MOODY'S
INVESTORS SERVICE

CREDIT OPINION
1 June 2016

Update

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ABN AMRO Bank N.V.

Update Following Upgrade of ABN AMRO Bank's Deposit and Senior Unsecured Debt to A1

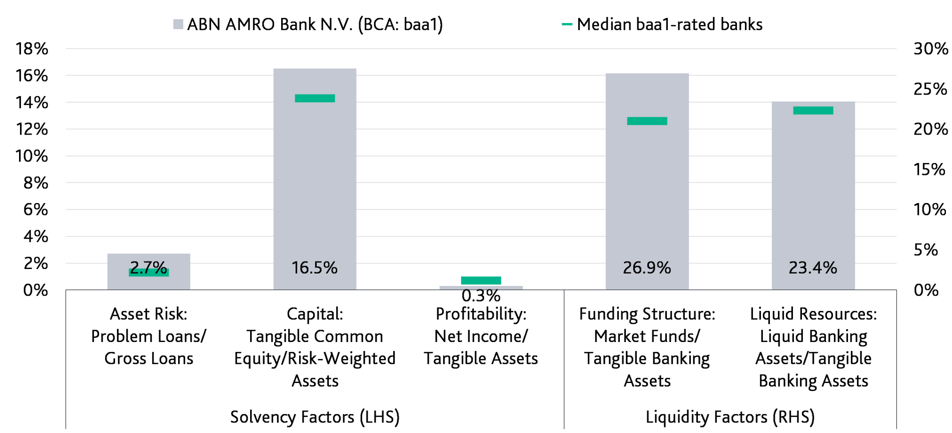
Summary Rating Rationale

ABN AMRO's baseline credit assessment of baa1 reflects the bank's overall good financial fundamentals including restored profitability and asset quality, solid capitalization and a sound liquidity position. It further captures the bank's strong footprint in the Dutch market, its balanced business mix between retail and commercial banking, and its private banking activity which conducted across Europe.

The A1/Prime-1 deposit and senior unsecured ratings reflect (1) the bank's standalone credit strength; (2) the application of our Advanced Loss Given Failure (LGF) analysis, resulting in a two-notch uplift – for both senior debt and deposits – from the adjusted BCA of baa1 given the significant volumes of senior debt and junior deposits, resulting in very low loss-given-failure for these instruments; and (3) government support uplift of one notch, reflecting a moderate probability of government support.

The CR Assessment of Aa3(cr)/Prime-1(cr) assigned to ABN AMRO is four notches above the BCA, reflecting the substantial volume of bail-in-able liabilities protecting operating obligations as well as a moderate probability of government support.

Exhibit 1
Rating Scorecard - Key Financial Ratios



Source: Moody's Financial Metrics

RATINGS

ABN AMRO Bank N.V.

Domicile	Amsterdam, Netherlands
Long Term Rating	A1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information.The ratings and outlook shown reflect information as of the publication date.

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Credit Strengths

» Strong position in the domestic market and selected countries

» Modest risk profile due to retail and commercial banking business focus

» Sound liquidity

» High risk-weighted capitalisation

» Sound profitability commensurate with the bank’s moderate risk profile

» Large volume of deposits and senior unsecured debt resulting in very low loss-given-failure rate for these instruments

» Moderate probability of government support resulting in one-notch uplift for debt and deposits

Credit Challenges

» Pressure on earnings stemming from the low interest-rate environment

» Relatively high nominal leverage

Rating Outlook

Given the more benign operating environment in the Netherlands and the bank’s reinforced solvency and liquidity, Moody’s believes that ABN AMRO’s creditworthiness will remain steady over the medium term. The agency assigns a stable outlook to both long-term deposit and senior unsecured ratings, which also assumes that the liability structure and probability of government support will remain broadly unchanged.

Factors that Could Lead to an Upgrade

An upgrade of ABN AMRO’s long-term ratings could occur if (1) the bank achieves a longer track-record of stable and sustainable profit evidencing the effectiveness of its low-risk profile; (2) the bank’s leverage ratio, which is currently just below the 4% threshold recommended by the Dutch Ministry of Finance, materially improves; or (3) if the amount of subordinated debt and hybrid capital significantly increases, adding sustainable subordination to the bank’s senior creditors and hence reducing their loss-given-failure.

Factors that Could Lead to a Downgrade

The bank's BCA could be downgraded as a result of (1) a significant deterioration in the bank's asset quality and profitability; or (2) a negative development in its liquidity and/or capitalisation. A downward movement in ABN AMRO's BCA would likely result in downgrades to all ratings.

