FitchRatings

Banks
Universal Commercial Banks
Netherlands

ABN AMRO Bank N.V.

Key Rating Drivers

Business and Risk Profiles Drive Ratings: ABN AMRO Bank N.V.'s ratings reflect its strong and fairly diversified universal banking business model, complemented by a solid European private banking foothold, and its moderate risk appetite. The bank's capitalisation, funding and liquidity are rating strengths. The ratings also consider ABN AMRO's satisfactory strategic execution, resilient and improved asset quality, as well as its adequate earnings.

Moderate Risk Appetite, Sound Risk Controls: ABN AMRO's underwriting standards are prudent, with a strategic focus on low-risk domestic mortgage loans and well executed strategic exit from riskier and cyclical sectors. Risk controls are robust, with granular limits and sophisticated, effective tools including advanced and rating-based models, stress testing and scenario analyses. The bank's appetite for traded market risk is low. Its risk indicators comprise prudent limits for key risks (capital, credit risk, market risk, liquidity).

Resilient Asset Quality: Moderate risk appetite supports the bank's stable asset quality, benefitting from a high share of mortgage loans, a focus on sectors with moderate risk profiles in northwest Europe, diversified Dutch SME lending, prudent corporate loan origination and low residual exposure to non-core cyclical sectors. Fitch Ratings expects the Stage 3 loan ratio to remain below 3% in the short term. Material management overlays are available to absorb credit losses, which we expect to rise moderately from a low base in 2023 as economic growth remains weak.

Moderate Earnings: ABN AMRO's profit metrics remained moderate in 2022 but improved in 2H22, as rising interest rates begun to feed through its net interest income, thus increasingly mitigating the pressure of muted economic growth on demand for loans and the cost inflation from its restructuring and anti-money laundering (AML) remediation programmes.

We expect the operating profit/risk-weighted assets (RWAs) ratio to remain at the low end of the typical range for a 'a' category rating in 2023, still materially below the bank's solid pre-pandemic average of more than 2.5%.

Cost Pressure Despite Good Progress: Earnings should continue to benefit from a sizeable contribution from low-risk retail banking, healthy diversification through fee income and wind-down of non-core assets, which should mitigate future credit losses. The bank's good progress in cutting costs in 2022 by reducing staff working on AML and IT should continue in 2023. However, high cost inflation is likely to make further cost reductions (and consequently management's EUR4.7 billion costs target by 2024) more challenging.

Sound Capitalisation: ABN AMRO's end-2022 common equity Tier 1 (CET1) ratio of 15.2% (about 16% pro-forma under Basel IV, under which the bank manages its capital) represented a large buffer of 550bp over the regulatory minimum. In the longer term, we expect the ratio to converge toward management's guidance of about 13% under Basel III end-game rules. However, we expect the ratio will stay close to 15% in 2023, and that, as long as the environment remains uncertain, the bank will maintain a material buffer over its medium-term guidance.

Stable and Diversified Funding, Sound Liquidity: ABN AMRO's funding and liquidity profile benefits from its strong domestic deposit franchise, good access to wholesale markets and ample liquidity that comfortably covers short-term wholesale maturities.

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1
Derivative Counterparty Rating	A+(dcr)
Viability Rating	a
Government Support Rating	ns
Sovereign Risk	
Long-Term Foreign- and Local-Currency IDRs	AAA
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign- and Local-Currency IDRs	Stable

Applicable Criteria

Bank Rating Criteria (September 2022)

Related Research

Global Economic Outlook (March 2023)

Major Belgian and Dutch Banks - Peer Review 2023 (February 2023)

Fitch Affirms Netherlands at 'AAA'; Outlook Stable (February 2023)

Fitch Affirms ABN AMRO at 'A'; Outlook Stable (November 2022)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

