MOODY'S
INVESTORS SERVICE

Credit Opinion: ABN AMRO Bank N.V.

Global Credit Research - 17 Feb 2012

Amsterdam, Netherlands

Ratings

Category	Moody's Rating
Outlook	Rating(s) Under Review
Bank Deposits	*Aa3/P-1
Bank Financial Strength	*C-
Issuer Rating	*Aa3
Senior Unsecured	*Aa3
Subordinate	**A1
Jr Subordinate	Ba2 (hyb)
Commercial Paper -Dom Curr	P-1
Other Short Term	(P)P-1
ABN AMRO Funding USA LLC	
Outlook	Rating(s) Under Review
Bkd Commercial Paper	P-1

* Placed under review for possible downgrade on February 15, 2012
** Placed under review for possible downgrade on November 29, 2011

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Key Indicators

ABN AMRO Bank N.V. (Consolidated Financials)[1]

	[2]**6-11**	[2]**12-10**	[3]**12-09**	**Avg.**
Total Assets (EUR million)	**396,768.0**	**379,599.0**	**386,524.0**	[4]**1.3**
Total Assets (USD million)	**575,251.2**	**509,248.6**	**554,561.8**	[4]**1.8**
Tangible Common Equity (EUR million)	**14,022.6**	**13,196.8**	**9,886.0**	[4]**19.1**
Tangible Common Equity (USD million)	**20,330.6**	**17,704.1**	**14,183.9**	[4]**19.7**
Net Interest Margin (%)	**1.4**	**--**	**1.1**	[5]**1.2**

PPI / Avg RWA (%)	**2.4**	**1.3**	**--**	[6]**1.8**
Net Income / Avg RWA (%)	**1.6**	**-0.3**	**--**	[6]**0.6**
(Market Funds - Liquid Assets) / Total Assets (%)	**12.7**	**13.8**	**15.6**	[5]**14.1**
Core Deposits / Average Gross Loans (%)	**76.8**	**--**	**74.0**	[5]**75.4**
Tier 1 Ratio (%)	**13.9**	**12.8**	**--**	[6]**13.4**
Tangible Common Equity / RWA (%)	**12.9**	**11.3**	**--**	[6]**12.1**
Cost / Income Ratio (%)	**67.3**	**80.1**	**77.0**	[5]**74.8**
Problem Loans / Gross Loans (%)	**--**	**3.1**	**2.9**	[5]**3.0**
Problem Loans / (Equity + Loan Loss Reserves) (%)	**--**	**50.7**	**60.7**	[5]**55.7**

Source: Moody's

[1] All ratios are adjusted using Moody's standard adjustments [2] Basel II; IFRS [3] Basel I; IFRS [4] Compound Annual Growth Rate based on IFRS reporting periods [5] IFRS reporting periods have been used for average calculation [6] Basel II & IFRS reporting periods have been used for average calculation

Opinion

RECENT CREDIT DEVELOPMENTS

On 15 February 2012, Moody's placed on review for downgrade ABN AMRO's C- / Baa1 Bank Financial Strength Rating (BFSR) and its Aa3 long-term rating. The Prime-1 short-term rating was affirmed. During the review, we will consider a potential downgrade to the long-term ratings of up to two notches, i.e. to A2.

This review is part of a wider action, placing a number of European banks on review for downgrade, reflecting the multiple challenges we consider these institutions face, notably (i) a weakening macroeconomic environment; (ii) costly and constrained market funding; and (iii) pressure on profits. These challenges may lead us to reduce our assessment of several important rating factors, notably economic stability, franchise value, risk positioning, liquidity, profitability and capital. Moreover, some governments are becoming more constrained in their ability to provide support for banks over the medium term. As a consequence, European banks face immediate pressures centered on their ability to retain the confidence of investors. For more details please see our press release "Moody's Reviews Ratings for European Banks" published on 15 February 2012 and the reports "Global Bank Ratings Likely To Decline In 2012", "Euro Area Debt Crisis Weakens Bank Credit Profiles" and "European Banks: How Moody's Approach Reflects Evolving Challenges", published on 19 January 2012.

