

DBRS Morningstar Confirms ABN AMRO Bank's Long-Term Issuer Rating at A (high), Trend Remains Stable

BANKING ORGANIZATIONS

DBRS Ratings GmbH (DBRS Morningstar) confirmed the Long- and Short-Term Issuer Ratings of ABN AMRO Bank N.V. (ABN AMRO or the Bank) at A (high) / R-1 (middle). The trend on all ratings remains Stable. The Bank's support assessment is SA3 and the Bank's Intrinsic Assessment (IA) is A (high). Concurrently, DBRS Morningstar discontinued the ratings on the 7.125% and 7.75% Sub Notes as these have been repaid. See the full list of ratings at the end of this press release.

KEY RATING CONSIDERATIONS

The ratings reflect ABN AMRO's strong retail and commercial banking franchise in the Netherlands, combined with a solid franchise in private and commercial banking in Northwest Europe, particularly France and Germany, and a global clearing business. The ratings take into account the Bank's sound earnings generation capacity, which has improved since end-2021 following the wind-down of non-core activities and charges incurred in relation to anti-money laundering (AML), and boosted by high interest rates. The Bank has solid asset quality indicators which reflect the benign Dutch operating environment, the de-risking of the Bank's CIB loan portfolio, as well as a resilient mortgage portfolio. The ratings also incorporate the Bank's solid funding and liquidity profile, which is underpinned by a stable customer deposit base and good access to market funding. We also note that ABN AMRO's capital position is strong, with significant cushions over minimum regulatory requirements.

The Stable trend considers that high rates will continue to support revenues, which should help offset the potential downside from an economic slowdown, inflationary pressures and the impact of higher interest rates on asset quality.

RATING DRIVERS

The ratings would be upgraded if the Bank can significantly improve its profitability metrics while showing a consistent track record of improved risk management.

The ratings would be downgraded in the event of a sustained deterioration in asset quality or a material weakening of profitability metrics.

RATING RATIONALE

Franchise Combined Building Block (BB) Assessment: Strong

ABN AMRO is a leading Dutch bank with total assets of EUR 404 billion at end-Q1 2023. The Bank mainly operates in its domestic market (77% of total credit exposure), where it benefits from a strong retail and commercial banking franchise, reporting a 17% market share in new mortgage lending and a 16% share in SME lending in 2022. ABN AMRO aims to reach a market share of approximately 20% in new mortgage production and SMEs by 2024. In addition, the Bank has a solid private banking footprint in

Northwest Europe, mainly Belgium, France and Germany.

Earnings Combined Building Block (BB) Assessment: Good/Moderate

In DBRS Morningstar's opinion ABN AMRO earnings capacity is sound, supported by its strong core franchise in the Netherlands and supplemented by its international operations. Following the wind-down of non-core activities, charges incurred in relation to weaknesses in anti-money laundering (AML) procedures, and the increase in rates, we expect a stabilisation of earnings going forward. In 2022, ABN AMRO reported a net profit of EUR 1,867 million, up 51% from EUR 1,234 million a year earlier. The result was driven by somewhat higher interest and fee income and a significant drop in operating costs, due to lower incidentals such as expenses related to the AML remediation and the variable interest compensation. The ROE was 8.7% in 2022, up from 5.8% in 2021. In Q1 2023, profits continued to increase, with an annualised ROE of 9.6%, mainly driven by wider deposit margins which benefitted from the high interest rate environment.

Risk Combined Building Block (BB) Assessment: Good

DBRS Morningstar views ABN AMRO's risk profile as good mainly reflecting the benign Dutch operating environment, strong risk management as well as de-risking of the Bank's CIB loan portfolio. At end-Q1 2023, ABN AMRO reported a low Stage 3 loan ratio of 1.9%, down from 2.5% a year earlier mainly due to recoveries and write-offs. However, we expect some pressures on asset quality amid the subdued economic growth, high interest rates and inflationary pressures. In our view, asset quality risks are likely to remain manageable. More than half of the Bank's loan portfolio consists of relatively low-risk Dutch mortgages, which are expected to remain resilient, given sound loan-to-values, long fixed rate periods and low unemployment in the Netherlands.

Funding and Liquidity Combined Building Block (BB) Assessment: Strong/Good

ABN AMRO's funding profile is solid, supported by a sound customer deposit base and diversified wholesale funding sources. Customer deposits, which accounted for 69% of total non-equity funding as of Q1 2023, increased by 2% compared to end-2022. Combined with an overall declining level of loan volumes following the Bank's de-risking strategy, ABN AMRO's loan-to-deposit ratio (LTD) improved to 96% at end-2022 (end-Q1 2023 95%), compared to 103% at end-2021, and above 110% pre-2020. We consider ABN AMRO's wholesale funding as well diversified in terms of funding mix and maturity profile and the Bank maintained good access to capital markets. Liquidity remains ample with ABN AMRO's liquidity buffer at EUR 103.6 billion at end-2022 (Q1 2023 at 104.3 billion), covering 2.1x the wholesale short-term funding as reported by the Bank. ABN AMRO reported a Liquidity Coverage Ratio (LCR) of 144% and a Net Stable Funding Ratio (NSFR) of 136% at end-Q1 2023.