We could downgrade the ratings should there be a combined and lasting deterioration in ABN AMRO's impaired loans ratio to above 4%, operating profit/RWAs below 1.5% and CET1 capital ratio below 14%. Although unlikely, in our view, negative rating pressure could arise if ABN AMRO experiences outsized losses as part of the completion of the wind-down of its non-core corporate banking activities or from its core operations, as this would suggest some weaknesses in its risk controls and governance.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Positive rating action would require further diversification of the bank's business model and growing market shares in ABN AMRO's core segments, provided this was executed with a conservative risk appetite and resulted in structurally stronger earnings capacity. An upgrade is unlikely in the short term in light of the adverse and uncertain economic environment and moderate earnings. In the longer term, a structurally improved impaired loans ratio durably below 2% and operating profits/RWAs close to 3% on a sustained basis, coupled with a CET1 ratio of around 15%, could exert upward pressure on the ratings.

Other Debt and Issuer Ratings

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

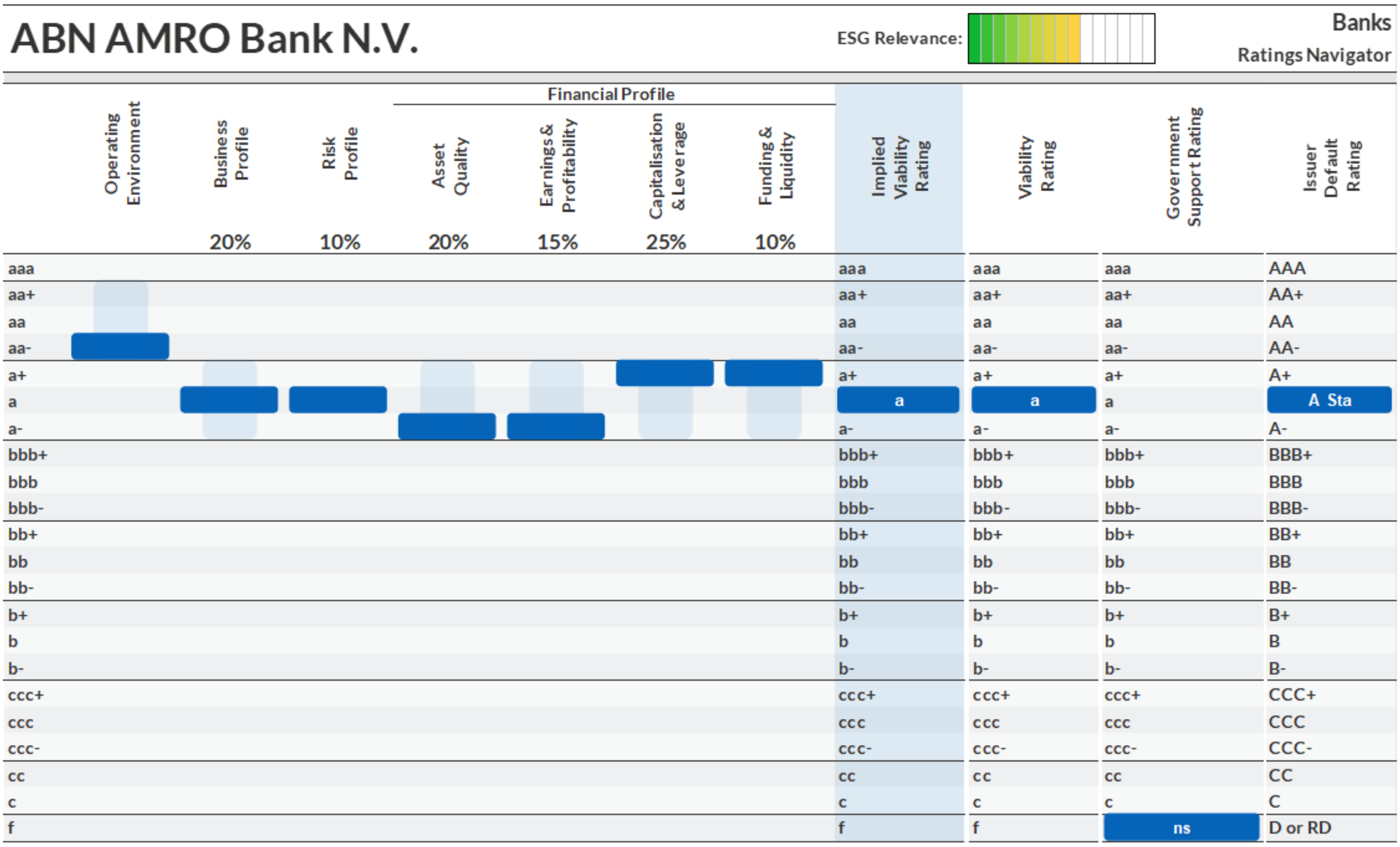
Source: Fitch Ratings

The long-term senior preferred (SP) debt and deposit ratings and Derivative Counterparty Rating (DCR) are one notch above the Long-Term IDR, and the long-term senior non-preferred (SNP) debt rating is aligned with the Long-Term IDR. This reflects the protection of preferred creditors by more junior resolution debt buffers in a resolution, as the bank plans to fulfil its minimum requirement for own funds and eligible liabilities (MREL) of 27.1% of RWAs with SNP and junior debt only. The short-term SP debt and deposit ratings are the lower of the two options mapping to the long-term rating of 'A+' and reflect the funding and liquidity score of 'a+'.

The Tier 2 debt rating is notched twice from the Viability Rating (VR) to reflect the higher loss severity of this debt class. The additional Tier 1 (AT1) debt rating is notched four times from the VR, twice for loss severity and twice for non-performance risk due to fully discretionary coupon omission. The AT1 rating also reflects our expectation that the bank will maintain a CET1 capital ratio comfortably above its maximum distributable amount thresholds.