Dated subordinated debt securities (rated A1) remain on review for downgrade pending our reassessment of systemic support for such debt, initiated on 29 November 2011. This review will contemplate the potential complete removal of systemic support from our ratings on subordinated debt, where these ratings currently incorporate such support. This reflects Moody's belief that the probability of subordinated bank debt in Europe benefiting from systemic support will be lower than assumed in the past, further to possible legislative changes, including the European Commission's proposed framework on resolution regimes, which would allow the imposition of losses on subordinated debt holders outside a bankruptcy. In countries where this is already the case, such as the UK and Germany, our approach is to notch down subordinated debt securities from the institution's Adjusted Baseline Credit Assessment. For more details on the wider rating action, please refer to Moody's Special Comment "Reassessment of Government Support Assumptions in European Bank Subordinated Debt", dated 28 November 2011 and Press Release "Moody's Reviews European Banks' Subordinated, Junior and Tier 3 Debt for Downgrade", dated 29 November 2011.

SUMMARY RATING RATIONALE

Moody's assigns a BFSR of C- under review for downgrade (mapping to Baa1 on the long-term scale) to ABN AMRO Bank N.V. (ABN AMRO). The rating reflects ABN AMRO's strong position within the Dutch banking sector, a balanced business mix between retail and commercial banking, its moderate risk profile and strong capital position.

We acknowledge that substantial progress has been made towards reaching full operational integration of the two former banks, ABN AMRO Bank N.V. and Fortis Bank Nederland N.V. which merged in July 2010, and that the underlying business is performing well. However, we believe that the bank will remain weaker than its peers in the Dutch market until i) the high restructuring costs cease to impact its profitability, and ii) its commercial banking business has been rebuilt, following the sale of some of its assets to Deutsche Bank. In addition, ABN AMRO remains exposed to short-term refinancing risk, despite some recent improvement.

We believe that the probability of systemic support for ABN AMRO remains very high, as the Dutch government holds 100% of the bank's ordinary shares and due to its size and importance within the Dutch banking sector. This results in a substantial four-notch uplift in the senior debt and deposit ratings to Aa3 under review for downgrade, from the BCA of Baa1, which includes one extra notch reflecting the state intervention in the 2009 buy-out. However, we caution that our reassessment of parental support could result in ABN AMRO benefiting from the same parental uplift currently considered for many of its peers.

Rating Drivers

Strengths

- Strong franchise across Dutch commercial and retail banking, where ABN AMRO holds the third largest market share

- Market leader in private banking in the Netherlands with a strong presence across the rest of Europe, especially in euro-area countries

- Good level of loan book granularity, dominated by retail and corporate lending, with little exposure to asset-backed securities

- Strong capital base, which was strengthened by financial support from the Dutch state to the two merged banks

Weaknesses

- The bank's asset quality and earnings are expected to be impacted by the uncertain global economic outlook, which could undermine efficiency and growth targets

- Weaker profitability prospects expected to result in reduced ability to continue absorbing the costs associated with the merger process, which are expected to cease in 2012, although the bank claims that the majority of these costs have already been accounted for

- The current deteriorating operating environment makes it challenging for the bank to maintain and grow its international commercial banking customer base without unduly increasing its risk profile

- Current difficult funding market conditions reduce the bank's ability to maintain an adequate liquidity position

Rating Outlook

The BFSR and long-term ratings on ABN AMRO are on review for downgrade. During the review we will consider the impact on ABN AMRO's standalone creditworthiness of weakening fundamentals, notably economic stability, franchise value, risk positioning, liquidity, profitability and capital, in the context of the

current environment.

What Could Change the Rating - Up

ABN AMRO's BFSR and long-term ratings are on review for downgrade and as such, any increases in these ratings over the rating horizon is unlikely.

What Could Change the Rating - Down

ABN AMRO's BFSR could be downgraded following our review during which we will re-assess the impact of the weakening macroeconomic environment, costly and constrained market funding and pressure on profits on the bank's financial fundamentals, notably economic stability, franchise value, risk positioning, liquidity, profitability and capital. In particular, the BFSR may be lowered if we consider that financing conditions are likely to remain hostile, a macroeconomic slowdown could materially impact the bank's profitability, the housing market were to deteriorate significantly, or the restructuring result in weaker-than-expected franchise or capital.

The BFSR could also be downgraded if the bank (i) fails to reach the expected operational efficiencies resulting from the integration process, (ii) fails to rebuild the market share it lost in commercial lending following the EC Remedy conclusion, (iii) materially increases its risk profile for example as a result of expansion into risky activities; (iv) cannot restore a satisfactory levels of underlying profitability, or (v) weakens its capital position below the stated targets.

A downgrade of the deposit and debt ratings would be triggered by a downgrade of the BFSR or indeed by a change in the probability of systemic support.

