Moody's
INVESTORS SERVICE

CREDIT OPINION
21 December 2018

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.

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ABN AMRO Bank N.V.

Update to credit analysis

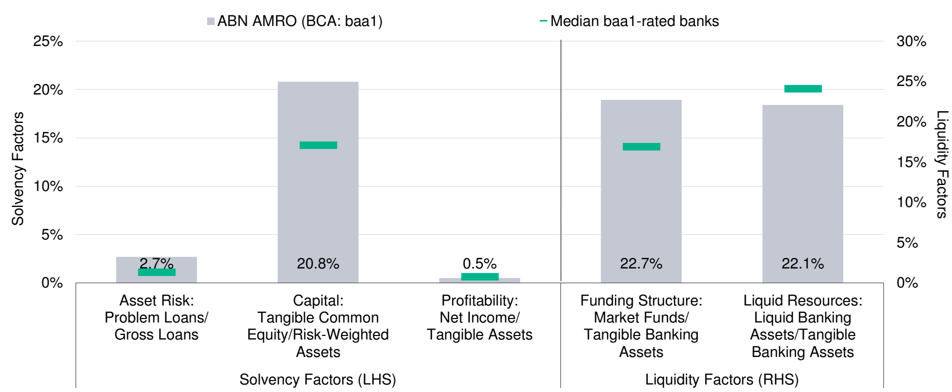
Summary

The baa1 baseline credit assessment (BCA) of ABN AMRO Bank N.V. (ABN AMRO) reflects the bank's overall good financial fundamentals including sound profitability and asset quality, solid capitalization and a robust liquidity position. The BCA further captures the bank's strong footprint in the Dutch market, its balanced business mix between retail and commercial banking, and its private banking activity undertaken across Europe.

The A1/Prime-1 deposit and senior unsecured ratings reflect (1) the bank's standalone credit strength; (2) the application of our Advanced Loss Given Failure (LGF) analysis, resulting in a two-notch uplift — for both senior debt and deposits — from the Adjusted BCA of baa1, given the significant volumes of senior debt and junior deposits, resulting in very low loss given failure for these instruments; and (3) government support uplift of one notch, reflecting a moderate probability of government support in view of the bank's systemic importance.

The counterparty risk assessment (CRA) of Aa3(cr)/Prime-1(cr) assigned to ABN AMRO is four notches above the BCA, reflecting the substantial volume of bail-in-able liabilities protecting operating obligations, as well as a moderate probability of government support.

Exhibit 1
Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

Credit strengths

» Strong positions in the domestic market and a selection of other countries.

» Moderate risk profile owing to focus on the retail and commercial banking businesses

» High capitalisation on a risk-weighted basis

» Sound profitability, commensurate with the bank's moderate risk profile

Credit challenges

» Potential pressure on earnings stemming from the low interest rate environment, despite resilient interest income so far

» Relatively high nominal leverage

Rating outlook

Given the generally benign operating environment in the Netherlands and the bank's strong solvency and liquidity, we believe that ABN AMRO's creditworthiness will remain steady over the medium term. We assign a stable outlook to both the long-term deposit and senior unsecured ratings, which also assumes that the bank's liability structure and probability of government support will remain broadly unchanged.

Factors that could lead to an upgrade

An upgrade of ABN AMRO's long-term ratings could occur if (1) the bank's leverage ratio materially improves; or (2) the amount of subordinated debt and hybrid capital increases significantly, adding subordination to the bank's senior creditors and hence reducing their loss given failure.

Factors that could lead to a downgrade

The bank's BCA could be downgraded as a result of (1) a significant deterioration in the bank's asset quality and profitability; or (2) a negative development in its liquidity or if our assessment of the bank's capital adequacy relative to its risks deteriorates. A downgrade of the BCA would likely result in downgrades of all 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, for example, these instruments account for a significantly smaller share of the bank's overall liability structure, or benefit from lower subordination than is the case now.

