

ABN AMRO Bank N.V.

Key Rating Drivers

Strong Credit Profile: ABN AMRO Bank N.V.'s ratings reflect its strong domestic universal banking franchise, complemented by a solid European private banking foothold. The bank's strong capitalisation and sound funding and liquidity profile are rating strengths. The ratings also consider ABN AMRO's well-executed strategy, good asset quality and sound revenue generation.

Asset Quality Under Pressure: Fitch Ratings expects asset-quality pressure in cyclical sectors such as oil and gas, offshore and other sectors directly affected by the pandemic (about 8% of loans). The extent of problems will depend on the resilience of Dutch economy after the wind-down of state aid measures. Mortgage loans should perform well given prudent underwriting and assuming an only moderate unemployment increase. At end-June 2020, the impaired mortgage loan ratio was low at 0.8% compared with 3.1% total ratio for the bank.

Weakened Profitability Outlook: In 2020, ABN AMRO is likely to incur an annual loss due to high loan impairment charges (LICs) and additional restructuring costs related to the wind-down of non-core assets. We expect revenue to remain resilient (underpinned by its well-performing mortgage loan portfolio), despite deposit margin compression and weaker growth prospects. Expenses should be modestly lower owing to cost-saving programmes.

Strong Capitalisation: ABN AMRO's risk-weighted capital ratios are sound although, at end-June 2020, the bank's Common Equity Tier 1 (CET1) ratio declined slightly to 17.3%, modestly below its target of 17.5%-18.5%. This was equivalent to a CET1 ratio of about 14% including future regulatory-driven risk-weighted assets (RWAs) inflation, notably the Basel III end-game rules.

Low Refinancing Risk: ABN AMRO's stable and diversified funding is underpinned by a strong domestic deposit franchise and good access to the wholesale market. The bank's liquidity management is robust and the bank maintains an ample liquidity buffer, which comfortably covers all wholesale funding maturing in the next 12 months.

Conduct Risk in Focus: The bank is subject to an investigation by the Dutch public prosecutor office in relation to requirements under the Act on the Prevention of Money Laundering and Financing of Terrorism. The potential outcome is difficult to assess at this stage, and the investigation is likely to be prolonged. The bank's earnings and capital provide a material buffer against most outcomes.

Rating Sensitivities

Negative Outlook: The risks to the bank's operating environment, asset quality, profitability and capitalisation are skewed to the downside due to the economic fallout from the pandemic. We would downgrade ABN AMRO's ratings if we expected its restructuring efforts in the non-retail portfolio were insufficient to reduce the bank's impaired loan ratio below 3% in the medium term. Additionally, a potential prolonged CET1 ratio erosion below 14% combined with a deterioration in other factors, could trigger a downgrade.

AML Investigation: The bank's ratings could be downgraded if, contrary to our baseline expectation, the investigation results in a capital-depleting fine or reveals significant risk control shortcomings.

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1
Derivative Counterparty Rating	A+(dcr)

Viability Rating	a
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Support Rating	5
Support Rating Floor	NF

Sovereign Risk	
Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	

Outlooks	
Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Foreign- and Local-Currency IDR	Stable

Applicable Criteria

[Bank Rating Criteria \(February 2020\)](#)

Related Research

[Fitch Downgrades ABN AMRO's Long-Term IDR to 'A'; Outlook Negative \(September 2020\)](#)

[Global Economic Outlook \(September 2020\)](#)

[Major Benelux Banks: 1H20 Results \(September 2020\)](#)

[ABN AMRO Bank N.V. \(July 2020\)](#)

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Debt Rating Classes

Rating Level	Rating
ABN AMRO Bank N.V.	
Senior preferred debt and deposits	A+/F1
Senior non-preferred debt	A
Tier 2 Subordinated debt	BBB+
Additional Tier 1 notes	BBB-
ABN AMRO Funding USA LLC	
Senior unsecured debt	F1