Recent Results and Developments

In the first three quarters of 2011, ABN AMRO reported a profit of EUR810 million versus a loss of EUR627 million for the same period in 2010, net of restructuring costs for EUR177 million pre-tax and separation and integration costs for EUR231 million. However, we note that in Q3-2011 the bank reported a net loss of EUR54 million, compared to a profit of EUR341 million a year earlier, mainly as a result of an EUR500 million one-off provision charge on a legacy portfolio of EUR1.4 billion of corporate loans guaranteed by the Greek government. In the third quarter of 2011, net banking income was down 12% on the year to EUR1.8 billion, showing that the bank has not been immune to the challenging macroeconomic environment in Europe. Despite third quarter challenges, ABN AMRO's 2011 results to-date demonstrate continued progress in the merger and integration of the two former banks. In particular, we note that steady progress has been made in reducing the underlying cost base of the group, which has long been a key challenge for many Dutch banks. For the first nine months of 2011, the bank reported an underlying cost-to-income ratio of 63%, down from 70% for the same period last year.

In FY 2010, ABN AMRO reported a net loss of EUR414 million, from a profit of EUR274 million in the previous year. The result was impacted by an EUR812 million one-off charge resulting from forced asset sales under the EC Remedy as well as separation and integration costs of EUR679 million. The underlying business performed strongly with a net profit for the period of EUR1.1 billion compared to a profit of EUR142 million in 2009. Loan impairments were also significantly down 47% on the year, to EUR837 million. ABN AMRO had a core Tier 1 capital of 10.4% at the end of 2010.

We note that the bank's balance sheet increased by EUR42 billion to EUR419 billion in the first three quarters of 2011. The main driver was a EUR20.4 billion increase in customer loans, of which EUR15.7 billion related to securities financing. The loan book increase reflects the bank's management intention to re-build certain parts of the commercial banking business, following the forced asset sale to Deutsche Bank in 2010. ABN AMRO's core Tier 1 ratio nonetheless improved to 10.9%, from 10.4% in Q4-2010.

On 8 December 2011, the bank announced the completion of the acquisition of LGT Bank Deutschland, a

German private banking operation, from LGT Group. The deal is expected to further enhance ABN AMRO's position in private banking in Germany as well as across Europe. In November 2011, ABN AMRO also announced the completion of the sale of its Swiss private banking activities to Union Bancaire Privée, which had total asset under management of approximately EUR10 billion at the end of Q3-2011. The relevant gain on the sale will be booked in Q4-2011.

In July 2011, the bank announced the resumption of dividend payments with its H1-2011 results. We note that the dividend payment of EUR200 million made in September 2011 is in line with the bank's dividend policy targeting a 40% dividend payout ratio, announced in March 2011.

On 20 May 2011, ABN AMRO reported that the European Commission had approved its support package and restricting plan with the following conditions: (i) continuation of the price leadership restrictions similar to the measures implemented in 2010, (ii) a ban on acquisitions, unless the total gross cumulative purchase price paid for all such acquisitions during a period of three years is less than EUR600 million - not applicable to certain activities such as private equity, (iii) a ban on advertising state ownership, (iv) measures to stimulate the competition in private banking in the Netherlands through the offer of free transfers of investment portfolios to other banks for a period of two months. On 14 June 2011, ABN AMRO announced its decision to appeal the ban on acquisitions and we understand that this process is ongoing.

DETAILED RATING CONSIDERATIONS

Detailed considerations for ABN AMRO's currently assigned ratings are based on the latest annual and interim financial reports available. The quantitative scores are based on the two-year averages for the years 2009-2010.

Bank Financial Strength Rating

Moody's assigns a BFSR of C- under review for downgrade to ABN AMRO, which is the same score as that resulting from the scorecard. The assigned rating reflects the bank's enhanced position within the Dutch banking sector, a balanced business mix between retail and commercial banking, its moderate risk profile and strong capital position.

These strengths are counterbalanced by the ongoing separation and integration process. We acknowledge that substantial progress has been made in reaching operational integration since the merger was completed in 2009. However, we believe that ABN AMRO remains more vulnerable to external market forces than its peers in the Dutch market until (i) the high separation and restructuring costs will cease to impact its profitability - although the bank claims that the majority has already been accounted for - and (ii) its commercial banking operations has been rebuilt, following the forced asset sale to Deutsche Bank. In addition, ABN AMRO remains exposed to short-term refinancing risk, despite some recent improvement.