Key indicators

Exhibit 2

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

	6-18[2]	12-17[2]	12-16[2]	12-15[2]	12-14[2]	CAGR/Avg.[3]
Total Assets (EUR million)	395,365	393,171	394,482	407,373	386,867	0.6[4]
Total Assets (USD million)	461,611	472,119	416,081	442,527	468,130	-0.4[4]
Tangible Common Equity (EUR million)	21,685	21,469	18,918	17,799	15,433	10.2[4]
Tangible Common Equity (USD million)	25,318	25,780	19,954	19,335	18,674	9.1[4]
Problem Loans / Gross Loans (%)	2.4	2.4	3.1	3.1	2.7	2.7[5]
Tangible Common Equity / Risk Weighted Assets (%)	20.8	20.2	18.2	16.5	14.1	17.9[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	28.3	28.9	39.5	40.8	37.6	35.0[5]
Net Interest Margin (%)	1.7	1.6	1.5	1.5	1.6	1.6[5]
PPI / Average RWA (%)	3.7	3.0	2.3	2.9	2.6	2.9[6]
Net Income / Tangible Assets (%)	0.6	0.6	0.4	0.5	0.3	0.5[5]
Cost / Income Ratio (%)	57.4	64.2	69.6	62.0	62.6	63.2[5]
Market Funds / Tangible Banking Assets (%)	22.5	22.7	25.2	25.8	30.4	25.3[5]
Liquid Banking Assets / Tangible Banking Assets (%)	22.0	22.1	22.3	22.4	20.0	21.8[5]
Gross Loans / Due to Customers (%)	116.1	117.0	119.5	114.9	123.5	118.2[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully-loaded or transitional phase-in; IFRS. [3] May include rounding differences due to scale of reported amounts. [4] Compound Annual Growth Rate (%) based on time period presented for the latest accounting regime. [5] Simple average of periods presented for the latest accounting regime. [6] Simple average of Basel III periods presented.

Source: Moody's Financial Metrics

Profile

ABN AMRO 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

A strong position in the domestic market and in selected countries

ABN AMRO has a strong franchise in the highly concentrated Dutch market, where it is the second-largest bank in retail banking, having a 20%-25% market share in key products, including mortgages, savings and consumer lending. Mortgage origination was under pressure lately, with a market share falling to 16.2% in Q3 2018 versus 19.2% in Q3 2017. Outside the Netherlands, the bank's franchise is more selective, although it benefits from good brand recognition in selected countries and for certain activities, such as private banking in France and Germany. 78% of the bank's operating income was derived from domestic operations over full year 2017.

In private banking, ABN AMRO is ranked as the leader in its home market and has significant activities across Europe. As of the end of September 2018, private banking client assets totaled €196 billion.

The bank has also maintained a strong position in commercial banking where its domestic market share ranges from 25% to 30%. In international activities run through its corporate and institutional banking segment, ABN AMRO is an important bank in some global specialist markets such as “Global Transportation and Logistics (GTL)”, “Natural Resources”, and “Trade and Commodity Finance (TCF)” (formerly Energy, Commodities and Transportation -ECT- sectors), asset-based finance and clearing.

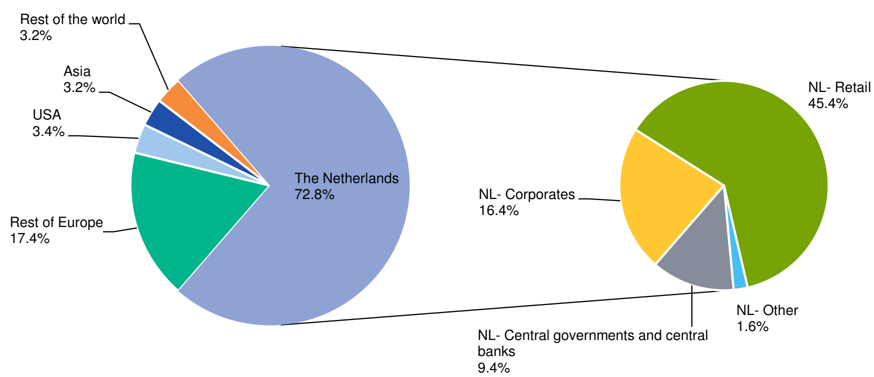
Moderate risk profile owing to focus on the retail and commercial banking business

As reflected in the assigned Asset Risk score of a3, we consider ABN AMRO's asset quality as good overall, reflecting its operations that are primarily traditional retail and commercial banking in the domestic market. As of the end of June 2018, around 60% of the bank's loan portfolio was comprised of exposure to households (primarily residential mortgages). As we expect the Dutch economy to continue to perform well over the coming months, we believe that ABN AMRO will fully benefit from its focus on the domestic market.

