

## CREDIT OPINION

31 October 2022

Update



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### RATINGS

#### ABN AMRO Bank N.V.

Domicile	Amsterdam, Netherlands
Long Term CRR	Aa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
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.

### Contacts

Yasuko Nakamura +33.1.5330.1030  
VP-Sr Credit Officer  
yasuko.nakamura@moodys.com

Malik Bendib +33.1.5330.3446  
Associate Analyst  
malik.bendib@moodys.com

Olivier Panis +33.1.5330.5987  
Senior Vice President  
olivier.panis@moodys.com

Alain Laurin +33.1.5330.1059  
Associate Managing Director  
alain.laurin@moodys.com

## ABN AMRO Bank N.V.

### Update to credit analysis

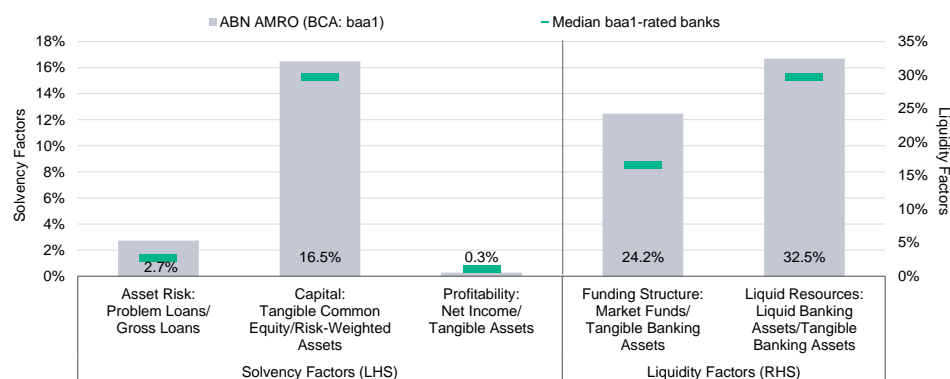
#### Summary

The baa1 Baseline Credit Assessment (BCA) of [ABN AMRO Bank N.V.](#) (ABN AMRO) reflects the bank's overall good financial fundamentals including strong solvency, despite significant setbacks in its corporate loan book, and a robust liquidity and funding position. The BCA captures the bank's strong presence in the Dutch market; its business mix of retail and business banking, wealth management and corporate banking.

ABN AMRO's deposit and senior unsecured debt ratings of A1 reflect ABN AMRO's BCA of baa1; two notches of uplift resulting from the very low expected loss under our Advanced Loss Given Failure (LGF) analysis, given the substantial amount of volume and subordination benefiting senior creditors; and one notch of uplift stemming from a moderate probability of government support.

Exhibit 1

#### Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

## Credit strengths

- » Strong positions in the Dutch banking sector
- » Moderate risk profile from focus on retail and commercial banking businesses
- » Strong capitalisation on a risk-weighted basis

## Credit challenges

- » Modest profitability albeit commensurate with the low risk profile
- » Yet incomplete remediation plan aiming at strengthening the internal control framework, to be completed in 2023
- » Cost inflation linked to regulatory compliance and detection of financial crime

## Outlook

The stable outlook reflects the bank's strong capitalisation and structurally weakened profitability, which we, however, expect to stabilise because of the bank's lower risk appetite in corporate banking and rising interest rates. The stable outlook also incorporates our assumption that the liability structure and probability of government support will remain broadly unchanged.

## Factors that could lead to an upgrade

We could upgrade ABN AMRO's BCA and long-term ratings if the bank's capitalisation, including its regulatory Tier 1 leverage ratio, were to improve significantly, and the bank concurrently were to report higher net interest margin and sustainably stronger earnings while preserving a low risk profile.

ABN AMRO's deposit and senior unsecured debt ratings could also be upgraded as a result of a decrease in loss given failure, should these instruments benefit from higher subordination than is currently the case.

## Factors that could lead to a downgrade

The bank's BCA could be downgraded as a result of a significant deterioration in the bank's asset quality; lower profitability with continued volatility in earnings; or a negative development in its liquidity or capitalisation. A downward movement in ABN AMRO's BCA would likely result in a downgrade of all the 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 these instruments account, for example, for a significantly smaller share of the bank's overall liability structure, or benefit from lower subordination than is currently the case.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moodys.com> for the most updated credit rating action information and rating history.

## Key Indicators

Exhibit 2

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

	06-22 <sup>2</sup>	12-21 <sup>2</sup>	12-20 <sup>2</sup>	12-19 <sup>2</sup>	12-18 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (EUR Million)	421,504.0	399,113.0	388,970.0	375,054.0	381,295.0	2.9 <sup>4</sup>
Total Assets (USD Million)	440,659.5	452,237.3	475,926.5	420,997.5	435,875.3	0.3 <sup>4</sup>
Tangible Common Equity (EUR Million)	20,896.0	21,138.0	20,556.0	22,773.0	22,100.0	(1.6) <sup>4</sup>
Tangible Common Equity (USD Million)	21,845.6	23,951.6	25,151.4	25,562.7	25,263.5	(4.1) <sup>4</sup>
Problem Loans / Gross Loans (%)	2.3	2.6	3.4	2.5	2.2	2.6 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	16.5	18.0	18.6	20.7	21.0	19.0 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	26.4	28.7	36.6	26.8	24.2	28.5 <sup>5</sup>
Net Interest Margin (%)	1.3	1.3	1.5	1.7	1.7	1.5 <sup>5</sup>
PPI / Average RWA (%)	1.5	1.5	2.3	3.0	3.4	2.3 <sup>6</sup>
Net Income / Tangible Assets (%)	0.3	0.3	0.0	0.5	0.5	0.3 <sup>5</sup>
Cost / Income Ratio (%)	75.9	78.1	67.4	61.8	60.2	68.7 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	24.7	24.2	25.5	23.1	24.3	24.3 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	34.1	32.5	33.0	24.8	25.3	29.9 <sup>5</sup>
Gross Loans / Due to Customers (%)	98.8	103.7	107.0	114.4	115.3	107.8 <sup>5</sup>