Franchise Value

Moody's currently considers ABN AMRO's franchise value to be a credit strength. However, the review will consider whether it should be weaker, given the combination of tight refinancing conditions and the weakening economic environment.

ABN AMRO is the third largest bank in the Netherlands, which is a highly concentrated market where the top three banks dominate both lending and deposit taking. It had total assets of EUR419 billion at end-September 2011. The integration of the two former banks has consolidated the retail, private and commercial banking franchise of the previous ABN AMRO Bank with the strong merchant and commercial banking franchise of FBN. ABN AMRO currently serves 6.8 million retail clients, it employs around 24,947 staff, and has a domestic network of 482 branches as well as an international network outside the Netherlands in 22 countries, at September-end 2011.

ABN AMRO also enjoys a strong position in the corporate banking market, with high market shares in both the business banking and the corporate clients segments, despite the sale of certain part of this business to Deutsche Bank in 2010, as a result of the EC Remedy. ABN AMRO is an important player in some global specialist markets such as Energy, Commodities and Transportation (ECT) as well as clearing. The commercial and merchant banking business operates in 16 offices globally and focuses on supporting the foreign activities of predominantly Dutch clients. A key challenge for ABN AMRO is to maintain its position in this area in the current uncertain trading environment.

In retail banking the new bank is ranked third in the Netherlands serving a total of 6.8 million mass affluent and mass retail clients. ABN AMRO had a total of EUR190 billion customer deposits at end-June 2011 and market shares have held up well since a decline at the beginning of 2008. However, lower market shares in the mortgage market segment was the result of the bank's strategy to limit risk weighted assets growth over the period.

In the private clients segment, ABN AMRO is ranked 1st in its home market with significant activities in the rest of Europe. Assets under management were EUR153 billion at end-September 2011, down from EUR164 billion at end-June 2011 reflecting weak market conditions as well as changes to the Dutch Securities Giro Act. A key challenge for ABN AMRO is to expand its footprint in Asia through its various banking networks that existed under the historical ABN AMRO brand.

ABN AMRO's retail business is expected to continue delivering earnings stability. However, downwards pressures due to increased funding costs, lower transaction volumes and more generally the weakening operating environment have started to materialize and could adversely affect the bank's franchise value.

Risk Positioning

Moody's considers ABN AMRO's risk position to be overall modest and on a weakening trend. The review will consider the balance of risks given the deteriorating operating environment and constrained funding conditions.

Management has thus far demonstrated a prudent approach to risk management and recent examples include a EUR500 million impairment provision taken on currently performing Greek government-guaranteed corporate loans in Q3-2011 and a reduction in Italian government bond holdings in the same quarter. However, we remain cautious about the challenges of embedding risk culture across an organization resulting from the merger of two different banks.

ABN AMRO has set up a markets division to offer a range of financial market products to its clients. These products are relatively simple and in small volumes. We understand that the positions are aggregated and hedged together, to ensure effective trading limit monitoring. We understand that the residual risk is negligible and that no proprietary trading activity takes place. ABN AMRO has indicated its intention to begin offering more complex products through outsourcing to third parties, including RBS N.V. and that relevant back-to-back transactions will be put in place to limit market risk.

In addition to calculating VaR, a number of stress tests and scenario analyses are performed to assess the P&L impact on a daily basis. These tests are designed to focus specifically on tail events outside the VaR confidence interval.

Owing to the recent merger between ABN AMRO and FBN, there is very little historical financial data available publicly for this issuer. However, Moody's views positively the ongoing improvement in the disclosure of financial information, particularly on a semi-annual basis.

ABN AMRO has an adequate liquidity management framework and enjoys a diversified funding mix, which included a retail and corporate deposit book (excluding repos and securities financing) of EUR190 billion corresponding to a loan-to-deposit ratio of 135% and representing 64% of total funding (per Moody's calculation) at end-June 2011. The amount of outstanding medium long term debt was EUR82.5 billion, or

27% of total funding and the remaining EUR30.2 billion (or 10%) was short term funding comprising CPs and CDs for EUR15.7 billion and inter-bank borrowings for EUR14.5 billion, at the same date. We note that ABN AMRO has reduced its dependence on short-term wholesale funding since December 2009 largely through the redemption of all ECB facilities and all government guaranteed commercial paper. In addition, the bank's medium long term funding maturity profile has improved over time.