ABN AMRO's deposit and senior unsecured debt ratings could also be downgraded as a result of an increase in loss-given-failure, should for example these instruments account for a significantly smaller share of the bank's overall liability structure, or benefit from lower subordination than is currently the case.

Key Indicators

Exhibit 2

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

	12-15[2]	12-14[2]	12-13[3]	12-12[3]	12-11[3]	Avg.
Total Assets (EUR million)	390317.0	386867.0	372022.0	392779.0	407015.0	-1.0[4]
Total Assets (USD million)	423999.5	468129.6	512624.7	517836.5	528364.5	-5.4[4]
Tangible Common Equity (EUR million)	17799.2	15432.7	14700.7	12971.7	14788.5	4.7[4]
Tangible Common Equity (USD million)	19335.2	18674.4	20256.8	17101.8	19197.6	0.2[4]
Problem Loans / Gross Loans (%)	2.5	2.7	2.9	3.0	3.1	2.8[5]
Tangible Common Equity / Risk Weighted Assets (%)	16.5	14.1	13.5	10.7	12.5	15.3[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	31.5	37.6	39.6	46.4	42.1	39.5[5]
Net Interest Margin (%)	1.5	1.6	1.4	1.3	1.3	1.4[5]
PPI / Average RWA (%)	2.9	2.6	2.2	2.3	2.0	2.8[6]
Net Income / Tangible Assets (%)	0.5	0.3	0.1	0.6	0.5	0.4[5]
Cost / Income Ratio (%)	62.0	62.6	65.6	61.5	69.4	64.2[5]
Market Funds / Tangible Banking Assets (%)	26.9	30.4	30.7	34.3	36.1	31.7[5]
Liquid Banking Assets / Tangible Banking Assets (%)	23.4	20.0	21.8	21.8	25.4	22.5[5]
Gross loans / Due to customers (%)	116.0	123.5	126.7	130.3	129.9	125.3[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments [2] Basel III - fully-loaded or transitional phase-in; IFRS [3] Basel II; IFRS [4] Compound Annual Growth Rate based on IFRS reporting periods [5] IFRS reporting periods have been used for average calculation [6] Basel III - fully-loaded or transitional phase-in & IFRS reporting periods have been used for average calculation

Source: Moody's Financial Metrics

Detailed Rating Considerations

A STRONG POSITION IN THE DOMESTIC MARKET AND IN SELECTED COUNTRIES

ABN AMRO has a strong franchise in the highly concentrated Dutch market, where it is the second largest player in retail banking, enjoying 20% to 25% market share in key products, including mortgages, savings and consumer lending. Outside the Netherlands, its franchise is more limited, although it benefits from good brand recognition in selected countries and for certain activities, such as private banking in France and Germany. Around 80% of the bank's operating income is derived from domestic operations.

In private banking, ABN AMRO is ranked first in its home market and has significant activities across Europe. At end-March 2016, private banking's client assets totaled EUR194 billion, down 2.7% from year-end 2015 due to negative market performance.

The bank has also maintained a strong position in commercial banking. Its domestic market share in business and corporate banking ranges from 25% to 30%. In international activities, ABN AMRO is an important player in some global specialist markets such as Energy, Commodities and Transportation (ECT), asset based finance and Clearing.

MODERATE RISK PROFILE DUE TO RETAIL AND COMMERCIAL BANKING BUSINESS FOCUS

As reflected in the assigned asset risk score of a3, we consider ABN AMRO's risk profile as moderate overall, reflecting its operations that are primarily traditional retail and commercial banking in the domestic market. At end-March 2015, more than 60% of the bank's loan portfolio was composed of exposure to individuals (primarily residential mortgages). As the Dutch economy has recovered and we expect it to continue to perform well over the coming months, we believe that ABN AMRO will fully benefit from its focus on the domestic market.

We note that ABN AMRO's ECT business has an on-balance sheet exposure of EUR25 billion at end-March2016 (or 9% of the bank's total loan and receivables). This portfolio has been historically performing well, despite a relatively large impairment on one borrower in Q3 2015. ABN AMRO has a long track-record of providing finance and we recognize the bank's expertise in this area. We nevertheless believe that, despite the generally short-dated and collateralized nature of the exposures, this activity's performance, at least in certain sub-areas, could prove less predictable and stable than traditional banking. As we believe this type of business generally induces relatively high single borrower exposures, we remain cautious on its development.