The rating of the US commercial paper programme issued by ABN AMRO Funding LLC, a US-based funding vehicle fully owned by ABN AMRO, is aligned with ABN AMRO's short-term preferred rating to reflect the fact that the commercial paper is guaranteed by ABN AMRO and that the guarantee is unconditional, irrevocable and timely. The rating is sensitive to changes in ABN AMRO's short-term preferred debt rating.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

Company Summary and Key Qualitative Factors

Operating Environment

About 85% of ABN AMRO's credit exposure and its revenue are domestic, and we assess the operating environment in line with domestic Dutch peers. The remainder is predominantly in advanced, stable, wealthy and diversified economies in northwest Europe (mainly Germany, France, Belgium, UK), as well as in the US.

Fitch expects Dutch GDP growth to weaken significantly to 1.1% in 2023 and 1.4% in 2024, following strong growth of 4.6% in 2022. The economic slowdown, driven by high inflation and rising interest rates, may reduce business and consumer confidence and erode households' real incomes. This would result in moderate pressure on banks' asset quality, mainly stemming from the most vulnerable SME and corporate borrowers. The tight domestic labour market, high household savings accumulated during the pandemic, and ample fiscal room should mitigate the weaker economic backdrop, which is unlikely to impair the bank's ability to generate sound business volumes in the near term.

Business Profile

Strong Domestic Universal Banking Franchise; Third-Largest Dutch Bank by Assets

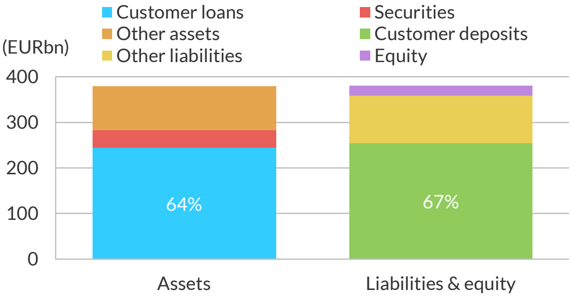
The bank has a well-established market position in the Netherlands, with a broad offering for retail and business clients, complemented by a solid European private banking foothold. Net interest income (NII) accounted for about 75% of revenue on average over the past few years (2022: 70%). Its stable retail banking business comprises mainly low-risk mortgage loans, which accounted for about 60% of total loans at end-2022. The bank is the second-largest domestic mortgage lender. It is the leader in the domestic onshore private banking market and has top-three and top-five positions in Germany and in France, respectively. In 2020, it exited all non-European corporate banking activities (except clearing) to focus on its Dutch and northwest European franchises, which offer sufficient scale. The bank's revenue diversification also benefits from its position as a top-three global provider of international clearing.