[1] Further to the publication of our revised methodology in July 2021, only ratios from annual 2020 onwards included in this report reflect the change in analytical treatment of the "high-trigger" Additional Tier 1 instruments. [2] All figures and ratios are adjusted using Moody's standard adjustments. [3] Basel III - fully loaded or transitional phase-in; IFRS. [4] May include rounding differences because of the scale of reported amounts. [5] Compound annual growth rate (%) based on the periods for the latest accounting regime. [6] Simple average of periods for the latest accounting regime. [7] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

Further to the publication of our revised methodology in July 2021, for issuers that have "high trigger" Additional Tier 1 instruments outstanding, not all ratios included in this report reflect the change in treatment of these instruments.

## Profile

ABN AMRO Bank N.V. is a Dutch universal bank. The bank provides retail, private and commercial banking products and services to individuals, high-net-worth clients, small and medium-sized enterprises (SMEs), large companies and financial institutions. Please refer to [ABN AMRO's Company Profile](#) for more information.

## Detailed credit considerations

### Strong position in the domestic market

ABN AMRO has a strong franchise in the highly concentrated Dutch market, where it is the second-largest bank in retail banking, with a 17% market share in key products, including mortgages, savings and consumer lending. The market share in new residential mortgages was 17.5% in Q2 2022.

Around 90% of the bank's operating income is from domestic operations. Outside the Netherlands, the bank's franchise is more modest but benefits from good brand recognition in certain activities, such as private banking in France and Germany. As of the end of June 2022, private banking client assets totaled €199 billion.

The bank has also maintained a strong position in business and corporate banking, where its domestic market share ranges from 25% to 30%. In international activities, ABN AMRO has been refocusing its activities on its core markets of the Netherlands and Northwestern Europe, and its International Clearing business since it announced the decision to scale down its global market activities in August 2020. Hence the bank exited trade and commodity finance activities, while natural resources and global transportation and logistics are now exclusively conducted in Europe. As a result, the risk profile of the bank's core activities has declined.

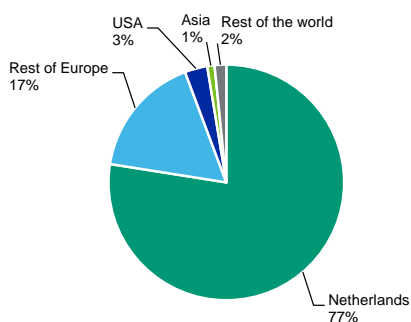
### Moderate risk profile because of focus on retail and commercial banking businesses

As reflected in the assigned Asset Risk score of baa1, ABN AMRO's asset quality is good overall because its operations are primarily traditional retail and business banking in the domestic market. Of the bank's loan portfolio, 60% was to households (primarily residential mortgages) as of the end of June 2022. We expect this segment to remain resilient despite the negative impact of high inflation<sup>1</sup> on households' purchasing power and the economic uncertainties related to the prolonged military conflict between Russia and Ukraine. The [Government of Netherlands](#) (Aaa stable) announced measures to support households' purchasing power,<sup>2</sup> which we expect will at least partly mitigate the risk of a deterioration in the bank's asset performance. In addition, Dutch households increasingly secured long-term fixed-rate mortgages<sup>3</sup> during the low interest rates period, mitigating the risk of a sharp deterioration in the credit quality of the outstanding book as a result of the rise in interest rates. We expect a rise in unemployment, if it were to materialize, would be the main factor underpinning higher losses on the bank's mortgage portfolio. ABN AMRO also booked management overly in H1 2022 in anticipation of refinancing risks on interest-only mortgages.

Exhibit 3

#### ABN AMRO's exposures are focused on the Netherlands

Geographical breakdown of exposures at default as of year-end 2021 (as a percentage of total exposures)

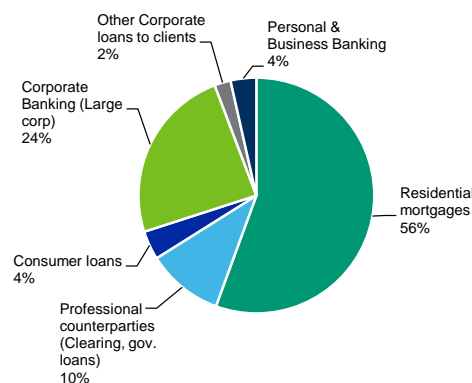


Sources: Company reports and Moody's Investors Service

Exhibit 4

#### ABN AMRO's loan book largely comprises Dutch residential mortgages

Breakdown of loan book by customer type as of the end of June 2022 (in percentage terms)



Sources: Company reports and Moody's Investors Service

Nonetheless, ABN AMRO recorded numerous large exceptional losses in recent quarters, which resulted in significant net income volatility<sup>4</sup>. These one-off losses, which related to both lending and non-lending credit risk, were testimony to past weaknesses in the bank's risk management, control functions and compliance. However, the bank has taken numerous remedial actions to reduce its

risk appetite and enhance internal controls. We expect the ongoing implementation of such improvements and lower risks in its CIB portfolio to gradually reduce ABN AMRO's earnings volatility.

