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Update: ABN AMRO Bank N.V.

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Update: ABN AMRO Bank N.V.

Ratings Score Snapshot

Global Scale Ratings
Issuer Credit Rating
A/Stable/A-1
Resolution Counterparty Rating
A+/-/A-1

SACP: bbb+ → Support: +2 → Additional factors: 0

SACP: bbb+			Support: +2		Additional factors: 0		
Anchor	bbb+		ALAC support	+2		<table border="1"> <thead> <tr> <th>Issuer credit rating</th> </tr> </thead> <tbody> <tr> <td>A/Stable/A-1</td> </tr> </tbody> </table>	Issuer credit rating
Issuer credit rating							
A/Stable/A-1							
Business position	Adequate	0	GRE support	0			
Capital and earnings	Strong	+1	Group support	0			
Risk position	Adequate	0	Sovereign support	0			
Funding	Adequate	0					
Liquidity	Adequate						
CRA adjustment	-1						

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

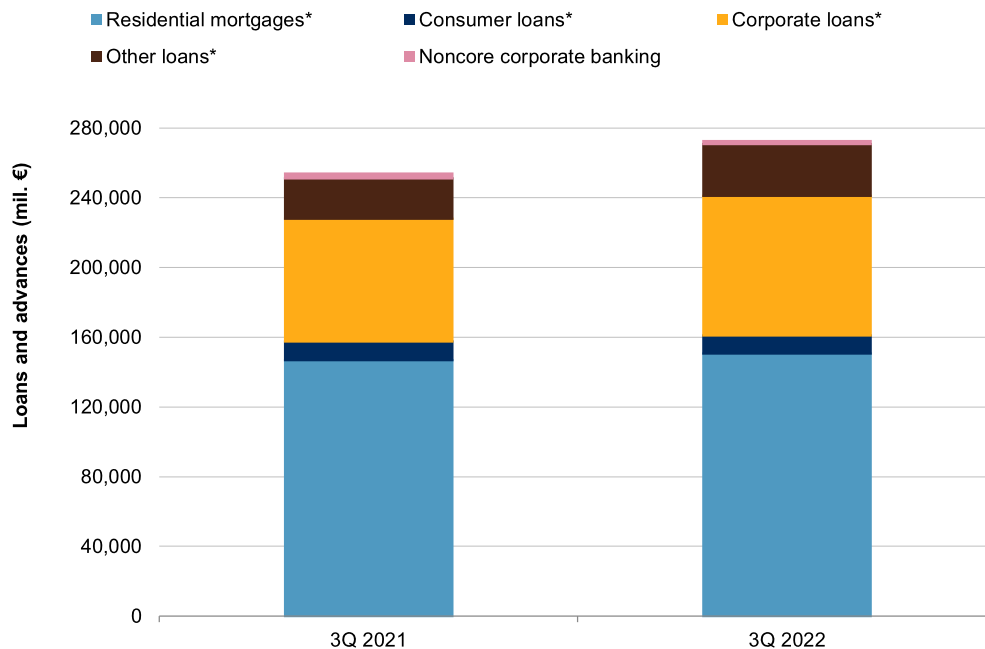
Key strengths	Key risks
Good competitive position in domestic retail, corporate, and private banking.	Anticipated economic slowdown will exacerbate competitive pressures in the Netherlands, affecting lending growth.
Strong capital buffers provide capacity to resist headwinds.	High inflation and incidental costs could challenge the bank's plan to cut costs.
Reduced exposure to volatile and cyclical corporate sectors should support the bank's asset quality during an economic slowdown.	

The announced departure of ABN AMRO Bank N.V. (ABN AMRO)'s chief financial officer (CFO), Lars Kramer, was unexpected, but should still not affect the bank's performance in the short term. On Jan. 11, 2023, ABN AMRO announced Lars Kramer's decision to step down as CFO of the bank and leave on April 30, 2023. At this stage, we don't expect the event to have any short-term negative effects on the bank's strategic execution capability and performance, since it is in an advanced stage of the strategic cycle. At the same time, we consider the early departure of Lars Kramer, after less than two years in the role, as a potential sign of challenges it faces to retain good candidates, given the cap on senior management salaries.