The release of provisions (including incurred but not identified - or IBNI - provisions) receded in 2018 compared to 2016-2017, resulting in higher net cost of risk. The bank's overall cost of risk was 23 basis points (bps) in the first nine months of 2018 versus -2 bps in

9M 2017. The increase in loan loss charges mainly occurred in the commercial and corporate segments, notably in the shipping and offshore sectors (oil and gas), as well as the Diamond and Jewelry sector.

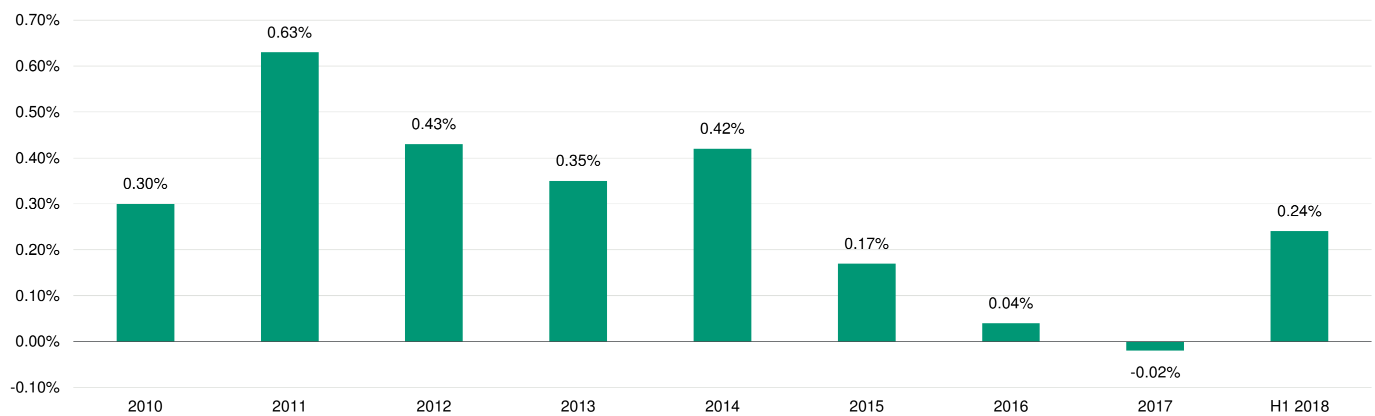
Exhibit 3
Exposures are concentrated in the Dutch economy
Breakdown of exposures at year-end 2017



Source: Company data, Moody's Investors Service

ABN AMRO's former ECT business [1] had an on-balance-sheet exposure of €30 billion as of the end of June 2018 (or around 11% of the bank's total loans and receivables). While this portfolio performed well until the end of 2015, it has generated the largest part of the bank's impairment charges within the corporate loan portfolio since the beginning of 2016 owing to its exposures to the oil and gas sector and the shipping sector. Despite the generally short-dated and collateralized nature of the exposures, performance in this business is less predictable and stable than retail or SME banking. As we believe this type of business could incur relatively high single-borrower exposures, we see it as modestly negative for the bank's risk profile.

Exhibit 4
Loan loss charges are small and derive mainly from the corporate loan portfolio
Loan loss charges / average gross loans (%)



Source: Company reports, Moody's Investors Service

The bank has limited market risk exposure, and related risk-weighted assets (RWAs) accounted for around 2% of total RWA as of the end of June 2018. ABN AMRO focuses on customer-driven activities and discontinued its proprietary trading activities in 2010; however, the bank still undertakes some market-making activities, which are relatively small and driven by its corporate and institutional clients.