In the first three quarters of 2011, ABN raised a total of EUR13 billion of medium-long term funding and it was able to extend the maturity of EUR2 billion. We note that at end-September 2011, ABN had approximately EUR32 billion of debt maturing over the course of 2012-13.

Regulatory Environment

All Dutch banks are subject to the same score on the regulatory environment. This factor does not reflect bank-specific issues but rather evaluates whether regulatory bodies are independent and credible, demonstrate enforcement powers and adhere to global standards of best practices for risk control. Please refer to Moody's Banking System Outlook on the Netherlands, published in July 2010, to obtain a detailed discussion of the regulatory environment.

Operating Environment

This factor is common to all Dutch financial institutions - please refer to Moody's Banking System Outlook on the Netherlands, published in July 2010, for a detailed discussion about the operating environment. The overall score is currently A. However, we consider that the operating environment has worsened for many European banks and during the review we will reassess the implications for banks. Please refer to report "Euro area debt crisis weakens bank credit profiles", published on 19 January 2012, for more details.

Profitability & Efficiency

Moody's views ABN AMRO's profitability as weak, as the bank's underlying business is being constrained by separation and restructuring costs, which are expected to cease in 2012. We expect revenues to come under pressure and asset quality to deteriorate in the short to medium term and during the review we will consider the impact of these factors on ABN AMRO's profitability.

Historically, the profitability of Dutch banks has been modest relative to their peers across most of Western Europe and to a large degree this reflects the high-cost base inherent in the system. The Dutch market is mature, with lending concentrated amongst very few large players. Despite this, margins are low, particularly in retail banking. Despite these inherent challenges, ABN AMRO continues to make good progress in improving its underlying profitability against a backdrop of challenging market conditions.

Excluding exceptional items (separation and integration costs), profitability has been on an improving trend since 2010, with pre-provision income for the first nine-month 2011 of EUR2.2 billion, up 28% from EUR1.7 billion for the same period last year. ABN AMRO reported improvements in both net interest income and non-interest income for first nine months of 2011. However, results have more recently been impacted by the ongoing macro-economic challenges in Europe, resulting in lower quarter-on-quarter revenues and significantly higher loan impairment charges due to the EUR500 million impairment provision recorded in Q3-2011 on a EUR1.4 billion legacy corporate portfolio guaranteed by the Greek government. This resulted in a reported net loss of EUR54 million for Q3-2011.

Going forward, the key challenge for ABN AMRO will be to increase profitability in an environment of weak demand for credit and weak economic conditions.

Positively, ABN AMRO has no exposure to illiquid structured assets other than some AAA RMBS on prime Dutch mortgages included in its liquidity buffer and as such, the credit risk going forward is largely limited to the bank's loan book of consumer and commercial loans. Furthermore, the operational integration process is expected to generate both cost synergies and earnings benefits in the long term.

Management has an ambitious target to reduce costs to structurally below 60% of revenues by the end of 2014, under normal economic and business conditions.

In the medium term, costs will continue to be impacted by ongoing restructuring and integration charges. However, these costs are beginning to decline. In 2010 total separation and integration costs amounted to EUR1.5 billion (including EC Remedy), resulting in a cost-to-income ratio for 2010 of 98%, or 70% on an underlying basis. For the first nine months of 2011, total separation and integration costs were EUR231 million (gross), with a further EUR177 million pre-tax restructuring charge taken in connection with the additional customer excellence program announced in Q2-2011. These charges resulted in a reported cost-to-income ratio of 67%. However, we note that on an underlying basis, costs declined to 63% of total revenues, suggesting management is making good progress towards achieving its stated target despite difficult trading conditions.

Liquidity

Moody's expects ABN AMRO's liquidity position to weaken given the continued challenging funding market conditions. The review will consider the extent to which ABM AMRO's liquidity and funding may be a credit weakness.

ABN AMRO had EUR30.2 billion of short-term funding at end-June 2011, representing 10% of the adjusted total funding (per Moody's calculation). However, the banks' short-term funding requirements increases by c. EUR16 billion to c. EUR46.2 billion or c15% of the adjusted total funding, when the portion of medium-long term funding maturing in 2012 is included, as this effectively has a short-term maturity. Due to this reliance on short-term funding, we believe that the bank is expected to be vulnerable to market disruption and that, similarly to many of its European peers, it is facing challenging wholesale funding market conditions, which have deteriorated since June 2011.