ABN AMRO's core residential mortgage and corporate customer loan portfolio is expanding but the anticipated economic slowdown will likely weigh on demand for loans. We expect the bank's gross customer-loans portfolio to increase 1.3% in 2022, 0.2% in 2023, and 0.6% in 2024. As of Sept. 30, 2022, ABN AMRO's share of the Netherlands' new residential mortgages market was 19.1%, up from 15% a year earlier. The bank also increased its core corporate loan portfolio to €93.4 billion, up from €76.4 billion in September 2021. We consider this growth to be due to a combination of good business momentum and the bank's strategic operational and digital initiatives (including the new ID & Pay application for corporate clients). We expect an economic slowdown (due to the energy crisis, increasing interest rates, and high inflation) will weigh on demand for loans from fourth-quarter 2022 and continue in 2023. Challenging economic conditions will also exacerbate the already high level of competition in the Dutch domestic market, further limiting Dutch banks' lending expansion.

Chart 1

ABN AMRO's Core Loan Portfolio Has Expanded Portfolio composition (core versus noncore activities)



*Core activities. Q--Quarter. Source: S&P Global Ratings.

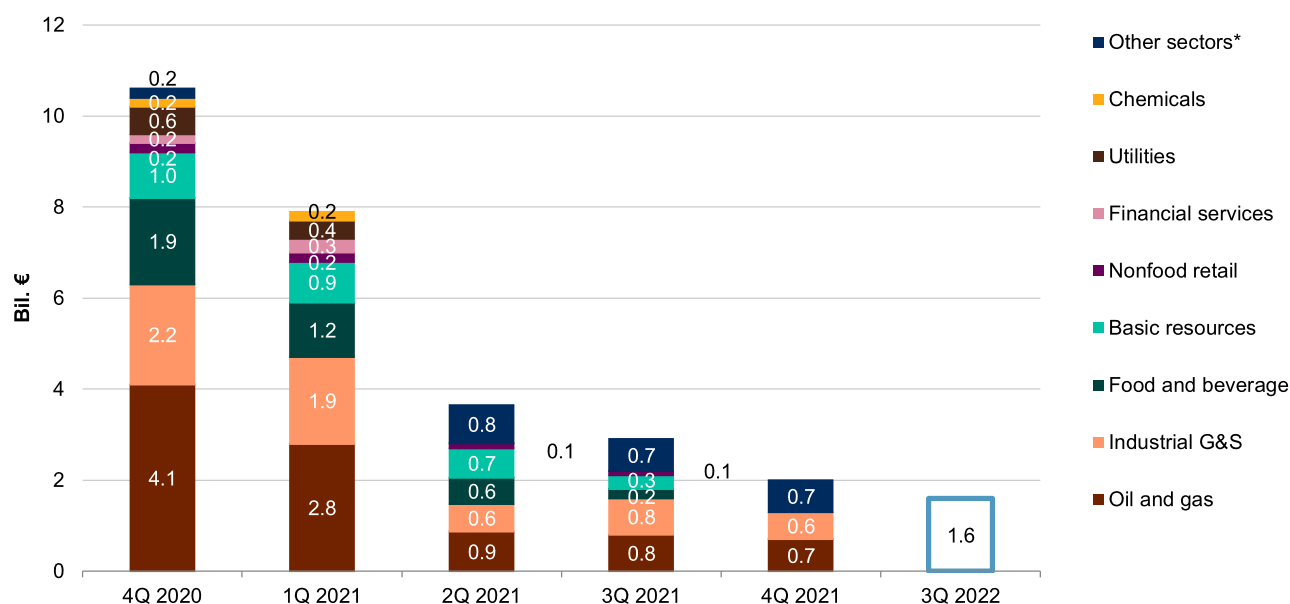
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The bank's asset quality should remain robust over the next 12-18 months supported by a Dutch economy that will stagnate, but avoid recession in 2023, and the significant deleveraging of the bank's corporate, noncore portfolio. We estimate that the bank's nonperforming exposure (NPE) ratio will be 5.5%-6.5% by year-end 2024, up from an estimated 5.3% as of Sept. 30, 2022, as per our definition, that is including both Stage 3 and forbore performing loans. We expect ABN AMRO's cost of risk will peak at 30 basis points (bps)-35 bps in 2023, before falling to 25 bps in 2024. The bank's nonperforming assets hadn't shown signs of deterioration as of third-quarter 2022. Stage 3 assets (assets