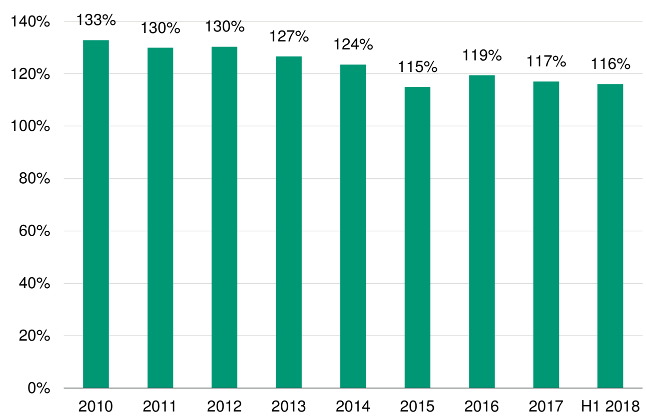
Sound liquidity position

We view ABN AMRO's liquidity position as sound, and we expect it to remain so over the coming quarters. As of the end of June 2018, the bank disclosed a loan-to-deposit ratio of 114%, reflective of the Dutch market which has a structural deficit of customer deposits. This funding position is helped by ABN AMRO's strong position in retail banking in the Netherlands, but also in private banking, which generates relatively limited lending and brings substantial deposits, albeit these deposits could prove less sticky than retail deposits. We believe private banking deposits will remain an important source of funding for ABN AMRO.

Exhibit 5

ABN AMRO's deposit growth allowed a progressive decline of the customer funding gap

Gross loans / Due to customers (%)

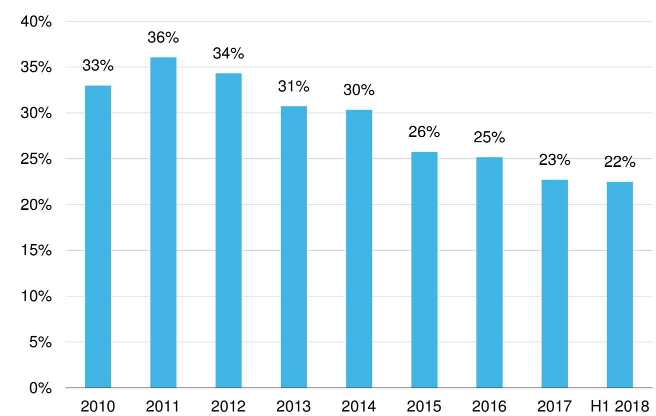


Note: loan-to-deposit ratio under Moody's calculations.
Source: Company reports, Moody's Investors Service

Exhibit 6

Wholesale funding decreased as a result

Market funds / Tangible banking assets (%)



Source: Company reports, Moody's Investors Service

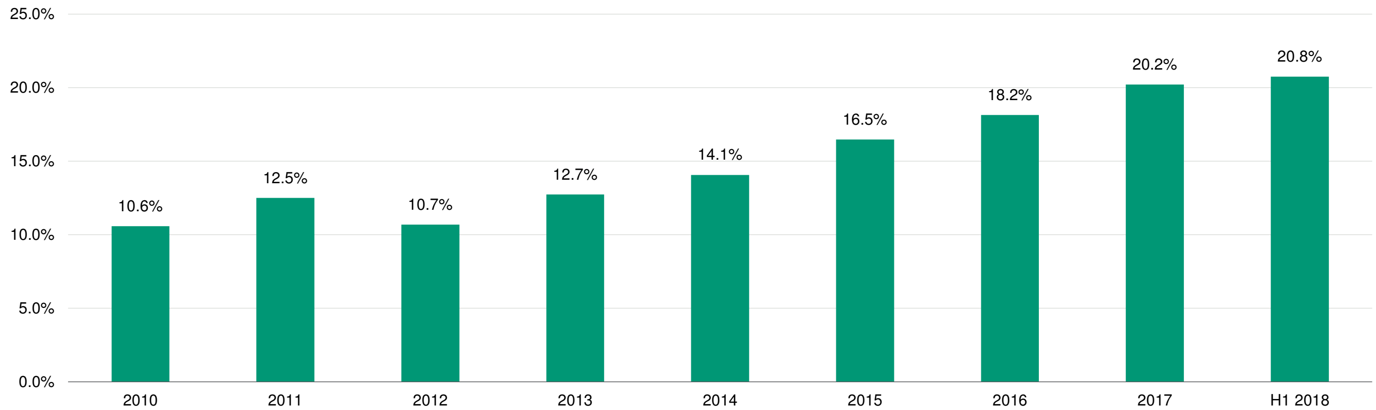
The customer funding gap is funded by wholesale borrowing. Risks stemming from the reliance on confidence-sensitive funding are mitigated by the term structure of the outstanding debt, as well as the constitution of a comfortable liquidity buffer. As of the end of September 2018, the €74.1 billion liquidity buffer represented almost three times all the wholesale debt securities maturing within one year, which we consider as more than adequate to cover the liquidity risk. At the end of September 2018, the bank's Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) were above 100%.