The Dutch state ultimately owns 56% of ABN AMRO, but it is not involved in the bank's day-to-day management, behaves as a passive financial investor, and has recently announced the reduction of its stake to below 50%.

Successful Wind-Down of Non-Core Assets, but Profitability Still Below Long-Term Target Objectives

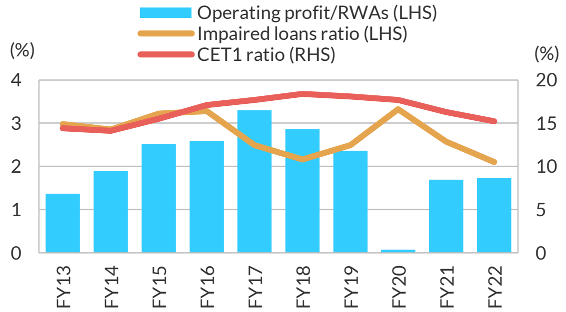
ABN AMRO focuses on businesses with robust growth potential (Dutch SMEs, affluent clients and mortgage loans) or where it considers to have a competitive edge (notably private banking and clearing). Despite the economic slowdown, its 8% return on equity (ROE) target for 2024 appears achievable, and so does its long-term ROE ambition of 10%, once economic conditions improve and rising interest rates fully feed through the operating income.

Balance Sheet
End-2022



Source: Fitch Ratings, ABN Amro

Performance Through the Cycle



Source: Fitch Ratings, ABN Amro

Risk Profile

Moderate Risk Appetite, Prudent Underwriting Standards, Sound Risk Controls

ABN AMRO's risk profile benefits from its focus on low-risk domestic mortgage loans and almost completed exit from riskier and cyclical sectors such as energy, shipping, trade and commodity finance. Lending is predominantly secured, with prudent concentration limits. Surplus liquidity is invested in highly rated debt securities.

High loan/value (LTV) ratios at origination (capped at 100% since 2018) and a high share of interest-only loans are typical features of Dutch mortgage lending, which is driven by tax incentives for borrowers. At end-2022, the average LTV equalled 54%. The share of amortising loans in the mortgage loan book has continuously increased in recent years to 44% at end-2022 (end-2021: 41%; end-2012: 3%). The vast majority of interest-only loans have LTV ratios below 50%. ABN AMRO's mortgage lending mainly pertains to prime, owner-occupied properties, with a very limited buy-to-let segment that is structurally constrained by the small and rigid Dutch rental market. Similar to peers, the bank's underwriting standards test borrowers' resilience to interest rate rises and apply affordability metrics. This, and the fact that Dutch households generally have long-term fixed-term energy contracts, should accommodate, to a significant extent, the recent energy price increase.

Material and Volatile Exposure to the Clearing Business but Mitigating Measures Implemented

ABN AMRO's exposure to clearing clients such as proprietary traders is material, but it is well-collateralised. In addition, the bank does not assume direct market risk, and credit risk is mitigated by strict collateral requirements. When the clearing business suffered a large credit loss when a client defaulted amid extreme market dislocation at the start of the pandemic, the bank reacted swiftly and effectively, in Fitch's view, by trimming its exposure, and tightening its risk controls and appetite. The bank has also tightened its stress analyses for clearing exposures, notably to reflect the current high volatility of commodity and energy prices.

Modest Market Risk

ABN AMRO's main market risk is interest rate risk in the banking book. The bank applies a combination of portfolio and single transaction hedges to keep the interest rate sensitivity within its overall moderate risk appetite. The maximum acceptable NII loss in case of a potential 200bp rate cut was EUR474 million at end-2022 (which is less than 10% of forecasted NII in 2023). The impact of a 200bp parallel shift of the yield curve on the economic value of equity was EUR1.2 billion (about 6% of CET1 capital at end-2022).

