Rating Action: **Moody's upgrades ABN AMRO's senior unsecured and long-term issuer ratings to Aa3, outlook is stable**

29 Nov 2023

BCA and other ratings are affirmed

Paris, November 29, 2023 -- Moody's Investors Service ("Moody's") today upgraded ABN AMRO Bank N.V. (ABN AMRO)'s long-term senior unsecured and long-term issuer ratings to Aa3 from A1. It also affirmed its long-term deposi rating of Aa3. The outlook on these ratings remains stable.

Concurrently, Moody's affirmed the bank's Baseline Credit Assessment (BCA) and Adjusted BCA of baa1, its short-term deposit ratings of Prime-1, its junior senior unsecured rating of Baa1, its subordinated rating of Baa2, its non-cumulative preferred stock rating of Ba1(hyb), its long-term and short-term Counterparty Risk Assessments (CRAs) of Aa3(cr) and Prime-1(cr) respectively and its long-term and short-term Counterparty Risk Ratings (CRRs) of Aa3 and Prime-1 respectively.

Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL482798 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

AFFIRMATION OF BCA

Moody's affirmation of the baa1 BCA reflects the bank's sound asset risk, strong capital , improved profitability, and robust liquidity and funding.

Moderate asset risk is underpinned by the bank's focus on domestic retail and commercial banking businesses. At end-September 2023, the bank's lending portfolio was 63% composed of loans to households, the bulk of which were mortgages, 30% of loans to corporate and 7% of other loans. The bank has been implementing material de-risking measures in its corporate banking activities since August 2020 – now close to completion - and refocused the business on its core markets in the Netherlands and Northwestern Europe. The risk profile of the corporate loan book has therefore improved over the past three years. Moody's nonetheless believes that the clearing activities, representing close to 7% of ABN AMRO's loan portfolio at end-September 2023, implies some tail risk despite an enhanced risk control framework including the IT systems. The overall asset performance of the bank remains good as underpinned by the stage 3 ratio of 1.8% of outstanding loans at end-September 2023. Inflationary pressures and subdued economic outlook will likely result in some deterioration in asset quality.

Capital is strong in Moody's view. ABN AMRO's tangible common equity (TCE) to risk-weighted assets ratio was 16.1% and its TCE to total assets ratio was 5.4% at end-June 2023. The bank has not announced any further share buyback since its second buyback programme in April 2023. The bank would consider such an operation provided that its common equity tier 1 (CET1) ratio under Basel IV rules would remain above 15%, compared to its long-term target ratio of 13%. ABN AMRO will update its financial targets in early 2024. Moody's assessment of capital therefore takes into consideration the risk of some decline.

Profitability materially recovered over the past year thanks to the rise in interest rates and the slower repricing of customer deposits compared to market rates. During the first nine months of 2023, net interest income, which represents more than 70% of the bank's revenue base, rose by 24% year-on-year. While Moody's expects higher interest rates to remain positive for the bank's profitability, the potential for further growth in net interest income will likely be limited as the repricing of customers deposits continues and lending momentum in the Netherlands stays dull. Despite some delay in completing the targeted reduction in operating expenses, the overall cost base is contained. Moody's also believes that the de-risking measures implemented since 2020, including the unwinding of the non-core portfolio in corporate banking, will contribute to a more stable profitability going forward. Although operating profit should remain solid over the coming quarters, the bank's profitability could be negatively affected by an increase in the cost of risk from the current very low levels.

Funding structure is sound. ABN AMRO benefits from a large deposit base stemming from its strong franchise in retail, private and corporate banking and Moody's considers it as broadly stable. Its loan-to-deposit ratio was 99% at end-June 2023. Risks stemming from its reliance on wholesale funding, which, excluding securities financing operations, represented 21% of its total liabilities at end-June 2023, are mitigated by the term structure of the outstanding debt and adequate liquidity buffer.

The affirmation of the BCA also takes account of Moody's assessment of improved governance as part of its evaluation of environmental, social and governance factors. This assessment is underpinned by the bank management's decision taken in 2020 to scale down the risks taken by the corporate banking business. Overall ESG factors have a neutral impact on the bank's ratings.

UPGRADE OF SENIOR UNSECURED AND LONG-TERM ISSUER RATINGS AND AFFIRMATION OF THE OTHER RATINGS

The upgrade of the senior unsecured and long-term issuer ratings results from the increase in both the instrument and subordinated instruments volumes following several issuances of senior unsecured and junior senior debt in H1 2023. The rating uplift under Moody's Advanced Loss Given Failure (LGF) analysis consequently moved to three notches from two notches previously, reflecting an extremely low loss-given-failure for the senior unsecured creditors. The senior unsecured and issuer ratings of Aa3 therefore reflect the Adjusted BCA of baa1, three notches of LGF uplift and one notch of government support uplift, reflecting a moderate support assumption from the Government of the Netherlands due to the bank's systemic importance in the country.

Moody's affirmation of the long-term deposit rating of Aa3 reflects the Adjusted BCA of baa1, three notches of LGF uplift and one notch of government support.

The LGF analysis indicates a moderate loss-given-failure for the junior senior unsecured debt, which results in no rating uplift from the Adjusted BCA.

For the junior securities, the LGF analysis indicates a high loss-given-failure. This leads to ratings positioned one notch below the Adjusted BCA. For the non-cumulative preferred stocks, Moody's also incorporates an additional downward adjustment of two notches to reflect coupon suspension risk ahead of failure.

OUTLOOK

The stable outlook on the long-term deposit and senior unsecured ratings reflects Moody's view that the bank's solvency will remain resilient despite the worsening macroeconomic outlook as its profit generation and capital are large enough to absorb a possible deterioration in asset performance in the coming quarters. The outlook also reflects the expectation of a stable proportion of subordinated instrument volumes.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

The BCA could be upgraded in the case of a substantial improvement in its asset quality through reduced tail risk or a significant strengthening of its capitalisation target. An upgrade of the BCA would likely lead to an upgrade of all the ratings.

The BCA could be downgraded as a result of a significant deterioration in the bank's asset quality, a decline in profitability or increased volatility in earnings, or a lowering in its liquidity or capitalization buffer. A downward movement in the BCA would likely result in a downgrade of all the ratings.

The 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.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at https://ratings.moodys.com/rmc-documents/71997. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are a mix of solicited and unsolicited credit ratings. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL482798 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

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• Lead Analyst

• Releasing Office

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1355824.

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