Source: Fitch Ratings

ABN AMRO's long-term senior preferred debt and deposits ratings and Derivative Counterparty Rating (DCR) at 'A+' are one notch above the bank's Long-Term IDR of 'A', to reflect the protection that could accrue to senior preferred debt from the bank's junior resolution debt and equity buffers. ABN AMRO targets its minimum requirements for own funds and eligible liabilities (MREL) at 27% of RWA and plans to meet its MREL through issuance of senior non-preferred and more junior debt. The short-term senior preferred debt and deposits ratings are mapped from the long-term senior preferred debt and deposit ratings and reflects our assessment of the bank's funding and liquidity.

Senior long-term non-preferred debt is rated in line with ABN AMRO's Long-Term IDR because it is a direct, unsecured and senior obligation of the bank. Fitch views the probability of default on the senior non-preferred debt as the same as the probability of default of the bank.

Subordinated debt and additional Tier 1 securities issued by ABN AMRO are all notched down from its Viability Rating (VR). We rate subordinated debt two notches below ABN AMRO's VR to reflect the higher-than-average loss severity of this type of debt.

The additional Tier 1 securities are four notches below ABN AMRO's VR to reflect the higher-than average loss severity risk of these securities (two notches) as well as the high risk of non-performance (two notches). Our assessment of the securities' incremental non-performance risk relative to the VR is based on the bank operating with a CET1 ratio that is comfortably above maximum distributable amount thresholds and our expectation that this will continue.

ABN AMRO Funding LLC is a US-based funding vehicle fully owned by ABN AMRO. The rating of the US commercial paper debt securities issued by the vehicle is aligned with ABN AMRO's Short-Term IDR in light of ABN AMRO's guarantees on the securities issued by ABN AMRO Funding LLC.

Ratings Navigator

ABN AMRO Bank N.V.



Ratings Navigator Banks

	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating	Support Rating Floor	Issuer Default Rating
aaa										aaa	AAA	AAA
aa+										aa+	AA+	AA+
aa		↓								aa	AA	AA
aa-										aa-	AA-	AA-
a+		↓	↓	↓	↓		↓	↓	↓	a+	A+	A+
a						↓	↓	↓	↓	a	A	A Negative
a-			↓	↓	↓					a-	A-	A-
bbb+						↓				bbb+	BBB+	BBB+
bbb										bbb	BBB	BBB
bbb-										bbb-	BBB-	BBB-
bb+										bb+	BB+	BB+
bb										bb	BB	BB
bb-										bb-	BB-	BB-
b+										b+	B+	B+
b										b	B	B
b-										b-	B-	B-
ccc+										ccc+	CCC+	CCC+
ccc										ccc	CCC	CCC
ccc-										ccc-	CCC-	CCC-
cc										cc	CC	CC
c										c	C	C
f										f	NF	D or RD

Significant Changes

High Credit Losses Drag on Profitability in 1H20

In 1H20, LICs amounted to EUR1.8 billion and were inflated by credit losses on three large single names (EUR616 million). The bank has guided for 2020 full-year LICs of EUR3 billion (around 110bp of average loans). In 2021, we expect LICs to subside, but remain considerably higher than through-the-cycle average of 25bp-30bp.

A more effective utilisation of ECB's targeted longer-term refinancing operations, and negative deposit rates from April 2020 to clients with deposits above EUR2.5 million, should cushion the net interest income pressure. Fees should gradually recover to normalised EUR400 million a quarter in line with a pick-up in economic activity.

In August 2020, the bank decided to exit its international non-European corporate and institutional banking (CIB) business. It expects about EUR400 million additional impairments (within the annual guidance of EUR3 billion) and EUR300 million expenses (mainly from layoffs) linked to the wind-down in 2H20. This will be mitigated by a one-off net gain of EUR170 million in 3Q20 due to the recently announced sale and leaseback of the Neufelize OBC (private banking arm) headquarters office in Paris.