Set against this risk, ABN AMRO has a liquidity buffer of EUR43.3 billion at Q3-2011, consisting of cash deposits (27%), RMBS retained (34%), government bonds (21%), covered bonds (5%) and other securities (11%). We see this as adequate in relation to the bank's funding profile and we also understand that the size of the bank's liquidity asset pool was increased by EUR10 billion during Q4-2011.

The bank has also disclosed its pro-forma Basel 3 liquidity ratios at the end of 2010. We note that its LCR was around 60% and its NSFR was around 100%, which means that ABN AMRO is well placed in meeting these target ratios ahead of the implementation date. ABN AMRO also stated that it is well placed to fully comply with these ratios by 2013, ahead of the implementation date.

Capital Adequacy

Moody's considers ABN AMRO as being well capitalised. However, during the review we will consider the impact of the current deteriorating operating environment on the bank's capacity to absorb losses under stress.

ABN AMRO reported core Tier 1 ratio of 10.9% and a total Tier 1 ratio of 13.2% at end-September 2011. Risk-weighted assets remained broadly flat compared to the end of 2010, despite balance sheet growth of EUR42 billion (+11%). The bank's leverage ratio, calculated using Basel 2 Tier 1, was 3.2% at end-September 2011, in line with end-2010.

ABN AMRO is relatively well positioned to manage the transition to Basel 3, given the relative high quality of its capital base and limited exposure to securitized trading assets. However, we expect further pressure on the group's profitability and ultimately on capital adequacy, given our expectation of a weaker macro-economic environment in the Netherlands and the other European markets in which ABN AMRO operates.

The full phase in impact in January 2013 is expected to result in a core Tier 1 ratio of 8.9% and a total

Tier 1 ratio of 10.8%, which are above the 2019 full phase-in requirements of 7.0% and 8.5%, respectively, with the exception of the additional 2.5% capital conservation buffer that is expected to be required for systemically important financial institutions. ABN AMRO was included in the provisional list published in November 2011, which will be finalized in 2014.

ABN AMRO continues to benefit from a substantial injection of capital made by the Dutch government following the onset of the financial crisis in 2008. The Dutch authorities have indicated that they will not begin considering selling the state's stake in the bank until 2014, at the earliest.

Asset Quality

Moody's expects ABN AMRO's asset quality to deteriorate in the current difficult operating environment and we will consider this further, as part of the review.

ABN AMRO's customer loan book is balanced between lower risk mortgage lending and somewhat higher risk commercial lending, representing 47% and 33% of the total loan book at end-June 2011, respectively. The overall book's asset quality has deteriorated similarly to peers in the Dutch market, with total NPLs at year-end 2010 representing 3.1% of loans, up from 2.9% at end-December 2009 (Moody's calculations). The overall NPL ratio also masks a more challenging asset quality picture within the group's commercial lending business. Although ABN AMRO benefits from a well diversified commercial lending portfolio, these assets have nonetheless not been immune to the ongoing macro-economic challenges. At year-end 2010, NPLs within commercial lending represented 6.8% of total lending to these sectors, up from 6.2% at end-December 2009. Positively, these impaired loans were 55% covered by impairment allowances and collateral.

While ABN AMRO does not provide updated asset quality trends across portfolios in quarterly and semi - annual updates, provisioning trends in 2011 had indicated a slight improvement in the trajectory of impaired assets. Impairments at the end of Q2-2011 were EUR4.3 billion, in line with what was reported at year-end 2010. Loan impairment charges for the first six month 2011 were EUR310 million, compared to EUR348 million for H1-2010. However, third quarter results were significantly impacted by a EUR500 million impairment charge against a legacy portfolio of corporate loans guaranteed by the Greek government, increasing the overall impairment charges for the first nine months 2011 to EUR989 million, from EUR580 million for the same period last year. Excluding the impairment of the Greek government guaranteed corporate loans, provisions for bad debts did reduce to EUR489 million as ABN AMRO reported declining charges in Commercial & Merchant Banking and stable developments in mortgage lending.

Given the current macro-economic backdrop, we expect ABN AMRO to continue to report elevated levels of impairment charges as well as impaired assets, going forward. Positively, sovereign exposure to peripheral European countries is manageable, with total exposure to Greece, Portugal and Ireland at around EUR100 million (exposure to Greece is actually through corporate loans that are guaranteed by the Greek Government and are therefore not impacted by the `voluntary' agreement to exchange Greek Government bonds at less than par value). Exposure to Italy was also reduced during the third quarter to EUR300 million, down from EUR1.3 billion at end-December 2010.