Financial Profile

Asset Quality

Resilient Asset Quality

The bank's stable asset quality benefits from a high share of Dutch mortgage loans, diversified Dutch SME lending, a focus on industries with moderate risk profiles across northwest Europe, and generally prudent origination in corporate lending and low residual exposure to non-core cyclical sectors. About 15% of total lending is to Dutch SMEs, which are well-diversified and have been largely resilient to the pandemic due to generous government support measures. The corporate loan book also accounts for about 15% of total loans and is dominated by short-term exposures to the clearing and markets business, followed by manufacturing, while the remaining industries are well-diversified.

In light of the uncertain economic outlook, the bank retained management overlays of EUR330 million at end-2022 to absorb potential loan-impairment charges (LICs), which we expect to increase notably in 2023 after negligible losses incurred in 2022.

The economic slowdown will bring about new defaults, but we do not expect the Stage 3 ratio to exceed 3% in 2023. The forborne exposure improved to EUR6.9 billion (2.7% forbearance ratio) at end-2022, mostly due to the end of the cure period for cautionary loan repayment holidays and similar measures applied during the pandemic. These exposures have not incurred material asset quality problems since the application of the forbearance.

Sound Core Loan Portfolio

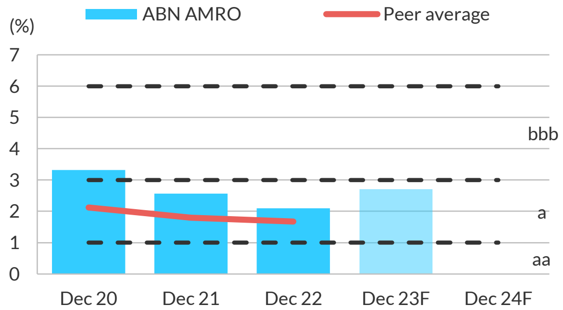
In line with our expectations, the bank has almost completed the wind-down of its non-core exposure (mainly to cyclical sectors), which represented only 60bp of loans at end-2022. The residual credit risk is low due to prudent coverage by loan loss allowances.

The good quality of ABN AMRO's loan book is primarily underpinned by its low-risk residential mortgage loans, of which only 0.8% were in Stage 3 at end-2022 (an all-time low). We expect mortgage loans, of which about 20% are covered by the Nationale Hypotheek Garantie (NHG), to remain healthy in 2023, due to limited pressure on unemployment and a moderate share of lending at risk of negative equity. The latter reflects healthy LTV distribution and our expectation of only moderate nominal property price correction of 4% to 6%.

Low incurred credit losses, coupled with high recoveries from non-performing mortgage loans and the limited housing stock available in the densely populated Netherlands, explain the low coverage ratio of ABN AMRO's Stage 3 mortgage loans (end-2022: 7%). The majority of mortgage loans has long durations and fixed rates (most loans extended in recent years carry fixed rates for at least ten years). Older mortgages often carry higher rates and are thus less vulnerable to the current rate environment.

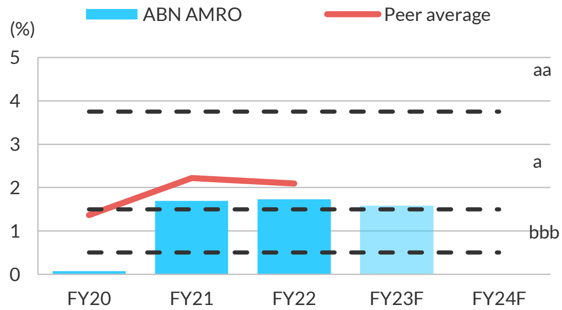
The commercial real estate (CRE) and unsecured retail loan books are small (about 5% of total loans) and reasonably sound, with Stage 3 ratios of close to zero and about 4%, respectively. We expect some deterioration in unsecured lending, while CRE portfolio should be largely resilient to the economic slowdown, benefitting from prudent LTVs. Only 5% of loans had LTVs above 70%. CRE loans are concentrated in residential real estate (44% share) and overall ABN AMRO focuses on prime areas and major cities. Property development represented only 11% of this loan book. CRE borrowers' refinancing risk remains moderate despite pressure from inflation and rising interest rates, thanks to generally well-spread refinancing maturities and widespread use of contracts that pass on inflation from the property owners to their tenants.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, ABN AMRO