Asset performance remained good in H1 2022. As of the end of June 2022, the stock of stage 3 loans decreased to 2.3% from 2.6% at year-end 2021 as a result of repayments and clients returning to stage 2 in the corporate sector and to a lesser extent in the mortgage book. Stage 2 loans also decreased to 7.5% at end-June 2022 from 8.2% at year-end 2021 as a result of improved risk parameters.

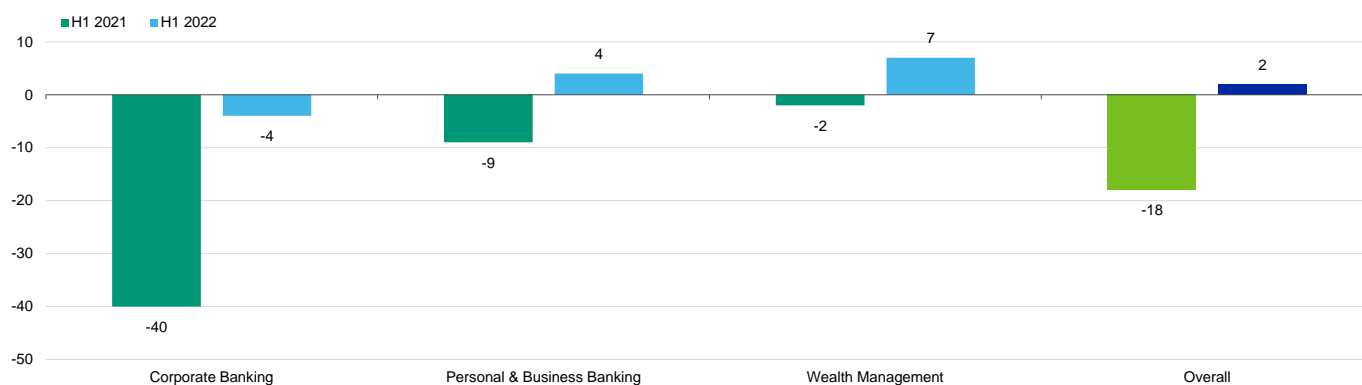
Although up from a net provision release of €156 million in the first half of 2021, loan loss provisions remained extremely low at 2 basis points (bps) of average lending in H1 2022. This low cost of risk was driven by a €99 million release of provisions on stage 3 loans, reflecting improved credit quality, offset by forward-looking provision charges on performing stage 1 and stage 2 loans resulting from both the deteriorating macroeconomic outlook in IFRS 9 scenario analysis and management overlay. Part of the pandemic-related management overlay was replaced by provisions covering second-order effects of the military conflict between Russia and Ukraine and refinancing risks related to rising interest rates.

We expect ABN AMRO's cost of risk to increase in H2 2022 because of the worsening economic outlook, but the overall cost of risk will remain below its through-the-cycle cost of risk of 20 bps in 2022.

Exhibit 5

### ABN AMRO's cost of risk remained extremely low in H1 2022

Loan loss impairment charges / gross customer loans in bps



Sources: Company reports and Moody's Investors Service

The bank has limited market risk exposure, and related market risk-weighted assets (RWA) accounted for around 2% of total RWA as of the end of June 2022. ABN AMRO focuses on customer-driven activities. However, the bank still undertakes some market-making activities, which are relatively small and driven by its corporate and institutional clients.

### High risk-weighted capitalisation, although with higher-than-average nominal leverage

ABN AMRO reported a Common Equity Tier 1 (CET1) capital ratio of 15.5% as of the end of June 2022 (16.3% as of year-end 2021 and 17.7% as of year-end 2020), in line with that of its main domestic and European peers. The decline in the CET1 capital ratio mainly reflects the increase in risk-weighted assets due to model reviews and business development, and to a lesser extent by higher market RWAs implied by higher Value-at-Risk measures.

The bank set a CET1 ratio target at 13% under "Basel IV" rules, leaving some room for dividends and potentially further share buybacks, which could result in a moderate decline in capitalisation. The pro-forma Basel IV ratio was around 16% as of end-June 2022.<sup>5</sup>

The bank paid an interim dividend for H1 2022 in September equivalent to a payout ratio of 40% of net income. The final dividend policy is unchanged at a payout ratio of 50% of net income (after Additional Tier 1 coupon payments and minority interest). The bank also announced that it has received the European Central Bank's (ECB) approval for a share buyback programme of €250 million, but it remains conditional upon a sell-down of shares by the majority shareholder (Netherlands Financial Investments, NLF). This follows the €500 million share buyback completed in May this year. ABN AMRO reiterated that, for the time being, it would consider share

