MOODY'S
INVESTORS SERVICE

CREDIT OPINION
29 November 2016

Update

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RATINGS

ABN AMRO Bank N.V.

Domicile	Amsterdam, Netherlands
Long Term Debt	A1
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	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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ABN AMRO Bank N.V.

Semiannual update

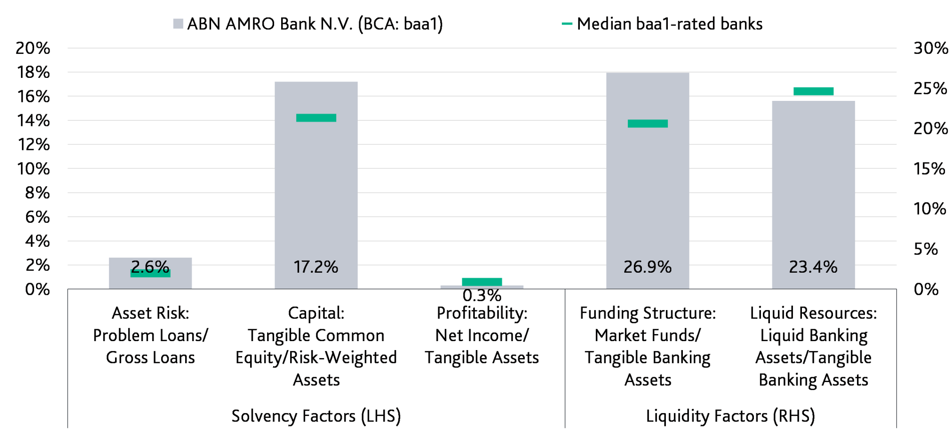
Summary Rating Rationale

ABN AMRO's baseline credit assessment of baa1 reflects the bank's overall good financial fundamentals including sound profitability and asset quality, solid capitalization and a robust 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 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

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 generally 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, although above the 3% required by the EBA, 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]

	6-16[2]	12-15[2]	12-14[2]	12-13[3]	12-12[3]	Avg.
Total Assets (EUR million)	418,940.0	390,317.0	386,867.0	372,022.0	392,779.0	1.6[4]
Total Assets (USD million)	465,421.7	423,999.5	468,129.6	512,624.7	517,836.5	-2.6[4]
Tangible Common Equity (EUR million)	18,211.5	17,799.2	15,432.7	14,700.7	12,971.7	8.9[4]
Tangible Common Equity (USD million)	20,232.1	19,335.2	18,674.4	20,256.8	17,101.8	4.3[4]
Problem Loans / Gross Loans (%)	2.4	2.5	2.7	2.9	3.0	2.7[5]
Tangible Common Equity / Risk Weighted Assets (%)	17.2	16.5	14.1	13.5	10.7	15.9[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	32.3	31.5	37.6	39.6	46.4	37.5[5]
Net Interest Margin (%)	1.5	1.5	1.6	1.4	1.3	1.5[5]
PPI / Average RWA (%)	2.0	2.9	2.6	2.2	2.3	2.5[6]
Net Income / Tangible Assets (%)	0.4	0.5	0.3	0.1	0.6	0.4[5]
Cost / Income Ratio (%)	70.2	62.0	62.6	65.6	61.5	64.4[5]
Market Funds / Tangible Banking Assets (%)	25.6	26.9	30.4	30.7	34.3	29.6[5]
Liquid Banking Assets / Tangible Banking Assets (%)	22.0	23.4	20.0	21.8	21.8	21.8[5]
Gross loans / Due to customers (%)	114.7	116.0	123.5	126.7	130.3	122.2[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.