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, ABN AMRO

Earnings and Profitability

Good Earnings Quality, but Earnings Pressure Likely to Continue

ABN AMRO's earnings quality benefits from the high revenue contribution of low-risk retail banking, diversification from fee income and the almost completed wind-down of non-core assets, which should mitigate any increase in credit losses. Earnings improved through 2022 but remained moderate, as rising interest rates have yet to fully feed through the bank's NII, corporate loan demand remained muted, and its restructuring and AML remediation programmes weighed on costs. We expect the economic slowdown to cause the operating profit/RWA ratio to bottom out in 2023.

We view as realistic the bank's guidance of a LICs/total loans ratio of about averaging 20bp through the cycle, in line with the 2016–2021 average (which includes the 78bp incurred in 2020 at the height of the pandemic). Robust recoveries from impaired loans should continue to feed material releases of loan loss allowances.

Rising Interest Rates to Increasingly Offset Muted Loan Growth

We expect the bank's mortgage book to grow at a slower pace over the next quarters, while the net interest margin on mortgage loans remains under pressure as older, higher-margin vintages continue to mature. Growth prospects in retail and corporate lending for 2023 are muted due to high uncertainty amid rising rates and affordability concerns, while the more vulnerable households and SMEs are still recovering from the pandemic shock.

NII will increasingly benefit from rising interest rate, although with a time lag. The bank has reacted quickly to the ECB's successive interest rate hikes from mid-2022 by removing a significant share of its deposit base from negative-rate territory. The resulting initial negative revenue shock was reversed in 2H22 as deposit margins improved and new mortgage lending is predominantly fixed-rate, with the bank NII eventually rising by 4% in 2022. The pace of ABN AMRO's NII increase over the next quarters will depend on the pace of Dutch peers' pass-through of interest rate increases to their deposit bases, which we expect to be measured.

Net Fee Income Recovered Above Pre-Pandemic Level

Net fee income increased by 7% in 2022, driven by higher payment services (benefitting from volumes and price hikes), credit card usage and good contribution from clearing business. The bank expects 5%–7% CAGR in fee income growth by 2024, which is ambitious, but realistic given overall small pressure on portfolio management and positive effects from trust fees and payment services, stemming from inflation.

Cost Saving Potential Available to Counter Inflationary Pressure

Cost efficiency remains ABN AMRO's weakness. At end-2022, the bank had completed EUR340 million out of its EUR600 million cost-reduction plan to be executed by 2024. We expect further progress in 2023 despite the prevailing cost inflation. We expect rising interest rates and the run-down of non-core assets to push the cost/income ratio below 70% in 2023. Rising rates, low AML-remediation costs, increased digitalisation, automation and process optimisation will support the bank's goal to cut non-interest costs to EUR4.7 billion by 2024 (2022: EUR5.3 billion). However, the inflationary environment and a wage agreement concluded in 3Q22 make this goal more challenging, in our view. The bank's lean network of only 47 branches offers little cost-saving potential.

Capital and Leverage

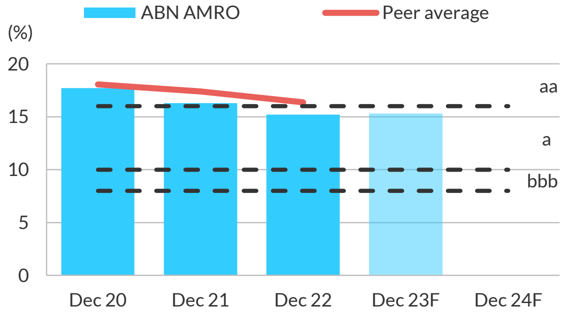
Capital Ratios Commensurate with Risk Profile and Resilient Asset Quality

ABN AMRO's end-2022 CET1 capital ratio of 15.2% was below its pro-forma ratio under Basel IV of about 16%. The reflects the planned removal of the mortgage overlay and other model-related add-ons currently binding under Basel III. The completion of EUR500 million share buyback programme in early April 2023 was neutral for the bank's capitalisation as this impact was already taken into consideration at end-2022.

