

Rating Action: [Fortis N.V.](#)

Moody's rating actions related to proposed offer for ABN AMRO Bank N.V.

Rating actions follow announcement of consortium's proposed acquisition of ABN AMRO (Aa2/P-1/B-, positive)

London, 30 May 2007 -- Moody's Investors Service today announced rating actions related to a 29 May proposal to acquire ABN AMRO Bank N.V. Affected ratings include those of ABN AMRO NV as well as those of members of the bidding consortium, which comprises consortium leader, the Royal Bank of Scotland Group plc (RBSG), as well as Banco Santander and Fortis Group.

Rating actions are as follows:

Moody's affirmed the Aaa/P-1/B+ ratings of the Royal Bank of Scotland plc and National Westminster Bank plc as well as the Aa1/P-1 ratings of the Royal Bank of Scotland Group plc, but changed the outlook on the BFSRs and long-term ratings of these entities to negative from stable. The stable outlook on the entities' P-1 ratings was affirmed.

The outlook change recognises litigation uncertainties related to the completion of the transaction, the possibility of a counter-bid for ABN AMRO, integration challenges, as well as the negative short-term impact of the proposed transaction on the quality of RBSG's capital and historically strong earnings, Moody's said. The agency added that it expects RBSG's profitability to be marginally weaker over the near term as it integrates ABN AMRO's under-performing Global Clients unit as well as its North America business unit. Resolution of the uncertainties surrounding the litigation issues, progress in the integration of ABN AMRO, and rebuilding of RBSG's core capital and profitability in line with its current BFSR within 12 to 18 months would have positive rating implications. Conversely, failure to resolve these issues within the same time frame could lead to negative rating actions.

The ratings of Banco Santander (senior at Aa1/P-1) and all of the ratings of the Fortis Group and Fortis Bank (senior at Aa2/P-1) were affirmed at their current levels with a stable outlook. Moody's also affirmed the ratings of Ulster Bank, Ulster Bank Ireland and First Active.

The rating agency also affirmed the Aa2/P-1/B- ratings of ABN AMRO Bank N.V. The outlook on ABN AMRO's debt ratings remains stable while the outlook on the BFSR remains positive.

Separately, Moody's affirmed the ratings of Banca Antonveneta and Interbanca at their current levels and said that the prospective ratings of the two banks would depend on the eventual owner.

ABOUT THE TRANSACTION

The purchase, if completed, will be made for total consideration of EUR71.1 billion, of which 79% (EUR56.2 billion) is to be paid in cash. The balance is to be paid in new RBS shares and includes a EUR1 per share to be retained by the consortium to cover related litigation costs. The capital associated with the proposed transaction is fully underwritten, according to Moody's.

If approved, the acquisition is expected to close by year-end 2007.

The offer is conditional on ABN AMRO shareholder approval of the sale of La Salle Bancorporation, which is currently under contract to be sold to Bank of America Corporation.

This is dependent upon a decision by the Dutch Supreme Court upholding the preliminary ruling of the Dutch Enterprise Chamber that ABN AMRO shareholders will have to approve the acquisition of La Salle Bancorporation. In addition, the offer is subject to regulatory approvals.

ACQUISITION STRUCTURE

The acquisition structure currently calls for three steps. In the first step RFS Holdings, a company owned by the consortium members and organised under Dutch law, will acquire 100% of ABN AMRO. RFS Holdings will also become a subsidiary of the Royal Bank of Scotland Group. In a second step, Fortis and Santander

will absorb specific businesses and subsidiaries of ABN AMRO. In a third step, residual assets, labelled "the Rump", of ABN AMRO, will be sold to third parties. Each of the consortium partners will be responsible from the closing date for their pro-rate share of the investment, Moody's said.

Ultimately, RBSG would acquire the North America business unit including Citizens, the Global Clients business and wholesale clients in the Netherlands, Latin America (excluding Brazil) and Asia excluding Saudi Hollandi, and Europe, excluding Banca Antonveneta. In its turn, Fortis will acquire BU NL, BU Private Clients and BU Asset Management, and Santander will acquire BU Latin America (excluding wholesale clients outside Brazil), Antonveneta, Interbank and DMC Consumer Finance.

"The various pieces of ABN AMRO being acquired by each of the consortium partners will be franchise-enhancing for them," said Lynn Exton, a Moody's Senior Vice President and Regional Credit Officer.