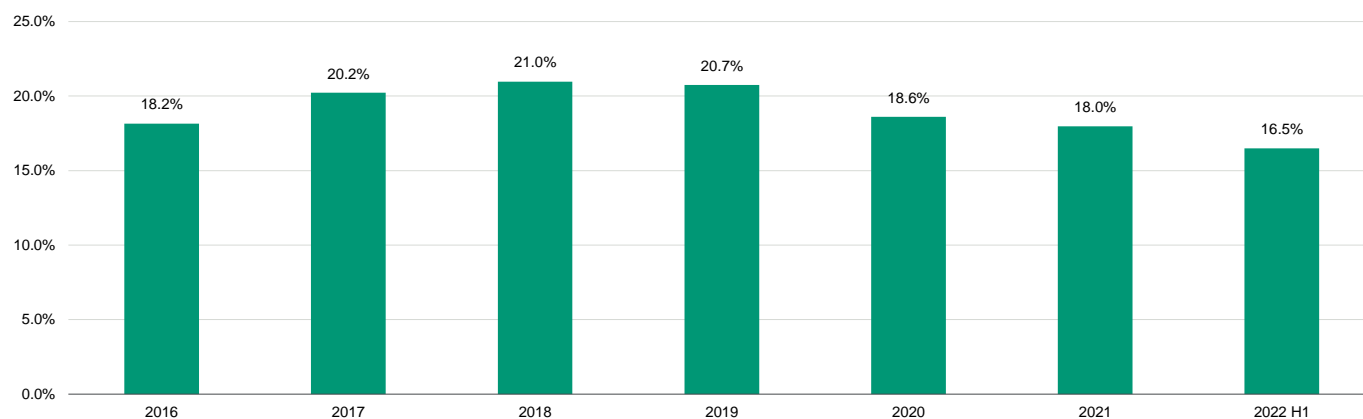
buybacks only if its Basel IV CET1 ratio remains above 15%, which offers additional comfort to creditors and limits future pressure on capital.

The minimum CET1 regulatory requirement under the Supervisory Review and Evaluation Process (SREP) for 2022 is 9.7%<sup>6</sup>. Thus, ABN AMRO had a solid 5.8-percentage-point buffer above its requirement as of the end of June 2022. Nonetheless, the Dutch supervisor announced that it will increase the countercyclical buffer (CCyB) to 1% from nil for Dutch exposures from May 2023 and to 2% by Q2 2024. ABN AMRO estimates this will lead to a 1.5-percentage-point increase in the bank's CET1 requirement to 11.2% in Q2 2024.

Exhibit 6

### ABN AMRO has high levels of regulatory capital on a risk-weighted basis

Tangible common equity/RWA (in percentage terms)



Sources: Company reports and Moody's Investors Service

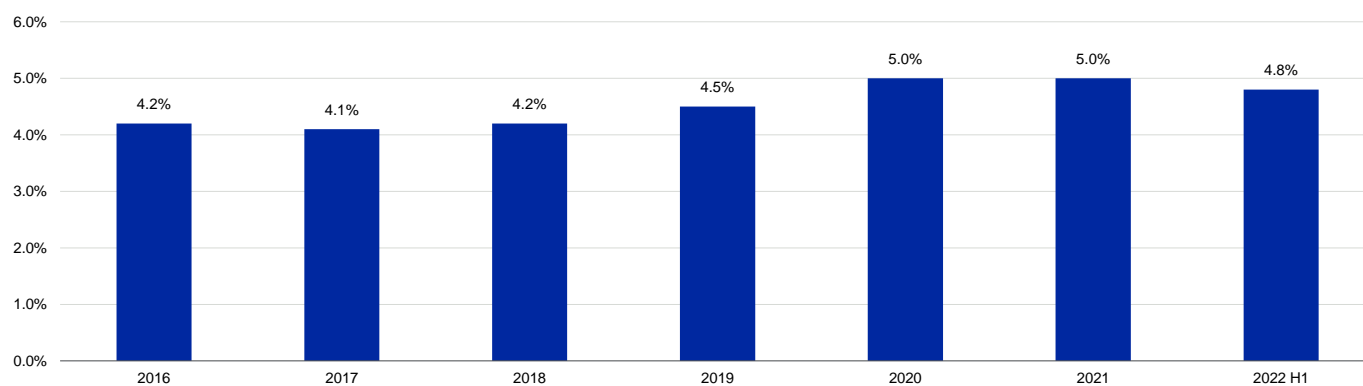
The bank's leverage ratio was 4.8% as of the end of June 2022 (fully loaded). The ratio of tangible common equity (TCE)/total assets was 5% as of the end of June 2022, which we consider as commensurate with the moderate risk profile of the bank.

The assigned Capital score is aa3, one notch below the macro-adjusted score of aa2, is aligned with the 15% currently indicated by the bank as the threshold to meet before proceeding to any share buyback.

Exhibit 7

### The bank's leverage ratio is comfortable

Regulatory Tier 1 leverage ratio (in percentage terms)



Sources: Company reports and Moody's Investors Service

### Modest structural profitability is commensurate with the bank's reduced risk profile

The low interest rate environment and the sale of higher-yielding CIB assets affected ABN AMRO's profitability in 2020 and 2021. In addition, the bank recorded numerous large exceptional losses over the period, which resulted in significant net income volatility. With the de-risking measures implemented over the past two years, we expect ABN AMRO's profitability to stabilize, though at a more modest

level than prior to 2019. The positive impact of the rise in interest rates, which the bank expects to materialize in the second half of 2022, will likely be at least partly offset by upward pressure on operating expenses as well as a rise in the cost of risk from the current very low levels. The assigned Profitability score of ba3, one notch below the macro-adjusted score of ba2, reflects our expectation of a more stable, though structurally modest profitability going forward.