All these factors are reflected in our combined Liquidity Score of baa2.

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

As of the end of September 2018, ABN AMRO reported a fully-loaded Common Equity Tier 1 capital ratio (CET1 ratio) of 18.6%, which we view as very strong compared with its main domestic and European peers. Under the Supervisory Review and Evaluation Process for 2018, the minimum CET1 regulatory requirement is 10.4%[2]. As of 2019, other things being equal, ABN AMRO expects the fully-loaded CET1 requirement to be 11.8%, which factors in the fully-loaded buffers (systemic and conservation). ABN AMRO targets a CET1 ratio between 17.5% and 18.5%, which includes a “Basel IV implementation buffer” of 4-5% on top of the SREP capital requirement, Pillar 2 Guidance and a management buffer, totaling 13.5%.

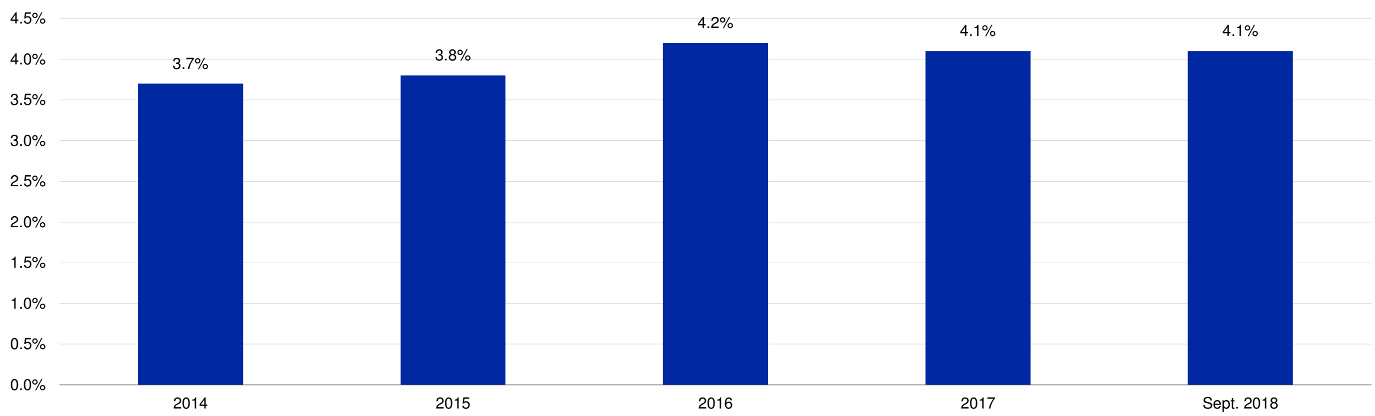
Exhibit 7
ABN AMRO has high levels of regulatory capital on a risk-weighted basis
Tangible common equity / Risk-weighted assets (%)



Source: Company reports, Moody's Investors Service

As of the end of September 2018, the fully-loaded leverage ratio at the level of the bank was 4.1%. The contrast between the strong CET1 ratio and the low leverage ratio reflects the relatively low risk weights of assets, a common feature to all Dutch retail banks, in particular for Dutch mortgages (which, given their excellent track record, have relatively low risk weights of around 10%) in the calculation of risk-weighted assets (RWAs). The estimated overall impact of the application of the so-called "Basel IV" rules given by the bank is a 43% increase in its risk-weighted assets, before mitigation efforts (35% post-mitigation). This is an estimation which assumes a static balance sheet.

Exhibit 8
The bank's leverage is relatively high
Regulatory Tier 1 leverage ratio



Source: Company reports

The assigned Capital score is aa3, two notches below the macro-adjusted score. The bank's regulatory leverage ratio is below 5% and its ratio of tangible common equity (TCE) divided by total assets was 5.5% at end-June 2018, which justified a negative adjustment. The bank expects its regulatory leverage ratio to improve by approximately 0.5 percentage point once the change in the calculation of derivative exposures for off-balance sheet items proposed in the draft Capital Requirement Regulation (CRR) published in November 2016 is implemented.[3] In addition, ABN AMRO is exploring a legal merger between the bank and the group which could improve the leverage ratio by approximately 0.2 percentage point.