We expect the bank's CET1 ratio to converge toward the bank's guidance of about 13% (under Basel IV) in the longer term. However, we expect the CET1 ratio to remain closer to 15% in 2023 amid the uncertain economic environment. This is in line with the 50% dividend payout guidance and pro-forma Basel IV CET1 ratio of at least 15% before considering further share buybacks.

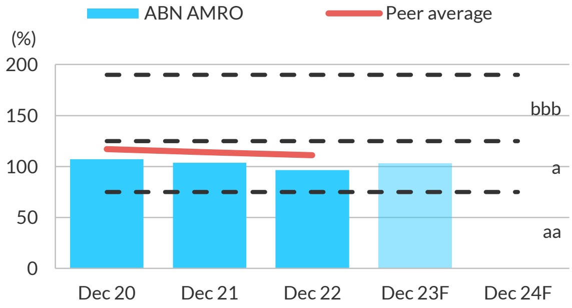
The bank is well positioned to comply with higher capital requirements, including the 150bp impact by 2024 from the activation of a regulatory countercyclical buffer on Dutch exposures.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, ABN AMRO

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, ABN AMRO

Funding and Liquidity

Strong Domestic Deposit Franchise and Good Access to Wholesale Markets

ABN AMRO's funding and liquidity profile benefits from its strong deposit franchise in the Netherlands, where it services about 20% of the population, good market access and ample liquidity that comfortably covers short-term wholesale maturities. Client deposits account for two thirds of total funding on average, are well diversified and mainly pertain to stable relationships. About half of the bank's debt funding of about EUR50 billion (excluding central bank facilities) at end-2022 consists of covered bonds. Debt is well spread by maturity and currency, with 6.8 years of average residual maturity. After EUR7.9 billion issued in 2022, which included a majority of SNP debt to replenish the bank's resolution buffer, 2023 issuance is likely to be at the higher end of the EUR10 billion–15 billion range and focus on SP debt.

Conservative Liquidity Buffer

With a 12-month rolling average liquidity coverage ratio (LCR) of 144% and a NSFR of 133%, the bank's regulatory liquidity ratios at end-2022 remained robust despite the repayment of 60% of its EUR35 billion target long-term refinancing operations (TLTRO) in 4Q22 following the ECB's decision to change the facility's terms. The bank's LCR-eligible liquidity buffer of EUR104 billion at end-2022 consisted predominantly of cash, central bank deposits and highly-rated government bonds, and covered 6.8x the volume of wholesale funding maturing in 2023.

Notes on Charts

The forecasts in the charts above reflect Fitch's forward view on the bank's core metrics per Fitch's Bank Rating Criteria. They reflect a combination of Fitch's economic forecasts, sector outlook and bank-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market. To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, Fitch considers such information as part of the rating process.

The peer averages include Cooperatieve Rabobank U.A. (VR: a+), ING Bank N.V. (a+), de Volksbank N.V. (a-), Danske Bank A/S (a), Nordea Bank Abp (aa-), Lloyds Banking Group plc (a), Credit Agricole (a+), Genossenschaftliche FinanzGruppe (aa-).