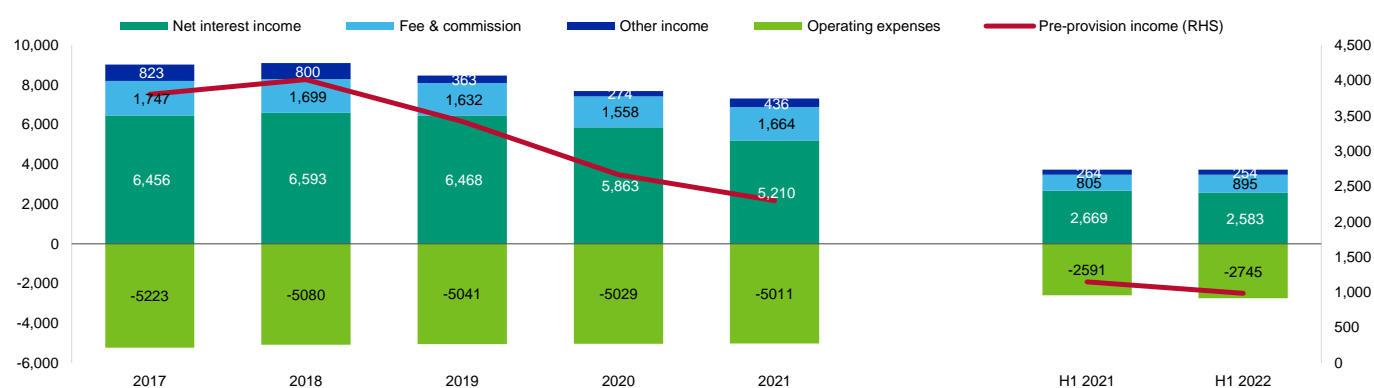
The bank reported a net result of €770 million in H1 2022, significantly up from €339 million in H1 2021. The increase was primarily attributable to a €640 million (pre-tax) decrease in one-off charges<sup>7</sup>. Excluding these one-offs, the bank's underlying profitability was weaker than in H1 2021.

Net banking income (excluding one-offs) totaled €3.7 billion in H1 2022, flat from H1 2021. The positive effect of an 11% hike in fee and commission income and higher trading income were offset by a 7% decrease in net interest income. As indicated earlier by the bank, rising interest rates have no immediate positive impact on its net interest income, while borrowers have had little incentive to prepay their mortgages, implying less prepayment fees for the bank. Following the ECB's interest rate hike in July 2022, ABN AMRO lowered the interest rate charged on deposits above €100,000 by 25 basis points from the beginning of August, and completely stopped charging interests on deposits from early October. It also announced recently that it will pay 25 basis point interest on variable interest savings account from 1 December 2022. The bank, nonetheless, expects its net interest income to bottom out in H2 2022 as the positive effects of the repricing of predominantly short-term securities portfolio materialize, with net interest income to reach €5.2 billion in full-year 2022, roughly in line with the amount achieved in 2021.

Exhibit 8

### Net interest income is expected to bottom out in H2 2022

#### Breakdown of pre-provision income in € million

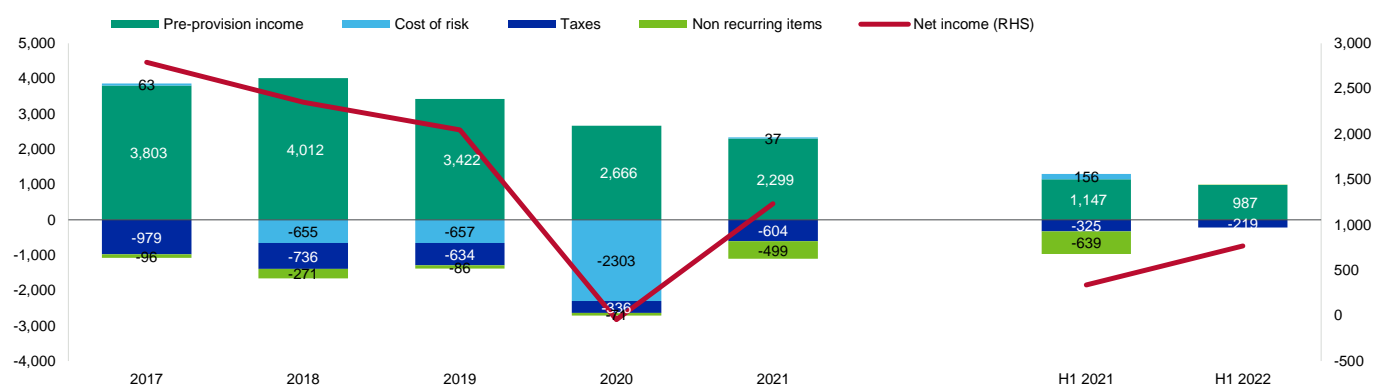


Source: Company reports and Moody's Investors Service

Exhibit 9

### The absence of non-recurring items and benign cost of risk supported the increase of net income in H1 2022

#### Breakdown of net income in € million



Source: Company reports and Moody's Investors Service

Net fee and commission income, which represented 23% of operating income in H1 2022, continued to grow at a steady pace (+11% versus H1 2021). The rise was driven by higher income from payment services and increased credit card usage in the Personal and Business Banking division, growing asset management base in the Wealth Management division and higher income from clearing in the Corporate Banking division. The bank maintained its guidance of a cumulative average growth rate in fee income of 5%-7% through 2024.

Operating expenses (excluding one-offs) were up by 6% to €2.7 billion in H1 2022, resulting from higher regulatory levies (+18%) and higher investments in IT and anti-money laundering (AML) external staffing. Because of inflationary pressures and other higher costs, ABN AMRO increased its cost guidance (excluding restructuring costs and large incidentals) to €5.3 billion for 2022 from €5.2 billion. However, the bank remains committed to its 2024 target of €4.7 billion.