that show objective evidence of impairment) fell by about €600 million over the third quarter to €4 billion. Our projections assume that significant deleveraging over the past two years in the bank's corporate noncore portfolio means it is in a stronger position to face a difficult macroeconomic environment (see chart 2). In addition, our projections factor in our view that the Dutch economy will stagnate in 2023, with 0.2% GDP growth, but won't enter a recession. We consider the downside risk to be material to our economic forecasts and will monitor the macroeconomic environment's evolution for potential impacts on bank asset quality and cost of risk.

Chart 2

Evolution Of The Bank's Noncore Corporate Portfolio Across Different Sectors



*Largest sectors in other sectors are financial services, utilities, and chemicals for second-quarter 2021, third-quarter 2021 and fourth-quarter 2022 Q--Quarter. Source: S&P Global Ratings.

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Inflationary pressures challenge the bank's cost-reduction efforts, but rising interest rates bring some benefits to operating revenue. ABN AMRO is halfway through its 2024 strategic plan and has achieved €280 million in cost reductions, or about 40% of its total €700 million target. That said, inflationary pressures and extraordinary costs related to some incidental events--for example, €84 million related to pace of completion of the ongoing anti-money laundering (AML) remediation plan--will weigh on profitability in 2022-2024. That will pose a challenge to the achievement of the bank's plan to reduce costs to below €4.7 billion by year-end 2024. On the positive side, we anticipate that rising interest rates will support operating revenue. We expect those benefits will become apparent over the long term because ABN AMRO's customer loan portfolio is skewed toward long-term, fixed-rate loans. We also expect increasing interest rates will support the bank's deposit margin in 2022-2023, providing a boost to net interest

income, which we forecast will increase by 1.6% at year-end 2022, to €5.3 billion, and by a cumulative 15% in 2023 and 2024. Overall, we expect the bank to achieve a return on equity (ROE) of 8.5%-9.0% by year-end 2024, which is below its ROE target of 10%, due to the challenging environment.

The bank's sizeable capital buffers can absorb macroeconomic pressures and support its expansion strategy. ABN AMRO's 15.2% Basel III common equity Tier 1 (CET1) ratio, as of Sept. 30, 2022, was 550 bps above the 9.7% minimum distributable amount. That robust capital buffer should enable the bank to resist economic headwinds and support its expansion over the next 18-24 months—particularly given our base case forecast that ABN AMRO will remain profitable over 2022-2024, and our expectation that it will distribute about 50% of its net income as dividends. We estimate a risk-adjusted capital (RAC) ratio for ABN AMRO of 13.5%-14.0% by year-end 2024. Our capital projections do not incorporate any distribution or use of capital in excess of the bank's 13% CET1 long-term target, due to uncertainty about macroeconomic developments over the next 12-18 months.

Outlook

The stable outlook on ABN AMRO reflects our view that the bank will be able to maintain its S&P Global Ratings' additional loss-absorbing capacity (ALAC) sustainably above 6% of its S&P Global Ratings risk-weighted assets (RWAs) over the next two years. This is due to the progressive improvement in the bank's risk profile, which is linked to the winding-down of its noncore activities, and increased stock of available bail-in-able instruments.

Downside scenario

We could lower our ratings on ABN AMRO over the next two years if:

- ABN AMRO's ALAC buffer falls below 6% of its RWAs over the next 18-24 months; or
- The bank departs from its historically prudent capital management, with more aggressive capital distribution that could compromise our view of its strong capital base.