Capitalisation Combined Building Block (BB) Assessment: Strong/Good

DBRS Morningstar considers ABN AMRO has an adequate capital profile, supported by good internal capital generation. In 2022, the Bank's Common Equity Tier 1 (CET1) ratio declined to 15.2% from 16.3% a year earlier reflecting an increase in credit RWAs mainly due to credit risk model and methodology adjustments. In Q1 2023, CET1 experienced a modest decline to 15.0%, as higher RWAs for credit risk and the negative impact from the first-time adoption of IFRS17 exceeded the positive contribution from profit retention. The CET1 ratio remained well above the minimum regulatory requirement of 9.8%. On a finalised Basel III (or 'Basel IV') basis the CET1 ratio would be around 16%. The Bank maintains its 50% dividend pay-out ratio, and continues to aim for a CET1 ratio under Basel IV of at least 13%, with a threshold for share repurchases of 15%. We continue to view the Bank as well-positioned to withstand a stressed environment.

Further details on the Scorecard Indicators and Building Block Assessments can be found at <https://www.dbrsmorningstar.com/research/415715>

ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

Governance (G) Factors

The G factors have changed from the prior credit rating disclosure. The “Corporate governance” subfactor was previously marked as Relevant to reflect weaknesses within the Bank’s internal controls as well as the settlement of EUR 480 million which the Bank had to pay to the Dutch Public Prosecution Service (DDPS) in 2021 due to serious weaknesses in the Bank’s anti-money laundering framework between 2014 and 2020. While the settlement was substantial it did not have an impact on the Bank’s capital or franchise. In response to the shortcomings identified by the DDPS, ABN AMRO implemented an AML remediation program in close cooperation with the Dutch Central Bank (DNB), with major steps expected be completed in 2023. As such, we no longer consider the subfactor to be relevant to the rating of the Bank.

There were no Environmental, Social, or Governance factors that had a significant or relevant effect on the credit analysis.

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings at <https://www.dbrsmorningstar.com/research/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings>. (17 May 2022)

Notes:

All figures are in EUR unless otherwise noted.

The principal methodology is the Global Methodology for Rating Banks and Banking Organisations <https://www.dbrsmorningstar.com/research/398692/global-methodology-for-rating-banks-and-banking-organisations> (23 June 2023). In addition DBRS Morningstar uses the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings <https://www.dbrsmorningstar.com/research/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings>. in its consideration of ESG factors.

The credit rating methodologies used in the analysis of this transaction can be found at: <https://www.dbrsmorningstar.com/about/methodologies>

The sources of information used for this rating include Morningstar Inc. and Company Documents, ABN AMRO Annual Report 2022, ABN AMRO Investor & Analyst Presentation Q4 2022 & Q1 2023, ABN AMRO Quarterly Report Q4’22 & Q1’23, ABN AMRO Press Release Q1’23, ABN AMRO Factsheet Q4’22 & Q1’23. DBRS Morningstar considers the information available to it for the purposes of providing this rating to be of satisfactory quality.

With respect to FCA and ESMA regulations in the United Kingdom and European Union, respectively, this is an unsolicited credit rating. This credit rating was not initiated at the request of the issuer.

With Rated Entity or Related Third-Party Participation: YES

With Access to Internal Documents: NO

With Access to Management: NO

DBRS Morningstar does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance.

The conditions that lead to the assignment of a Negative or Positive trend are generally resolved within a 12-month period. DBRS Morningstar's outlooks and ratings are under regular surveillance.

For further information on DBRS Morningstar historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>. For further information on DBRS Morningstar historical default rates published by the Financial Conduct Authority (FCA) in a central repository, see <https://data.fca.org.uk/#/ceres/craStats>.

The sensitivity analysis of the relevant key rating assumptions can be found at: <https://www.dbrsmorningstar.com/research/415714>

This rating is endorsed by DBRS Ratings Limited for use in the United Kingdom.

Lead Analyst: Sonja Forster, Vice President, Global FIG

Rating Committee Chair: Elisabeth Rudman, Managing Director, Head of Global FIG

Initial Rating Date: 21 May 2009

Last Rating Date: 10 June 2022

DBRS Ratings GmbH

Neue Mainzer Straße 75

Tel. +49 (69) 8088 3500

60311 Frankfurt am Main Deutschland

















Geschäftsführer: Detlef Scholz

Amtsgericht Frankfurt am Main, HRB 110259

For more information on this credit or on this industry, visit www.dbrsmorningstar.com.

Ratings

ABN AMRO Bank N.V.