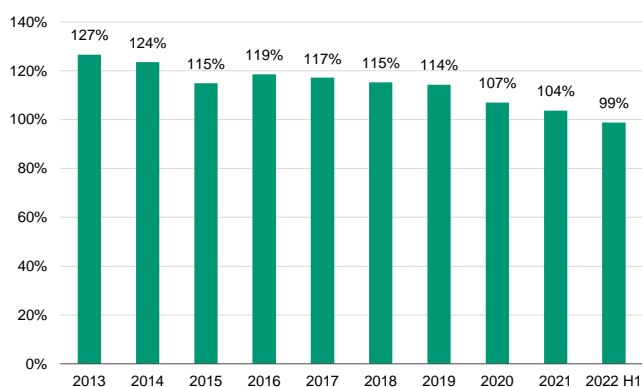
### Robust liquidity, partly because of its strong private banking franchise

ABN AMRO's liquidity is robust, and we expect it to remain so over the coming quarters. According to our calculations at the end of June 2022, the bank's loan-to-deposit ratio of 99%, reflective of the strong increase in deposits from professional clients. The loan-to-deposit ratio was 104% and 107% as of year-end 2020 and 2021, respectively. This funding position is supported by ABN AMRO's strong franchise in retail banking in the Netherlands, but also in private banking, which generates relatively limited lending and brings substantial deposits. These private banking deposits will remain an important source of funding for ABN AMRO, but these are more confidence-sensitive and less sticky than retail deposits.

Exhibit 10

#### ABN AMRO's deposit growth allowed to improve the customer funding gap

Gross loans/customer deposits\* (in percentage terms)



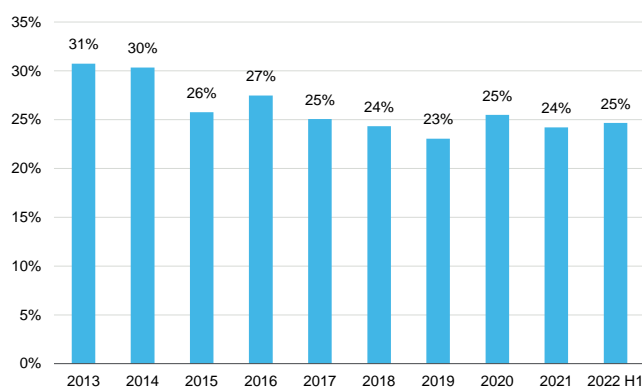
\*Loan-to-deposit ratio per Moody's calculations.

Sources: Company reports and Moody's Investors Service

Exhibit 11

#### Wholesale funding decreased since 2013, despite a spike linked to TLTRO III in 2020

Market funds/tangible banking assets (in percentage terms)



Sources: Company reports and Moody's Investors Service

Risks stemming from the reliance on wholesale funding are mitigated by the term structure of the outstanding debt and the adequate liquidity buffer. As of the end of June 2022, the liquidity buffer of €95.7 billion was twice the amount of wholesale debt securities maturing within one year, which, we believe, provides comfortable coverage of liquidity risk. The bank's liquidity coverage ratio (LCR) was 158% on average during the 12 months ended June 2022, and the net stable funding ratio as of the end of June 2022 was 139%.

The bank still benefits today from the abundant source of cheap funding and liquidity available via the TLTROs by the ECB (€35 billion outstanding as of end-June 2022, stable from year-end 2021). These amounts are largely deposited back at the ECB (to take advantage of favourable terms offered on funding rates), rather than being recycled for investment purposes. Consequently the bank's balance sheet is temporarily inflated because the portion of borrowed funds that are re-deposited at the ECB will be running off medium-term.

Our assigned Funding Structure score of baa1 is at the same level as the macro-adjusted score. It reflects one notch positive adjustment resulting from the deduction of a portion of the TLTRO III borrowed funds from both the numerator and denominator of the ratio,<sup>8</sup> offset by one notch negative adjustment reflecting the bank's reliance on deposits stemming from private banking.



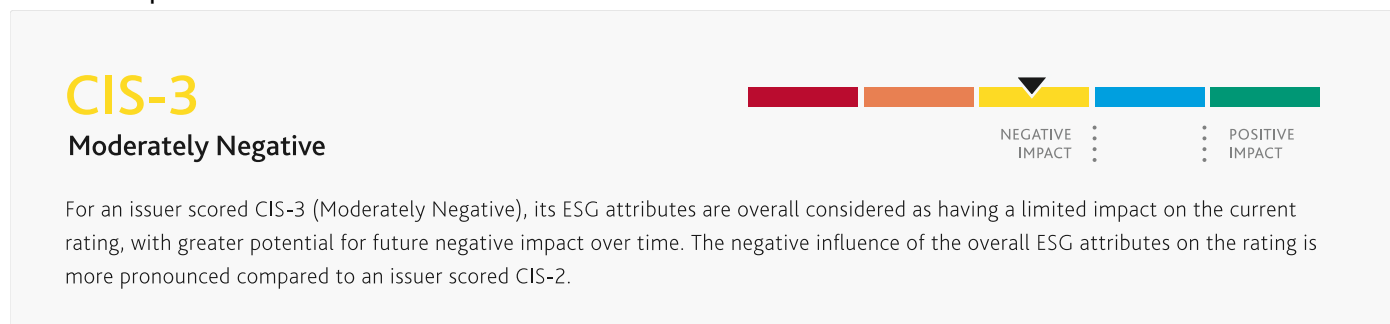
Our assigned Liquid Resources score of a3, one notch below the macro-adjusted score of a2 results from a negative adjustment reflecting both the deduction of a portion of the TLTRO III borrowed funds from the numerator and denominator of the ratio,<sup>9</sup> and asset encumbrance.