Upside scenario

Although unlikely at this stage, we could consider raising our ratings on ABN AMRO over the next 18-24 months if the bank demonstrated an ability to generate stable and healthy returns on a sustainable basis, in line with higher-rated peers, and if earnings were no longer burdened by one-offs (due to restructuring or other costs).

Key Metrics

ABN AMRO Bank N.V.--Key Ratios And Forecasts

	--Fiscal year ended Dec. 31 --				
(%)	2020a	2021a	2022f	2023f	2024f
Growth in operating revenue	-7.0	-2.1	0.2-0.2	0.2-0.3	6.2-7.6
Growth in customer loans	-5.5	2.0	1.1-1.4	0.2-0.2	0.5-0.7
Growth in total assets	5.5	0.9	5.2-6.3	(4.3)-(5.3)	0.0-0.0

ABN AMRO Bank N.V.--Key Ratios And Forecasts (cont.)

	--Fiscal year ended Dec. 31 --				
(%)	2020a	2021a	2022f	2023f	2024f
Net interest income/average earning assets (NIM)	1.8	1.6	1.5-1.7	1.6-1.7	1.7-1.9
Cost to income ratio	66.5	76.8	69.2-72.7	65.9-69.3	59.5-62.5
Return on average common equity	-0.2	6.3	7.5-8.3	5.2-5.8	8.5-9.4
Return on assets	0.0	0.3	0.3-0.4	0.2-0.3	0.4-0.5
New loan loss provisions/average customer loans	0.9	0.0	0.1-0.1	0.3-0.3	0.2-0.3
Gross nonperforming assets/customer loans	6.7	5.8	5.3-5.8	5.6-6.2	5.6-6.2
Net charge-offs/average customer loans	0.4	N.M.	0.1-0.1	0.2-0.2	0.3-0.3
Risk-adjusted capital ratio	13.6	13.4	13.0-13.6	13.0-13.7	11.6-12.2

All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. f--Forecast. NIM--Net interest margin.

Environmental, Social, And Governance**ESG Credit Indicators**

E-1	E-2	E-3	E-4	E-5	S-1	S-2	S-3	S-4	S-5	G-1	G-2	G-3	G-4	G-5
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ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumeric 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

Key Statistics**Table 1****ABN AMRO Bank N.V.--Key Figures**

	--Year-ended Dec. 31--				
(Mil. €)	2021	2020	2019	2018	2017
Adjusted assets	398,986.0	395,495.0	374,876.0	381,131.0	392,987.0
Customer loans (gross)	260,666.0	255,625.0	270,527.0	273,147.0	277,366.0
Adjusted common equity	20,004.6	20,067.0	18,940.0	18,924.0	18,189.6
Operating revenues	7,739.0	7,903.0	8,502.0	9,092.0	8,912.0
Noninterest expenses	5,947.0	5,256.0	5,268.0	5,351.0	5,476.0
Core earnings	1,234.0	N/A	1,967.4	2,325.0	2,534.2

N/A--Not applicable.

Table 2**ABN AMRO Bank N.V.--Business Position**

	--Year-ended Dec. 31--				
(%)	2021	2020	2019	2018	2017
Total revenues from business line (currency in millions)	7,739.0	7,915.0	8,605.0	9,092.0	9,289.0

Table 2

ABN AMRO Bank N.V.--Business Position (cont.)					
	--Year-ended Dec. 31--				
(%)	2021	2020	2019	2018	2017
Commercial banking/total revenues from business line	42.8	43.4	42.7	44.2	37.9
Retail banking/total revenues from business line	31.9	38.0	38.6	38.7	43.0
Commercial & retail banking/total revenues from business line	74.7	81.4	81.3	82.8	80.9
Asset management/total revenues from business line	16.5	18.0	14.2	14.7	16.6
Other revenues/total revenues from business line	8.8	0.6	4.4	2.4	2.6
Return on average common equity	6.3	(0.2)	10.5	11.8	14.9