Financials

Financial Statements

	31 Dec 22		31 Dec 21	31 Dec 20	31 Dec 19
	Year end	Year end	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	5,783	5,422	5,210	5,863	6,468
Net fees and commissions	1,896	1,778	1,663	1,558	1,632
Other operating income	526	493	396	219	402
Total operating income	8,205	7,693	7,269	7,640	8,502
Operating costs	5,786	5,425	5,324	5,256	5,257
Pre-impairment operating profit	2,419	2,268	1,945	2,384	3,245
Loan and other impairment charges	42	39	-46	2,303	657
Operating profit	2,377	2,229	1,991	81	2,588
Other non-operating items (net)	157	147	-153	275	92
Tax	543	509	604	401	634
Net income	1,991	1,867	1,234	-45	2,046
Other comprehensive income	411	385	506	-314	-513
Fitch comprehensive income	2,402	2,252	1,740	-359	1,533
Summary balance sheet					
Assets					
Gross loans	262,334	245,954	260,667	255,625	270,528
- Of which impaired	5,520	5,175	6,701	8,474	6,740
Loan loss allowances	2,161	2,026	2,416	3,467	2,426
Net loans	260,173	243,928	258,251	252,158	268,102
Interbank	2,967	2,782	2,602	3,174	4,718
Derivatives	5,559	5,212	3,785	6,381	5,730
Other securities and earning assets	64,473	60,447	61,022	66,088	61,958
Total earning assets	333,172	312,369	325,660	327,801	340,508
Cash and due from banks	65,132	61,065	67,064	60,410	27,354
Other assets	6,556	6,147	6,389	7,412	7,192
Total assets	404,860	379,581	399,113	395,623	375,054
Liabilities					
Customer deposits	271,999	255,015	251,218	238,570	234,991
Interbank and other short-term funding	44,673	41,884	56,747	57,365	35,685
Other long-term funding	52,078	48,826	58,059	65,735	70,650
Trading liabilities and derivatives	5,108	4,789	5,031	7,954	7,180
Total funding and derivatives	373,858	350,514	371,055	369,624	348,506
Other liabilities	6,669	6,253	6,059	5,010	5,077
Preference shares and hybrid capital	2,117	1,985	1,987	1,987	1,987
Total equity	22,216	20,829	20,012	19,002	19,484
Total liabilities and equity	404,860	379,581	399,113	395,623	375,054
Exchange rate		USD1 = EUR0.93756	USD1 = EUR0.884173	USD1 = EUR0.821963	USD1 = EUR0.89015

Source: Fitch Ratings, Fitch Solutions, ABN AMRO Bank N.V.

Key Ratios

	31 Dec 22	31 Dec 21	31 Dec 20	31 Dec 19
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.9	1.7	0.1	2.4
Net interest income/average earning assets	1.6	1.6	1.7	1.9
Non-interest expense/gross revenue	71.5	73.5	69.1	62.1
Net income/average equity	9.1	6.3	-0.2	10.6
Asset quality				
Impaired loans ratio	2.1	2.6	3.3	2.5
Growth in gross loans	-5.6	2.0	-5.5	-1.0
Loan loss allowances/impaired loans	39.2	36.1	40.9	36.0
Loan impairment charges/average gross loans	0.0	0.0	0.8	0.2
Capitalisation				
Common equity Tier 1 ratio	15.2	16.3	17.7	18.1
Tangible common equity/tangible assets	5.1	4.4	4.3	4.8
Basel leverage ratio	5.2	5.0	5.0	5.2
Net impaired loans/common equity Tier 1	16.1	22.3	25.6	21.7
Funding and liquidity				
Gross loans/customer deposits	96.5	103.8	107.2	115.1
Liquidity coverage ratio	144.0	168.0	149.0	n.a.
Customer deposits/total non-equity funding	73.2	68.1	65.5	68.3
Net stable funding ratio	133.0	138.0	n.a.	n.a.

Source: Fitch Ratings, Fitch Solutions, ABN AMRO Bank N.V.

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	A+ to A-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AAA/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Negative
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.

Higher influence Moderate influence Lower influence

No Government Support Into Ratings

ABN AMRO's Government Support Rating (GSR) of 'no support' reflects Fitch's view that senior creditors cannot rely on receiving full extraordinary support from the sovereign if the bank becomes non-viable. The EU's bank resolution regime requires senior creditors participating in losses, if necessary, instead of, or ahead of, a bank receiving sovereign support and this is despite the Dutch government still remaining a majority shareholder in ABN AMRO.

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.

			Overall ESG Scale
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	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
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; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
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	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
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	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

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.

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.

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

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.