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
12-Jun-23	Long-Term Issuer Rating	Confirmed	A (high)	Stb	 
12-Jun-23	Short-Term Issuer Rating	Confirmed	R-1 (middle)	Stb	 
12-Jun-23	Long-Term Senior Debt	Confirmed	A (high)	Stb	 
12-Jun-23	Short-Term Debt	Confirmed	R-1 (middle)	Stb	 
12-Jun-23	Short-Term Deposits	Confirmed	R-1 (middle)	Stb	 
12-Jun-23	Long Term Critical Obligations Rating	Confirmed	AA	Stb	 
12-Jun-23	Short Term Critical Obligations Rating	Confirmed	R-1 (high)	Stb	 
12-Jun-23	Dated Subordinated Debt	Confirmed	A (low)	Stb	 

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
12-Jun-23	Long-Term Deposits	Confirmed	A (high)	Stb	EU U
12-Jun-23	7.125% Sub Notes Due 2022	Disc.- Repaid	Discontinued	--	EU
12-Jun-23	7.75% Sub Notes Due 2023	Disc.- Repaid	Discontinued	--	EU

ALL DBRS RATINGS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS. ADDITIONAL INFORMATION REGARDING DBRS RATINGS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON WWW.DBRSMorningStar.COM.

Contacts

Sonja Förster

Vice President, Credit Ratings - European Financial Institutions

+49 (69) 8088 3510

sonja.forster@dbrsmorningstar.com

Elisabeth Rudman

Managing Director, Credit Ratings - Global Fundamental Ratings

+44 (20) 7855 6655

elisabeth.rudman@dbrsmorningstar.com

The DBRS Morningstar group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings GmbH (Frankfurt, Germany)(EU CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings Limited (England and Wales)(UK CRA, NRSRO affiliate, DRO affiliate). DBRS Morningstar does not hold an Australian financial services license. DBRS Morningstar credit ratings, and other types of credit opinions and reports, are not intended for Australian residents or entities. DBRS Morningstar does not authorize their distribution to Australian resident individuals or entities, and accepts no responsibility or liability whatsoever for the actions of third parties in this respect. For more information on regulatory registrations, recognitions and approvals of the DBRS Morningstar group of companies, please see: <https://www.dbrsmorningstar.com/research/highlights.pdf>.

The DBRS Morningstar group of companies are wholly-owned subsidiaries of Morningstar, Inc. © 2023 DBRS Morningstar. All Rights Reserved.

The information upon which DBRS Morningstar credit ratings and other types of credit opinions and reports are based is obtained by DBRS Morningstar from sources DBRS Morningstar believes to be reliable. DBRS Morningstar does not audit the information it receives in connection with the analytical process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS Morningstar credit ratings, other types of credit opinions, reports and any other information provided by DBRS Morningstar are provided "as is" and without representation or warranty of any kind and DBRS Morningstar assumes no obligation to update any such ratings, opinions, reports or other information. DBRS Morningstar hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS Morningstar or its directors, officers, employees, independent contractors, agents, affiliates and representatives (collectively, DBRS Morningstar Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of credit ratings, other types of credit opinions and reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS Morningstar or any DBRS Morningstar Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. IN ANY EVENT, TO THE EXTENT PERMITTED BY LAW, THE AGGREGATE LIABILITY OF DBRS MORNINGSTAR AND THE DBRS MORNINGSTAR REPRESENTATIVES FOR ANY REASON WHATSOEVER SHALL NOT EXCEED THE GREATER OF (A) THE TOTAL AMOUNT PAID BY THE USER FOR SERVICES PROVIDED BY DBRS MORNINGSTAR DURING THE TWELVE (12) MONTHS IMMEDIATELY PRECEDING THE EVENT GIVING RISE TO LIABILITY, AND (B) U.S. \$100. DBRS Morningstar does not act as a fiduciary or an investment advisor. DBRS Morningstar does not provide investment, financial or other advice.

Credit ratings, other types of credit opinions and other analysis and research issued by DBRS Morningstar (a) are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness, investment, financial or other advice or recommendations to purchase, sell or hold any securities; (b) do not take into account your personal objectives, financial situations or needs; (c) should be weighed, if at all, solely as one factor in any investment or credit decision; (d) are not intended for use by retail investors; and (e) address only credit risk and do not address other investment risks, such as liquidity risk or market volatility risk. Accordingly, credit ratings, other types of credit opinions and other analysis and research issued by DBRS Morningstar are not a substitute for due care and the study and evaluation of each investment decision, security or credit that one may consider making, purchasing, holding, selling, or providing, as applicable.

A report with respect to a DBRS Morningstar credit rating or other credit opinion is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities.

DBRS Morningstar may receive compensation for its credit ratings and other credit opinions from, among others, issuers, insurers, guarantors and/or underwriters of debt securities.

This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS Morningstar. ALL DBRS MORNINGSTAR CREDIT RATINGS AND OTHER TYPES OF CREDIT OPINIONS ARE SUBJECT TO DEFINITIONS, LIMITATIONS, POLICIES AND METHODOLOGIES THAT ARE AVAILABLE ON <https://www.dbrsmorningstar.com>. Users may, through hypertext or other computer links, gain access to or from websites operated by persons other than DBRS Morningstar. Such hyperlinks or other computer links are provided for convenience only. DBRS Morningstar does not endorse the content, the operator or operations of third party websites. DBRS Morningstar is not responsible for the content or operation of such third party websites and DBRS Morningstar shall have no liability to you or any other person or entity for the use of third party websites.