Global Local Currency Deposit Rating (Joint Default Analysis)

ABN AMRO's GLC deposit rating is supported by the bank's BCA of Baa1, and the Netherlands' Aaa local currency deposit ceiling. In accordance with Moody's joint default analysis (JDA) methodology, ABN AMRO receives a four-notch uplift from its BCA, reflecting the very high likelihood of support from the Netherlands in case of need, bringing the GLC rating to Aa3, under review for downgrade.

Notching Considerations

In line with Moody's current guidelines for rating bank hybrid securities and subordinated debt published in

November 2009, ABN AMRO's dated subordinated debt is rated A1, i.e. one notch below the bank's senior debt rating. For banks in the Netherlands Moody's incorporates systemic support in its dated subordinated debt ratings to the same extent that it incorporates such support in senior debt ratings. However, ABN AMRO's subordinated debt ratings are currently under review for downgrade as they are included in our review of subordinated debt of European banks announced on 29 November 2011. This may lead us to withdraw entirely the systemic support from these securities and notch them from the bank's BCA, currently Baa1. For more details, please see our note "Moody's reviews European banks' subordinated, junior and Tier 3 debt for Downgrade", dated 29 November 2011.

ABN AMRO Bank N.V.'s two outstanding hybrid securities - the remaining GBP150 million perpetual subordinated upper tier 2 notes (ISIN : XS0244754254) and EUR1,000 million perpetual Tier 1 capital securities (ISIN : XS0246487457) - are rated Ba2 (hyb), reflecting Moody's view that the securities faced a high probability of coupon deferral in light of the bank's receipt of substantial state aid. However, Moody's notes that the dividend payment made in September 2011 activates the dividend pusher on both these instruments (a mandatory coupon payment is required if a dividend payment has been made in the previous 12 months). The coupon payment on these instruments is therefore expected to be made in March 2012, subject to ABN meeting its regulatory capital requirements. Should ABN decide not to pay any dividends in 2012, the bank might be subject to the EC's scrutiny on coupons of hybrid securities issued by state-supported banks.

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 3 March 2010.

Foreign Currency Deposit Rating

ABN AMRO Bank N.V.'s Aa3 under review for downgrade / Prime-1 foreign currency deposit ratings are unconstrained given that the Netherlands, in common with other EU members, has a country ceiling of Aaa.

Foreign Currency Debt Rating

ABN AMRO Bank N.V.'s Aa3 under review for downgrade / Prime-1 foreign currency debt ratings are unconstrained given that the Netherlands, in common with other EU members, has a country ceiling of Aaa.

ABOUT MOODY'S BANK RATINGS

Bank Financial Strength Rating

Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. Bank Financial Strength Ratings do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honor its domestic or foreign currency obligations. Factors considered in the assignment of Bank Financial Strength Ratings include bank-specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although Bank Financial Strength Ratings exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.

Moody's uses the Baseline Credit Assessment (BCA) to map BFSRs onto the 21-point Aaa-C rating scale and like the BFSR, it reflects a bank stand- alone default risk. Each point on the Aaa-C scale represents a specific probability of default and therefore allows Moody's to use the BCA as an input to Moody's Joint

Default Analysis (JDA), described below. The baseline credit assessment reflects what the local currency deposit rating of the bank with the given BFSR would be without any assumed external support from a government or third party

Global Local Currency Deposit Rating

A deposit rating, as an opinion of relative credit risk, incorporates the Bank Financial Strength Rating as well as Moody's opinion of any external support. Specifically, Moody's Bank Deposit Ratings are opinions of a bank's ability to repay punctually its deposit obligations. As such, Moody's Bank Deposit Ratings are intended to incorporate those aspects of credit risk relevant to the prospective payment performance of rated banks with respect to deposit obligations, and includes: intrinsic financial strength, sovereign transfer risk (in the case of foreign currency deposit ratings), and both implicit and explicit external support elements. Moody's Bank Deposit Ratings do not take into account the benefit of deposit insurance schemes which make payments to depositors, but they do recognize the potential support from schemes that may provide assistance to banks directly.

According to Moody's joint default analysis (JDA) methodology, the global local currency deposit rating of a bank is determined by the incorporation of any external elements of support into the bank's Baseline Credit Assessment. In assigning the local currency deposit rating to a bank, the JDA methodology also factors in the rating of the various potential support providers (parent company, cooperative group, regional or national governments), as well as the degree of dependence that may exist between each one of them and the bank. Moody's assessment of the probability of systemic support (by a national government) is derived from the analysis of the capacity of a government and its central bank to provide support on a system-wide basis. The systemic support indicator is determined for a particular country and serves as an input for all bank ratings in that country. The support indicator can be set at, above or, in rare cases, below the government's local currency bond rating for that country.