## ESG considerations

### ABN AMRO Bank N.V.'s ESG Credit Impact Score is Moderately Negative CIS-3

Exhibit 12

#### ESG Credit Impact Score

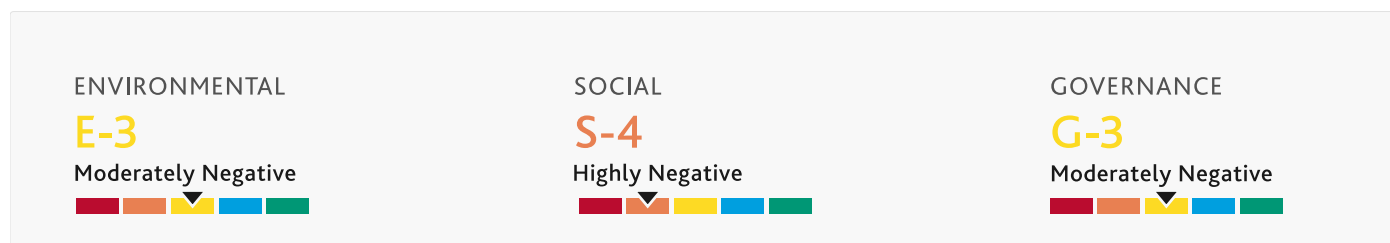


Source: Moody's Investors Service

ABN AMRO's ESG Credit Impact Score is moderately negative (**CIS-3**), reflecting the limited credit impact of environmental and social factors on the rating to date, and the moderately negative impact of governance factors because of several failures in the bank's risk management and control functions, resulting in substantial losses. Remediation is continuing and has been accelerated by the new management team.

Exhibit 13

#### ESG Issuer Profile Scores



Source: Moody's Investors Service

### Environmental

ABN AMRO faces moderate exposure to environmental risks primarily because of its portfolio exposure to carbon transition risk. In line with its peers, ABN AMRO is exposed to mounting business risks and stakeholder pressure to meet more demanding carbon transition targets. ABN AMRO is further developing its climate risk management and reporting frameworks, and aims to reduce its exposure to certain carbon-intensive sectors over time.

### Social

ABN AMRO faces high industrywide social risks related to regulatory risk and litigation exposure, and the bank is required to meet high compliance standards. The Dutch supervisor's high focus on mis-selling and misrepresentation has led to the bank recording significant losses, which its Dutch peers also incurred to various degrees. ABN AMRO has developed policies and procedures to address these risks. ABN AMRO's high cyber and personal data risks are mitigated by technology solutions and organizational measures to prevent data breaches.

## Governance

ABN AMRO's governance risks are moderate. The bank has reported numerous failures in its risk management and controls, and has had major shortcomings in compliance and reporting. These failures resulted in substantial losses related to both lending and non-lending credit risks in the past two years. The bank incurred losses in its CIB business, despite the shift in focus to select activities aimed at reducing the risk profile of the business. A new management team has accelerated the execution of the strategic plan and the completion of the remediation plan on the bank's controls framework. ABN AMRO is majority owned by the Dutch state. However, the large presence of independent administrators, and the domestic legal and regulatory framework mitigate existing governance risks.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Support and structural considerations

### Loss Given Failure (LGF) analysis

ABN AMRO is subject to the European Union Bank Recovery and Resolution Directive, which is an Operational Resolution Regime. In estimating loss given failure, we assume residual TCE 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 and 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.

Under our Advanced forward-looking LGF analysis, the portion of ABN AMRO's TLTRO drawdowns, which we estimate is redeposited at the ECB, is deducted from the bank's tangible banking assets, thereby reducing the inflationary impact of TLTRO on the bank's balance sheet. We assume that the portion of borrowed funds re-deposited at the ECB will be running off in the next 12 months.

ABN AMRO's deposits are likely to face very low loss given failure because of 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 because of 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 considerations

Since ABN AMRO is a systemically important bank in the Netherlands, there is a moderate probability of government support, resulting in a one-notch uplift for both the long-term deposit rating of A1 and the senior unsecured debt rating of A1.

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

### Counterparty Risk Ratings (CRRs)

#### ABN AMRO's CRRs are Aa3/Prime-1

The CRR for ABN AMRO, before government support, is three notches higher than the Adjusted BCA of baa1, based on the level of subordination to CRR liabilities in the bank's balance sheet, and assuming a nominal volume of such liabilities. The CRR also benefits from one notch of government support, in line with our support assumptions on deposits and senior unsecured debt.

### Counterparty Risk (CR) Assessment

#### ABN AMRO's CR Assessment is Aa3(cr)/Prime-1(cr)

Before government support, the CR Assessment is positioned three notches above the Adjusted BCA of baa1, based on the buffer against default provided to the senior obligations represented by subordinated instruments subordinated to the senior obligations represented by the CR Assessment.

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 to reduce contagion and preserve a bank's critical functions.

## Methodology and scorecard

### About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement 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 14

ABN AMRO Bank N.V.