ABOUT THE RATING ACTIONS

In changing to negative the outlook on the B+ BFSR and Aaa long-term debt and deposit ratings of RBS plc and NatWest plc and the Aa1 senior debt ratings of RBSG, Moody's recognises the group's strong track record in integrating acquisitions, including the rapid and effective integration of NatWest in 2000 as well as Charter One Financial in 2004. RBSG has a strong franchise throughout the UK, with leading or strong positions in a range of businesses, particularly retail and corporate banking, and it appears to be strengthening its position across these. It also has significant and growing insurance operations through Churchill and Direct Line. The strength of the UK franchise is an important factor underpinning the ratings. The group also has growing activities outside the UK, particularly in the United States. The ratings are also supported by RBSG's very strong recurring earnings capacity and sustainable financial fundamentals.

However, offsetting these strengths are (i) the group's quality of capital -- as measured by the proportion of preference shares included in Tier 1 -- which is weaker than at its peers in the B+ BFSR peer group, (ii) the challenge in integrating a large and complex group such as ABN AMRO, (iii) the possibility of adverse developments in legal proceedings, which could have a material financial impact on the group, although the likelihood of this occurrence is low, and (iv) the timeframe to rebuild its earnings -- as measured by return on risk-weighted assets -- to levels consistent with its current BFSR peer group.

The negative outlook on the bank financial strength ratings of RBSG's lead banks results in a negative outlook on the long-term deposit and debt ratings of Citizens Financial Group's seven rated U.S. bank subsidiaries. Citizens is the primary US operating subsidiary of RBSG. Each of the seven banks is rated B for bank financial strength and Aa2 for long-term deposits. The bank financial strength rating of B translates into a Aa3 Baseline Credit Assessment, indicating a one-notch lift to the long-term ratings of Citizens' banks based on Moody's expectation of a high level of parental support from RBSG. That support is driven by the intrinsic financial strength of RBSG and its bank subsidiaries, as reflected in their own bank financial strength ratings.

In its affirmation of all Fortis group's ratings with a stable outlook, Moody's affirmed the Aa3 issuer ratings of Fortis SA/NV and Fortis NV, the Aa3/A1/A2 senior/ subordinated and preferred debt ratings of the main funding holding companies and the group's P-1 CP and short-term debt ratings. Moody's also affirmed the Aa2/P-1 ratings of the three Fortis banks operating in Benelux -- Fortis Bank SA/NV, Fortis Bank Nederland (Holding) NV and Fortis Bank Luxembourg -- as well as the Aa3 IFSRs of the main rated insurance entities in Belgium and the Netherlands: Fortis Insurance Belgium, Fortis ASR Levensverzekering N.V. and Fortis ASR Schadeverzekering NV.

"The rating affirmation reflects the transaction's good strategic fit for Fortis as well as the relatively limited impact of the planned funding package (including EUR15 billion underwritten rights issue) to the capital structure, capitalisation and underlying fundamentals of the group," said Jose Morago, a Moody's Assistant Vice-President/Analyst. Moody's does, however, acknowledge the challenges presented by the size, complexity and amount of resource necessary for Fortis to integrate and extract value from the new businesses.

In its affirmation of the Aa1/B/P-1 ratings of Banco Santander, Moody's cites: (i) the strategic fit of this acquisition, which is fully consistent with Santander's international strategy; (ii) the bank's proven strong track-record of integrating large-scale acquisitions and extracting cost efficiencies from them, (iii) the limited negative implications for pro-forma profitability, both pre- and post-provisions; (iv) the fact that the larger contribution from more volatile markets (Latin America) does not change the group's existing risk profile materially; and (iv) Santander's proven prudent management of its economic solvency.

"Although the acquisition will likely increase the group's leverage -- core capital levels are expected to fall to 5.3% from 5.97% -- we expect to see leverage levels restored within 12-18 months," says Maria Cabanyes, a Moody's Senior Vice President and Regional Credit Officer.

The affirmation of Santander's ratings also takes into account Moody's expectation that Santander's core capital ratios will not be put under further strain and its concerns about the challenges of turning around Antonveneta and integrating the Brazilian operations, which will double its existing size.

The affirmation of ABN AMRO's Aa2/P-1 senior debt ratings with a stable outlook is supported by the very high level of systemic support from the Netherlands given the bank's importance to its home market. The rating is also supported by a moderate degree of expected support from, RBSG, Moody's said.

"ABN AMRO's financial fundamentals are weaker than those of RBSG particularly with respect to profitability, cost efficiency and asset quality, as captured in its B- BFSR. Moody's will consider these factors, and the extent to which they are likely to improve following the proposed merger", said Lynn Exton.

As of year-end 2006, ABN AMRO Bank NV reported total assets of EUR987 billion, while the banking operations of Fortis had total assets of approximately EUR674 billion, RBSG had total assets of GBP871 billion and Banco Santander had total assets of EUR834 billion.

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