Strategic Review of International Corporate Franchise

The bank wants to stay in products and markets where it has sufficient scale to generate at least 10% return on equity. Consequently, ABN AMRO will exit all non-European corporate banking activities (except clearing) and will focus on its profitable domestic franchise and Northwest Europe. Clearing will retain its global presence as it has been profitable through-the-cycle and improves revenue diversification. ABN AMRO is one of the top three global players with membership of all relevant exchanges and clearing houses around the world.

CIB's activities will be split into core and non-core. The latter amounts to about 6% of the loan book (10% of RWAs) and mainly comprises trade and commodity finance, global transportation and logistics and natural resources segment (including US oil and gas). The bank does not consider fire sales and wants to maximise capital release. At end-June 2020 CIB absorbed about EUR2.5 billion of capital. The wind-down execution risk is moderate because non-core assets are dominated by loans, of which about 80% mature by end-2023.

Bar Chart Legend

Vertical bars - VR range of Rating Factor

Bar Colors - Influence on final VR

- Higher influence
- Moderate influence
- Lower influence

Bar Arrows - Rating Factor Outlook

- Positive
- Negative
- Evolving
- Stable

Summary Financials and Key Ratios

	30 Jun 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	
	6 Months - Interim USDm Reviewed - Unqualified (Emphasis of Matter)	6 Months - Interim EURm Reviewed - Unqualified (Emphasis of Matter)	Year End EURm Audited - Unqualified	Year End EURm Audited - Unqualified	Year End EURm Audited - Unqualified
Summary Income Statement					
Net interest and dividend income	3,405	3,041	6,468	6,593	6,456
Net fees and commissions	910	813	1,632	1,699	1,747
Other operating income	60	54	402	733	709
Total operating income	4,376	3,908	8,502	9,025	8,912
Operating costs	2,797	2,498	5,257	5,351	5,476
Pre-impairment operating profit	1,579	1,410	3,245	3,674	3,436
Loan and other impairment charges	2,031	1,814	657	655	-63
Operating profit	-452	-404	2,588	3,019	3,499
Other non-operating items (net)	n.a.	n.a.	92	67	272
Tax	-4	-4	634	761	980
Net income	-448	-400	2,046	2,325	2,791
Other comprehensive income	-455	-406	-513	-471	-322
Fitch comprehensive income	-903	-806	1,533	1,854	2,469
Summary Balance Sheet					
Assets					
Gross loans	302,640	270,263	270,528	273,146	277,366
- of which impaired	9,448	8,437	6,740	5,887	6,909
Loan loss allowances	3,995	3,568	2,426	2,260	2,460
Net loans	298,645	266,695	268,102	270,886	274,906
Interbank	5,796	5,176	4,718	7,840	10,414
Derivatives	8,543	7,629	5,730	6,191	9,825
Other securities and earning assets	89,859	80,246	61,958	55,576	59,923
Total earning assets	402,843	359,746	340,508	340,493	355,068
Cash and due from banks	62,873	56,147	27,354	34,655	30,034
Other assets	9,899	8,840	7,192	6,147	8,069
Total assets	475,616	424,733	375,054	381,295	393,171
Liabilities					
Customer deposits	275,125	245,691	234,991	236,123	236,700
Interbank and other short-term funding	80,975	72,312	35,685	36,645	45,233
Other long-term funding	77,035	68,794	70,650	74,788	70,436
Trading liabilities and derivatives	12,169	10,867	7,180	7,412	9,449
Total funding	445,304	397,664	348,506	354,968	361,818
Other liabilities	6,122	5,467	5,077	4,967	10,023
Preference shares and hybrid capital	3,333	2,976	1,987	2,008	2,007
Total equity	20,857	18,626	19,484	19,352	19,323
Total liabilities and equity	475,616	424,733	375,054	381,295	393,171
Exchange rate		USD1 = EUR0.893017	USD1 = EUR0.89015	USD1 = EUR0.873057	USD1 = EUR0.83382

Source: Fitch Ratings, Fitch Solutions, ABNAMROBank N.V.