<b>Macro Factors</b>							
<b>Weighted Macro Profile</b>		<b>Strong +</b>	<b>100%</b>				
<b>Factor</b>	<b>Historic Ratio</b>	<b>Initial Score</b>	<b>Expected Trend</b>	<b>Assigned Score</b>	<b>Key driver #1</b>	<b>Key driver #2</b>	
Solvency							
Asset Risk							
Problem Loans / Gross Loans	2.7%	a2	↔	baa1	Sector concentration	Non lending credit risk	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	16.5%	aa2	↔	aa3	Expected trend		
Profitability							
Net Income / Tangible Assets	0.3%	ba2	↔	ba3	Expected trend	Earnings quality	
Combined Solvency Score		a2		baa1			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	24.2%	baa1	↔	baa1	Expected trend	Deposit quality	
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	32.5%	a2	↔	a3	Asset encumbrance		
Combined Liquidity Score		a3		baa1			
Financial Profile							
Qualitative Adjustments				Adjustment			
Business Diversification				0			
Opacity and Complexity				0			
Corporate Behavior				0			
Total Qualitative Adjustments				0			
Sovereign or Affiliate constraint				Aaa			
BCA Scorecard-indicated Outcome - Range				a3 - baa2			
Assigned BCA				baa1			
Affiliate Support notching				0			
Adjusted BCA				baa1			
<b>Balance Sheet</b>							
		<b>in-scope (EUR Million)</b>	<b>% in-scope</b>	<b>at-failure (EUR Million)</b>	<b>% at-failure</b>		
Other liabilities		83,981	21.7%	110,838	28.7%		
Deposits		263,297	68.1%	236,441	61.2%		
Preferred deposits		194,840	50.4%	185,098	47.9%		
Junior deposits		68,457	17.7%	51,343	13.3%		
Senior unsecured bank debt		9,500	2.5%	9,500	2.5%		
Junior senior unsecured bank debt		8,700	2.3%	8,700	2.3%		
Dated subordinated bank debt		7,317	1.9%	7,317	1.9%		
Preference shares (bank)		2,000	0.5%	2,000	0.5%		
Equity		11,592	3.0%	11,592	3.0%		
Total Tangible Banking Assets		386,387	100.0%	386,387	100.0%		

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted 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 Rating	23.4%	23.4%	23.4%	23.4%	3	3	3	3	0	a1
Counterparty Risk Assessment	23.4%	23.4%	23.4%	23.4%	3	3	3	3	0	a1 (cr)
Deposits	23.4%	7.7%	23.4%	10.1%	2	3	2	2	0	a2
Senior unsecured bank debt	23.4%	7.7%	10.1%	7.7%	2	1	2	2	0	a2
Junior senior unsecured bank debt	7.7%	5.4%	7.7%	5.4%	0	0	0	0	0	baa1
Dated subordinated bank debt	5.4%	3.5%	5.4%	3.5%	-1	-1	-1	-1	0	baa2
Non-cumulative bank preference shares	3.5%	3.0%	3.5%	3.0%	-1	-1	-1	-1	-2	ba1

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	a1	1	Aa3	Aa3
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
Junior senior unsecured bank debt	0	0	baa1	0	Baa1	Baa1
Dated subordinated bank debt	-1	0	baa2	0	Baa2	Baa2
Non-cumulative bank preference shares	-1	-2	ba1	0	Ba1 (hyb)	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Investors Service

## Ratings

Exhibit 15

Category	Moody's Rating
<b>ABN AMRO BANK N.V.</b>	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
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
Junior Senior Unsecured	Baa1
Junior Senior Unsecured MTN	(P)Baa1
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](#) We forecast 8% inflation for 2022 and 2.2% for 2023 in the Netherlands
- [2](#) [On 20 September, the government announced its 2023 budget](#), which includes a €17.2 billion package to support consumer purchasing power. The support package includes energy price caps, increases in social benefits and tax credits, tax rate cuts, a one-time payment of €1,300 to lower-income households to offset the impact of high energy costs and a 10% increase in the minimum wage.
- [3](#) Long-term means that the interest reset period typically ten years or more.
- [4](#) The bank's 2021 results were affected by €306 million provisions for the settlement relating to consumers who were charged too much interest on revolving consumer credits with floating rates. On 19 April 2021, ABN AMRO announced that it had reached a settlement agreement of €480 million with the Dutch Public Prosecution Service in relation to an investigation into possible violation of the Dutch Anti-Money Laundering (AML) and Counter Terrorism Financing (CTF) act between 2014 and 2020. Payment of the settlement resulted in the bank reporting a Q1 2021 loss.
- [5](#) This pro-forma ratio does not include the impact of the envisaged €250 million share buyback mentioned below.
- [6](#) The 9.7% CET1 requirement includes 4.50% of Pillar 1 requirement, 1.13% of Pillar 2 requirement, 2.5% of capital conservation buffer and 1.5% Other Systemically Important Institutions (OSII) buffer and countercyclical capital buffer of 0.03%.
- [7](#) The largest one-off charge in H1 2021 was the €480 million provision on the settlement agreement with the Dutch Public Prosecution Service in relation to an investigation into possible violation of the Dutch Anti-Money Laundering (AML) and Counter Terrorism Financing (CTF) Act between 2014 and 2020. H1 2021 one-offs also included a €121 million loss on the disposal of a portfolio of loans in the energy sector as part of the wind-down of the corporate banking activities the bank deemed non-core, and which had been implemented since mid-2020.
- [8](#) The adjusted market funds ratio is 17% as of year-end 2021 instead of 24% on an unadjusted basis.
- [9](#) The adjusted liquid resources ratio is 26% as of year-end 2021 instead of 32% on an unadjusted basis.

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