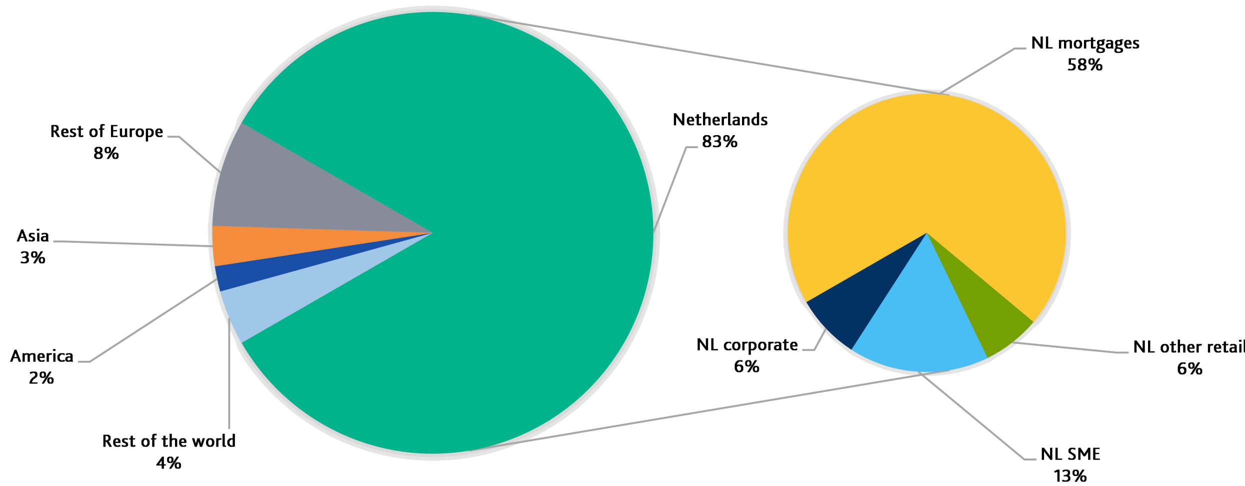
In private banking, ABN AMRO is ranked as the leader in its home market and has significant activities across Europe. At end-September 2016, private banking's client assets totaled EUR199 billion.

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-September 2016, more than 60% of the bank's loan portfolio was composed of exposure to individuals (primarily residential mortgages). As we expect the Dutch economy to continue to perform well over the coming months, we believe that ABN AMRO will fully benefit from its focus on the domestic market.

Exhibit 3
Exposures are concentrated on the Dutch economy
Breakdown of loans and receivables at year-end 2015



Source: Company data, Moody's Investors Service

We note that ABN AMRO's ECT business has an on-balance sheet exposure of EUR27 billion at end-September 2016 (or 10% of the bank's total loan and receivables). While this portfolio performed well until the end of 2015, it has generated the largest part of the bank's impairment losses within the corporate loan portfolio since the beginning of 2016 due to its exposures to the oil and gas sector and the shipping sector. 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 is currently the case. As we believe this type of business generally incurs relatively high single borrower exposures, we remain cautious on its development.

The bank has limited market risk exposure, and related RWAs accounted for around 4% of total RWAs at end-September 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 107%, which ranks favorably among Dutch banks and is good in the context of the Dutch market which has a structural deficit of 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 EUR17 billion at end-September 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-September 2016, the EUR89 billion liquidity buffer represented 3.5 times 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-September 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-September 2016, ABN AMRO reported a fully-loaded Common Equity Tier 1 ratio of 16.6%, which we view as strong in comparison to its main domestic and European peers. The current CET1 ratio is materially above the minimum regulatory requirement of 10.25% for 2016 (made up of the bank's 9.5% Supervisory Review and Evaluation Process - SREP - requirement and a 0.75% phased-in systemic risk buffer). However, the fully-loaded leverage ratio at end-September 2016 was 3.7%, still below the 4% minimum level recommended by the Dutch Ministry of Finance.

The bank also discloses the preliminary outcome of the SREP for 2017. The minimum CET1 regulatory requirement is set at 9%.[1] For 2019, other things being equal, the fully-loaded CET1 requirement is expected to be set at 11.75% which factors in 100% of the buffers (systemic and conservation) while ABN AMRO targets a CET1 ratio of 13.5%.