The bank has limited market risk exposure, and related RWAs accounted for around 3% of total RWAs at end-March 2016. ABN AMRO discontinued its proprietary trading activities in 2010; however, it still undertakes some market-making activities, which are relatively small and driven by its corporate clients.

SOUND LIQUIDITY

We view ABN AMRO's liquidity position as sound, and we expect that it will remain so over the coming months. At end-March 2016, the bank disclosed a loan-to-deposit (LTD) ratio of 110%, which ranks favorably among Dutch banks and is good in the context of the Dutch market which is structurally lacking customer deposits. This relatively favorable funding structure can partly be attributed to ABN AMRO's strong position in private banking, which brings substantial deposits yet generates relatively limited lending. Although private banking deposits could prove less sticky than retail deposits, we believe they will remain an important source of funding for ABN AMRO.

The customer funding gap (around EUR34 billion at end-March 2016) is funded by wholesale borrowing. Risks stemming from the reliance on confidence-sensitive funding are mitigated by adequate liquidity management, including the control of the term structure of the outstanding debt and the constitution of a comfortable liquidity buffer. At end-March 2016, the EUR76 billion liquidity buffer represented 329% of all wholesale debt securities maturing within one year, which we consider as more than adequate to cover liquidity risk under our central scenario. At end-March 2016, the bank's Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio were above 100%.

All these factors are reflected in our combined Liquidity Score of baa2.

HIGH RISK-WEIGHTED CAPITALISATION ALBEIT WITH HIGHER-THAN-AVERAGE NOMINAL LEVERAGE

At end-March 2016, ABN AMRO reported a fully-loaded Common Equity Tier 1 ratio of 15.8%, which we view as strong in comparison to its main domestic and European peers. The current CET1 ratio is materially above the sum of the SREP required and the fully-loaded systemic buffer (12.5%). The fully-loaded leverage ratio at year-end 2015 was 3.7%, close to the 4% minimum level recommended by the Dutch Ministry of Finance.

One concern is the relatively low risk-weight of assets, a common feature to all Dutch retail banks, more particularly the relatively low risk-weight of the Dutch mortgages (12.6% AMRO at end-March 2016) in the calculation of risk-weighted assets (RWA). Although reflective of the good historical performance of this asset class, the high loan-to-values (LTV) of Dutch mortgages expose the domestic banks to the risk of a significant increase in required capital if the Basel Committee and subsequently the European Union were to implement the currently proposed calculation of RWAs on mortgages based on LTV's. Specifically for institutions and large corporate exposures, the recent proposal to discontinue the use of internal models and to revise the standardized approach will , if implemented, also increase their capital requirements, although this is not specific to Dutch banks.

The assigned capital score is a1, two notches below the macro-adjusted score. This negative adjustment is due to the fact that the leverage ratio is below 5%.

SOUND PROFITABILITY COMMENSURATE WITH THE BANK'S MODERATE RISK PROFILE

Although increasing regulatory costs exert pressure on profits, we believe that ABN AMRO's profitability is sound and commensurate with the bank's moderate risk profile.

Profitability has substantially improved in 2015 and in Q1 2016, primarily thanks to better asset performance against the backdrop of a recovery in the Dutch economy. In 2015 and Q1 2016, operating income has been resilient as ABN AMRO has managed to offset negative pressure on revenues from reduced economic activity in the Netherlands and low interest rate environment through the re-pricing of its loan portfolio. In addition, ABN AMRO has significantly decreased the saving rates over the past few months in order to offset potential asset-side margin pressure. The bank's net interest margin reached 151bps at end-March 2016,slightly up from 148bps in Q1 2015.

We view positively the bank's efforts to upgrade its IT infrastructure, which we consider an essential investment to improve the cost efficiency of a retail-focused bank like ABN AMRO. We believe the bank's operating efficiency will improve as the currently implemented IT investments are expected to bear fruit from 2017 onwards.

The assigned score of ba1, one notch above the macro-adjusted score, reflects the level of profitability achieved by the bank in 2015.

Notching Considerations

LOSS GIVEN FAILURE AND ADDITIONAL NOTCHING

ABN AMRO is subject to the EU Bank Resolution and Recovery Directive (BRRD), which we consider to be an Operational Resolution Regime. In calculating the LGF, we assume residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets, a proportion of deposits considered junior of 26%, a 25% run-off in "junior" wholesale deposits, a 5% run-off in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. The proportion of deposits considered junior is 26%. These are in line with our standard assumptions.