Summary Financials and Key Ratios

	30 Jun 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	-0.7	2.4	2.9	3.3
Net interest income/average earning assets	1.7	1.9	1.9	1.8
Non-interest expense/gross revenue	64.1	62.1	59.6	61.8
Net income/average equity	-4.2	10.6	12.0	14.9
Asset quality				
Impaired loans ratio	3.1	2.5	2.2	2.5
Growth in gross loans	-0.1	-1.0	-1.5	2.2
Loan loss allowances/impaired loans	42.3	36.0	38.4	35.6
Loan impairment charges/average gross loans	1.3	0.2	0.2	0.0
Capitalisation				
Common equity Tier 1 ratio	17.3	18.1	18.4	17.7
Fully loaded common equity Tier 1 ratio	17.3	18.1	18.4	17.7
Tangible common equity/tangible assets	4.4	4.8	5.0	4.9
Basel leverage ratio	4.8	5.2	4.2	4.1
Net impaired loans/common equity Tier 1	25.2	21.7	18.8	23.7
Funding and liquidity				
Loans/customer deposits	110.0	115.1	115.7	117.2
Liquidity coverage ratio	133	134	n.a.	n.a.
Customer deposits/funding	62.8	68.3	67.5	66.6

Source: Fitch Ratings, Fitch Solutions, ABNAMRO Bank N.V.

Sovereign Support Assessment

Support Rating Floor		Value		
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)		A+ to A-		
Actual country D-SIB SRF		NF		
Support Rating Floor:		NF		
Support Factors	Positive	Neutral	Negative	
Sovereign ability to support system				
Size of banking system relative to economy			✓	
Size of potential problem	✓			
Structure of banking system			✓	
Liability structure of banking system		✓		
Sovereign financial flexibility (for rating level)		✓		
Sovereign propensity to support system				
Resolution legislation with senior debt bail-in			✓	
Track record of banking sector support		✓		
Government statements of support			✓	
Sovereign propensity to support bank				
Systemic importance		✓		
Liability structure of bank		✓		
Ownership		✓		
Specifics of bank failure		✓		
Policy banks				
Policy role				
Funding guarantees and legal status				
Government ownership				

The Support Rating of '5' and Support Rating Floor of 'No Floor' reflect Fitch's view that senior creditors can no longer rely on receiving full extraordinary support from the sovereign in the event that ABN AMRO becomes non-viable. The EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism for eurozone banks provide a framework for resolving banks that is likely to require senior creditors participating in losses, if necessary, instead of, or ahead of, a bank receiving sovereign support.

Environmental, Social and Governance Considerations

FitchRatings ABN AMRO Bank N.V.

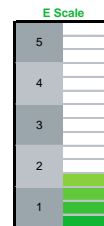
Banks
Ratings Navigator

Credit-Relevant ESG Derivation

ABN AMRO Bank N.V. has 5 ESG potential rating drivers → ABN AMRO Bank N.V. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating. → Governance is minimally relevant to the rating and is not currently a driver.	key driver	0	issues	5	
	driver	0	issues	4	
	potential driver	5	issues	3	
	not a rating driver	4	issues	2	
		5	issues	1	

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Management & Strategy; Risk Appetite; Asset Quality



How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

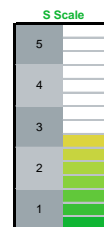
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board(SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

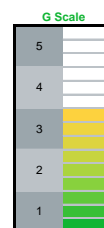
Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities; SME and community development programs; financial literacy programs	Company Profile; Management & Strategy; Risk Appetite
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Company Profile; Management & Strategy; Risk Appetite
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Company Profile; Financial Profile



Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Management & Strategy
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy



CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance, if present, is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

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