Table 3

ABN AMRO Bank N.V.--Capital And Earnings					
	--Year-ended Dec. 31--				
(%)	2021	2020	2019	2018	2017
Tier 1 capital ratio	18.0	19.5	19.9	19.3	18.5
S&P Global Ratings' RAC ratio before diversification	13.4	13.6	11.6	11.6	11.2
S&P Global Ratings' RAC ratio after diversification	13.5	14.0	12.1	12.2	11.8
Adjusted common equity/total adjusted capital	91.0	91.0	90.5	90.4	90.1
Net interest income/operating revenues	67.3	74.2	76.1	72.5	72.4
Fee income/operating revenues	21.5	19.7	19.2	18.7	19.6
Market-sensitive income/operating revenues	0.5	1.7	3.3	6.4	5.7
Cost to income ratio	76.8	66.5	62.0	58.9	61.4
Preprovision operating income/average assets	0.5	0.7	0.9	1.0	0.9
Core earnings/average managed assets	0.3	N/A	0.5	0.6	0.6

N/A--Not applicable.

Table 4

ABN AMRO Bank N.V.--Risk Position					
	--Year-ended Dec. 31--				
(%)	2021	2020	2019	2018	2017
Growth in customer loans	2.0	(5.5)	(1.0)	(1.5)	2.2
Total diversification adjustment/S&P Global Ratings' RWA before diversification	(1.3)	(3.2)	(3.9)	(5.0)	(5.2)
Total managed assets/adjusted common equity (x)	20.0	19.7	19.8	20.1	21.6
New loan loss provisions/average customer loans	(0.0)	0.9	0.2	0.2	(0.0)
Net charge-offs/average customer loans	N.M.	0.4	0.2	0.4	0.3
Gross nonperforming assets/customer loans + other real estate owned	5.8	6.7	3.6	3.1	3.9
Loan loss reserves/gross nonperforming assets	15.9	20.1	25.1	26.4	22.8

N.M.--Not meaningful.

Table 5

ABN AMRO Bank N.V.--Funding And Liquidity					
	--Year-ended Dec. 31--				
(%)	2021	2020	2019	2018	2017
Core deposits/funding base	68.4	65.8	68.7	67.9	67.0
Customer loans (net)/customer deposits	102.8	105.7	114.1	114.7	116.1
Long-term funding ratio	91.9	90.9	88.6	89.4	88.6
Stable funding ratio	127.9	126.0	110.1	112.4	110.1
Short-term wholesale funding/funding base	8.6	9.7	12.2	11.3	12.1
Broad liquid assets/short-term wholesale funding (x)	3.8	3.3	1.9	2.2	2.0
Broad liquid assets/total assets	29.7	29.3	21.4	22.4	21.4
Broad liquid assets/customer deposits	47.2	48.5	34.1	36.1	35.6
Net broad liquid assets/short-term customer deposits	35.9	35.0	17.1	20.2	18.1
Short-term wholesale funding/total wholesale funding	26.7	27.8	38.1	34.5	36.0
Narrow liquid assets/3-month wholesale funding (x)	6.4	3.7	3.3	2.8	2.4

ABN AMRO Bank N.V.--Rating Component Scores	
Issuer Credit Rating	A/Stable/A-1
SACP	bbb+
Anchor	bbb+
Economic risk	3
Industry risk	3
Business position	Adequate
Capital and earnings	Strong
Risk position	Adequate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	-1
Support	2
ALAC support	2
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

[Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021](#)

[Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021](#)

[General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021](#)

General Criteria: Group Rating Methodology, July 1, 2019

General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019

Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017

General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017

General Criteria: Guarantee Criteria, Oct. 21, 2016

General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015

General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (As Of January 12, 2023)*

ABN AMRO Bank N.V.

Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/-/A-1
Commercial Paper	A-1
Senior Subordinated	BBB
Senior Unsecured	A
Subordinated	BBB-

Issuer Credit Ratings History

26-Feb-2021	A/Stable/A-1
09-Apr-2020	A/Negative/A-1
28-Jun-2019	A/Stable/A-1

Sovereign Rating

Netherlands	AAA/Stable/A-1+
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*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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