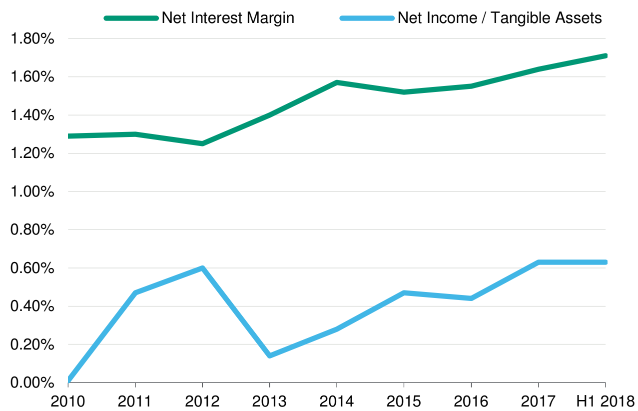
Sound profitability commensurate with the bank's moderate risk profile

Although low interest rates and increasing regulatory burden exert pressure on profits, we believe that ABN AMRO's profitability is sound and commensurate with the bank's moderate risk profile.

ABN AMRO was able to record strong net interest income in the first nine months of 2018, thanks to resilient margins and strong lending volumes. In addition, the bank managed to reduce its personnel expenses by about €100 million during the period and although costs linked to regulation and digital transformation continue to increase, operating expenses decreased by 2% year-on-year. Despite a 6% increase in the bank's operating result, net income decreased by 11% in the first nine months of 2018 due to an increase of loan loss charges to €447 million (23 basis points of gross customer loans) from a reversal of €29 million in 9M 2017.

Exhibit 9

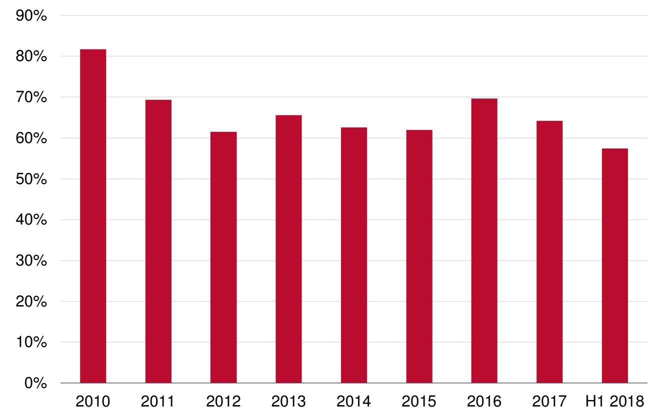
Net interest margins supported net profits until now
Net interest margins (%) and Net income / Tangible assets (%)



Note: adjusted figures in accordance with Moody's calculations and adjustments
Source: Company reports, Moody's Investors Service

Exhibit 10

Efficiency efforts are bearing significant results, but further progress will be harder to achieve
Cost-to-income ratio (%)



Note: Cost-to-income ratios include regulatory levies
Source: Company reports, Moody's Investors Service

Going forward, we expect net interest margins, which have been very supportive until now, to be negatively affected by the low interest rate environment. Funding costs will be relatively rigid as deposit rates cannot decrease much further for individual clients. In addition, further progress on the reduction of overall operating costs will likely be more challenging to achieve. Although the bank is on track on its cost saving plan, with €640 million already realised out of the €1 billion target reduction of operating expenses by 2020, other costs will weigh on profits, including increasing bank levies and external staff recruitment related to regulatory and IT projects. Nonetheless, the bank's cost-to-income ratio was 55.3% in 9M 2018, on track with ambitious targets of cost-to-income ratios of 56-58% in 2020 and below 55% in 2022.

The assigned score of baa3 reflects the level of profitability achieved by the bank over the last three years, which we believe is indicative of the likely level of profitability over the next 12-18 months thanks a benign macroeconomic environment in the Netherlands.

ABN AMRO's financial profile is baa1, in line with the assigned BCA of the bank.