National Scale Rating

National scale ratings are intended primarily for use by domestic investors and are not comparable to Moody's globally applicable ratings; rather they address relative credit risk within a given country. A Aaa rating on Moody's National Scale indicates an issuer or issue with the strongest creditworthiness and the lowest likelihood of credit loss relative to other domestic issuers. National Scale Ratings, therefore, rank domestic issuers relative to each other and not relative to absolute default risks. National ratings isolate systemic risks; they do not address loss expectation associated with systemic events that could affect all issuers, even those that receive the highest ratings on the National Scale.

Foreign Currency Deposit Rating

Moody's ratings on foreign currency bank obligations derive from the bank's local currency rating for the same class of obligation. The implementation of JDA for banks can lead to high local currency ratings for certain banks, which could also produce high foreign currency ratings. Nevertheless, it should be noted that foreign currency deposit ratings are in all cases constrained by the country ceiling for foreign currency bank deposits. This may result in the assignment of a different, and typically lower, rating for the foreign currency deposits relative to the bank's rating for local currency obligations.

Foreign Currency Debt Rating

Foreign currency debt ratings are derived from the bank's local currency debt rating. In a similar way to foreign currency deposit ratings, foreign currency debt ratings may also be constrained by the country ceiling for foreign currency bonds and notes; however, in some cases the ratings on foreign currency debt obligations may be allowed to pierce the foreign currency ceiling. A particular mix of rating factors are taken into consideration in order to assess whether a foreign currency bond rating pierces the country ceiling. They include the issuer's global local currency rating, the foreign currency government bond rating, the country ceiling for bonds and the debt's eligibility to pierce that ceiling.

About Moody's bank financial strength scorecard

Moody's bank financial strength model (see scorecard below) is a strategic input in the assessment of the financial strength of a bank, used as a key tool by Moody's analysts to ensure consistency of approach across banks and regions. The model output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating Factors

ABN AMRO Bank N.V.

Rating Factors [1]	**A**	**B**	**C**	**D**	**E**	**Total Score**	**Trend**
Qualitative Factors (50%)						**C+**	
Factor: Franchise Value						**C+**	**Weakening**
Market Share and Sustainability		**x**					
Geographical Diversification			**x**				
Earnings Stability			**x**				
Earnings Diversification [2]							
Factor: Risk Positioning						**D+**	**Weakening**
Corporate Governance [2]				**x**			
- Ownership and Organizational Complexity				x			
- Key Man Risk							
- Insider and Related-Party Risks							
Controls and Risk Management			**x**				
- Risk Management			x				
- Controls			x				
Financial Reporting Transparency			**x**				
- Global Comparability	x						
- Frequency and Timeliness			x				
- Quality of Financial Information			x				
Credit Risk Concentration					**x**		
- Borrower Concentration					x		
- Industry Concentration			x				
Liquidity Management			**x**				
Market Risk Appetite		**x**					
Factor: Operating Environment						**A-**	**Weakening**
Economic Stability		**x**					
Integrity and Corruption	**x**						
Legal System	**x**						
Financial Factors (50%)						**D+**	
Factor: Profitability						**E+**	**Weakening**
PPI / Average RWA - Basel II				1.28%			
Net Income / Average RWA - Basel II					-0.32%		
Factor: Liquidity						**C-**	**Weakening**

(Mkt funds-Liquid Assets) / Total Assets				14.73%			
Liquidity Management			x				
Factor: Capital Adequacy						**A**	**Neutral**
Tier 1 Ratio - Basel II	12.80%						
Tangible Common Equity / RWA - Basel II	11.34%						
Factor: Efficiency						**D**	**Neutral**
Cost / Income Ratio				78.58%			
Factor: Asset Quality						**D**	**Weakening**
Problem Loans / Gross Loans			2.99%				
Problem Loans / (Equity + LLR)					55.68%		
Lowest Combined Score (15%)						**D-**	
Economic Insolvency Override						**Neutral**	
Aggregate Score						**C-**	
Assigned BFSR						**C-**	

[1] - Where dashes are shown for a particular factor (or sub-factor), the score is based on non public information [2] - A blank score under Earnings diversification or Corporate Governance indicates the risk is neutral

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