpetual capital securities reflects the bank's improving standalone strength. These securities were placed on RWN pending the conclusion of the European Commission (EC) state aid investigation. While the EC has required the bank not to pay coupons on its Tier 1 and Tier 2 instruments, it also recently agreed on a dividend policy which will enable the bank to pay ordinary share dividends. As both instruments have a 'dividend pusher', it is Fitch's understanding that payment of coupons on these securities will become contractually mandatory if ABN AMRO pays ordinary dividends exceeding EUR100m and thus the RWN has been resolved.

ABN AMRO, the result of the merger on 1 July 2010 between the state-owned ABN AMRO and FBN, is the third-largest Dutch bank by total assets. It ranks third in the Netherlands in retail banking and has leadership position in commercial banking, private banking and in some global niche activities. The Dutch state has announced that it is considering privatising the bank, probably through an IPO, although not earlier than 2014 when ABN AMRO would have demonstrated a long enough track record of standalone operations.

A full credit report will shortly be available at [www.fitchratings.com](http://www.fitchratings.com).

The rating actions are as follows:

## ABN AMRO

Long-term IDR: affirmed at 'A+'; Outlook Stable

Short-term IDR: affirmed at 'F1+'

Support Rating: affirmed at '1'

Support Rating Floor: affirmed at 'A+'

Individual Rating: upgraded to 'C' from 'D'

Long-term senior unsecured notes: affirmed at 'A+'

Government guaranteed debt: affirmed at 'AAA'

Short-term senior unsecured notes: affirmed at 'F1+'

Subordinated debt: affirmed at 'A'

Commercial paper: affirmed at 'F1+'

Upper Tier 2 subordinated debt (XS0244754254): upgraded to 'BB-' from 'B+', off RWN

Non-innovative Tier 1 subordinated debt (XS0246487457): upgraded to 'BB-' from 'B', off RWN

Covered bonds: unaffected at 'AAA'

## ABN AMRO Funding USA LLC

Short-term senior unsecured notes: affirmed at 'F1+'

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Additional information is available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 16 August 2010, 'Short-Term Ratings Criteria for Corporate Finance' dated 2 November 2010 'Equity Credit for Hybrids & Other Capital Securities' and 'Rating Hybrid Securities' both dated 29 December 2009; are available at [www.fitchratings.com](http://www.fitchratings.com)

### Applicable Criteria and Related Research:

Global Financial Institutions Rating Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=547685](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=547685)

Short-Term Ratings Criteria for Corporate Finance

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=568726](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=568726)

Equity Credit for Hybrids & Other Capital Securities - Amended

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=493112](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=493112)

Rating Hybrid Securities

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