Support and structural considerations

Loss Given Failure analysis

ABN AMRO is subject to the EU Bank Recovery and Resolution Directive, which we consider to be an Operational Resolution Regime. In estimating loss-given-failure, we assume residual tangible common equity 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, 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.

ABN AMRO's deposits are likely to face very low loss given failure, owing to 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, given 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

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

For subordinated and other junior securities, we continue to believe that 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 Rating (CRR)

Moody's CRRs are opinions of the ability of entities to honour the uncollateralized portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. CRR liabilities typically relate to transactions with unrelated parties. Examples of CRR liabilities include the uncollateralized portion of payables arising from derivatives transactions and the uncollateralized portion of liabilities under sale and repurchase agreements. CRRs are not applicable to funding commitments or other obligations associated with covered bonds, letters of credit, guarantees, servicer and trustee obligations, and other similar obligations that arise from a bank performing its essential operating functions.

ABN AMRO's CRR is positioned at Aa3/Prime-1.

The CRR for ABN AMRO, prior to 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 Assessment

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (e.g., swaps), letters of credit, guarantees and liquidity facilities.

ABN AMRO's CR Assessment is positioned at Aa3(cr)/Prime-1(cr).

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

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment 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 11

ABN AMRO Bank N.V.

Macro Factors		
Weighted Macro Profile	**Strong +**	**100%**

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	2.7%	a2	←→	a3	Sector concentration	
Capital						
TCE / RWA	20.8%	aa1	←→	aa3	Nominal leverage	
Profitability						
Net Income / Tangible Assets	0.5%	baa2	←→	baa3	Expected trend	
Combined Solvency Score		a1		a3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	22.7%	baa1	←→	baa2	Term structure	Extent of market funding reliance
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	22.1%	baa1	←→	baa1	Quality of liquid assets	
Combined Liquidity Score		baa1		baa2		
Financial Profile				baa1		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint:				Aaa		
Scorecard Calculated BCA range				a3-baa2		
Assigned BCA				baa1		
Affiliate Support notching				0		
Adjusted BCA				baa1		

Balance Sheet	in-scope (EUR million)	% in-scope	at-failure (EUR million)	% at-failure
Other liabilities	94,765	24.0%	120,154	30.4%
Deposits	248,907	63.0%	223,519	56.6%
Preferred deposits	184,191	46.6%	174,982	44.3%
Junior Deposits	64,716	16.4%	48,537	12.3%
Senior unsecured bank debt	29,978	7.6%	29,978	7.6%
Dated subordinated bank debt	9,683	2.5%	9,683	2.5%
Equity	11,856	3.0%	11,856	3.0%
Total Tangible Banking Assets	395,189	100%	395,189	100%

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	25.3%	25.3%	25.3%	25.3%	3	3	3	3	0	a1
Counterparty Risk Assessment	25.3%	25.3%	25.3%	25.3%	3	3	3	3	0	a1 (cr)
Deposits	25.3%	5.5%	25.3%	13.0%	2	3	2	2	0	a2
Senior unsecured bank debt	25.3%	5.5%	13.0%	5.5%	2	1	2	2	0	a2
Dated subordinated bank debt	5.5%	3.0%	5.5%	3.0%	-1	-1	-1	-1	0	baa2
Non-cumulative bank preference shares	3.0%	3.0%	3.0%	3.0%	-1	-1	-1	-1	-2	ba1 (hyb)

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
Dated subordinated bank debt	-1	0	baa2	0	Baa2	Baa2
Non-cumulative bank preference shares	-1	-2	ba1 (hyb)	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 Financial Metrics

Ratings

Exhibit 12

Category	Moody's Rating
ABN AMRO BANK N.V.	
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
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 In Q1 2018, ECT was reorganised into new lending sectors named Global Transportation and Logistics (GTL), Natural Resources and Trade and Commodity Finance (TCF)

2 The 10.4% requirement includes 4.50% of Pillar 1, 1.75% of Pillar 2 requirement, 1.875% of phased-in capital conservation buffer and 2.25% of phased-in systemic risk buffer

3 The proposed change will result in a decrease in the exposure measure for ABN AMRO's clearing activities.

REPORT NUMBER 1147695

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

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