The contrast between the strong CET1 ratio and the low leverage ratio reflects 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% at ABN AMRO at end-September 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 LTVs. 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 recovered since the beginning of 2015 thanks to better asset performance against the backdrop of a recovery in the Dutch economy and has even slightly increased during the first nine months of 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, although the positive effect of re-pricing is expected to level off progressively. In addition, ABN AMRO has significantly decreased the saving rates over the past quarters in order to offset potential asset-side margin pressure. The bank's net interest margin over the first nine months of 2016 was 151bps, slightly up from 146bps over the same period in 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. However, given the increasing weight of regulatory levies as well as the planned investments to further develop digitalisation, we view further improvement in the bank's cost base as challenging. At the end of Q3 2016, ABN AMRO announced further restructuring measures, involving staff reduction, to offset the expected increase in costs stemming from regulatory levies and investment needs by 2020. The bank's cost-to-income ratio was 70.2% in H1 2016 due to one-off items including EUR271 million (net of tax) provision for SME interest rate derivatives. Excluding one-offs, the cost-to-income ratio for the same period was 61.8%.

The assigned score of ba1, one notch above the macro-adjusted score, reflects the level of profitability achieved by the bank in 2015 and the first nine months of 2016.

Notching Considerations

LOSS GIVEN FAILURE AND ADDITIONAL NOTCHING

ABN AMRO is subject to the EU Bank Recovery and Resolution Directive (BRRD), which we consider to be an Operational Resolution Regime. In calculating loss-given-failure, 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. 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 and subordination. 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 and the amount of subordination. This results in a two-notch uplift from the adjusted BCA.

For subordinated and junior securities, our LGF analysis indicates 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 4

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	2.6%	a2	←→	a3	Sector concentration	
Capital						
TCE / RWA	17.2%	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		

Balance Sheet	**in-scope (EUR million)**	**% in-scope**	**at-failure (EUR million)**	**% at-failure**
Other liabilities	118,858	28.4%	143,439	34.3%
Deposits	240,993	57.6%	216,412	51.7%
Preferred deposits	178,335	42.6%	169,418	40.5%
Junior Deposits	62,658	15.0%	46,994	11.2%
Senior unsecured bank debt	35,058	8.4%	35,058	8.4%
Dated subordinated bank debt	11,214	2.7%	11,214	2.7%
Junior subordinated bank debt				
Preference shares (bank)				
Senior unsecured holding company debt				
Dated subordinated holding company debt				
Junior subordinated holding company debt				
Preference shares (holding company)				
Equity	12,561	3.0%	12,561	3.0%
Total Tangible Banking Assets	418,683	100%	418,683	100%

Debt class	De jure waterfall		De facto waterfall		Notching		LGF notching guidance versus BCA	Assigned LGF notching	Additional notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De jure	De facto				
Counterparty Risk Assessment	25.3%	25.3%	25.3%	25.3%	3	3	3	3	0	a1 (cr)
Deposits	25.3%	5.7%	25.3%	14.1%	2	3	2	2	0	a2
Senior unsecured bank debt	25.3%	5.7%	14.1%	5.7%	2	1	2	2	0	a2
Dated subordinated bank debt	5.7%	3.0%	5.7%	3.0%	-1	-1	-1	-1	0	baa2
Non-cumulative bank preference shares	3.0%	3.0%	3.0%	3.0%	-1	-1	-1	-1	-2	ba1 (hyb)

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 5

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

Endnotes

1 Subject to change and regulatory approval, ABN AMRO will be required to fulfill in 2017 a CET1 ratio of 9% (4.50% of Pillar 1, 1.75% of Pillar 2 requirement, 1.25% of phased-in Capital Conversation Buffer and 1.50% of phased-in Systemic Risk Buffer). This amount differs from the 10.25% requirement previously imposed to ABN AMRO, due to the new approach adopted by the ECB to determine the SREP level, in particular the distinction between SREP requirement (disclosed) and SREP guidance (undisclosed).

REPORT NUMBER 1049778

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