ABN AMRO's deposits are likely to face very low loss-given-failure, due to the loss absorption provided by the combination of substantial deposit volume (we estimate junior deposits to make up about 12% of the group's tangible banking assets in failure), and subordination of about 5.5% of tangible banking assets (and 15% in the event of deposits being preferred to senior debt). This results in a two-notch uplift from the adjusted BCA.

ABN AMRO's senior unsecured debt is also likely to face very low loss-given-failure. This is supported by the combination of senior debt's own volume (about 10% of the group's tangible banking assets in failure, or 21% including junior deposits), and the amount of subordination (about 5.5%). This results in a two-notch uplift from the adjusted BCA.

For subordinated and junior securities, our LGF analysis confirms high loss-given-failure, given the small volume of debt and limited protection from more subordinated instruments and residual equity. We also incorporate additional notching for junior subordinated and preference share instruments reflecting the coupon features.

GOVERNMENT SUPPORT

As we consider ABN AMRO to be a systemically important bank in the Netherlands we believe there is a moderate probability of government support, resulting in a one-notch uplift for both the long-term deposit and senior unsecured debt issued by the bank.

For subordinated and other junior securities, we continue to believe that the likelihood of government support is low and these ratings do not include any uplift. Junior securities also include additional downward notching from the BCA reflecting coupon suspension risk ahead of a potential failure.

COUNTERPARTY RISK ASSESSMENT

The CR Assessment is positioned at Aa3(cr). Prior to government support, the CR Assessment is positioned three notches above the adjusted BCA of baa1, based on the cushion against default provided to the senior obligations represented by the CR Assessment by subordinated instruments amounting to 27% of Tangible Banking Assets. The main difference with our Advanced LGF approach used to determine instrument ratings is that the CR Assessment captures the probability of default on certain senior obligations, rather than expected loss, therefore we focus purely on subordination and take no account of the volume of the instrument class.

The CR Assessment also benefits from one notch of government support, in line with our support assumptions on deposits and senior unsecured debt. This reflects our view that any support provided by governmental authorities to a bank which benefits senior unsecured debt or deposits is very likely to benefit operating activities and obligations reflected by the CR Assessment as well, consistent with our belief that governments are likely to maintain such operations as a going-concern in order to reduce contagion and preserve a bank's critical functions.

ABOUT MOODY'S BANK SCORECARD

Our Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our Scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The Scorecard 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 Methodology and Scorecard Factors

Exhibit 3

ABN AMRO Bank N.V.

Macro Factors						
Weighted Macro Profile	**Strong +**	**100%**				
Financial Profile						
Factor	**Historic Ratio**	**Macro Adjusted Score**	**Credit Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						
Asset Risk						
Problem Loans / Gross Loans	2.7%	a2	←→	a3	Sector concentration	
Capital						
TCE / RWA	16.5%	aa2	←→	a1	Nominal leverage	
Profitability						
Net Income / Tangible Assets	0.3%	ba2	←→	ba1	Expected trend	
Combined Solvency Score		a2		a3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	26.9%	baa2	←→	baa2	Term structure	Extent of market funding reliance
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	23.4%	baa1	←→	baa1	Quality of liquid assets	
Combined Liquidity Score		baa2		baa2		
Financial Profile				baa1		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint:				Aaa		
Scorecard Calculated BCA range				a3-baa2		
Assigned BCA				baa1		
Affiliate Support notching				0		
Adjusted BCA				baa1		

Instrument Class	**Loss Given Failure notching**	**Additional notching**	**Preliminary Rating Assessment**	**Government Support notching**	**Local Currency rating**	**Foreign Currency rating**
Counterparty Risk Assessment	3	0	a1 (cr)	1	Aa3 (cr)	--
Deposits	2	0	a2	1	A1	A1
Senior unsecured bank debt	2	0	a2	1	A1	A1
Dated subordinated bank debt	-1	0	baa2	0	Baa2	Baa2
Non-cumulative bank preference shares	-1	-2	ba1 (hyb)	0	Ba1 (hyb)	--

Source: Moody's Financial Metrics

Ratings

Exhibit 4

Category	Moody's Rating
ABN AMRO BANK N.V.	
Outlook	Stable
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Issuer Rating	A1
Senior Unsecured	A1
Subordinate	Baa2
Pref. Stock Non-cumulative -Dom Curr	Ba1 (hyb)
Commercial Paper -Dom Curr	P-1
Other Short Term	(P)P-1

Source: Moody's Investors Service

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