S&P Global
Ratings

Research

Summary:
ABN AMRO Bank N.V.

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Summary:

ABN AMRO Bank N.V.

SACP	bbb+

+

Support	+2

+

Additional Factors	0

Anchor	bbb+	
Business Position	Adequate	0
Capital and Earnings	Adequate	0
Risk Position	Adequate	0
Funding	Average	0
Liquidity	Adequate	

ALAC Support	+2
GRE Support	0
Group Support	0
Sovereign Support	0

Issuer Credit Rating
A/Stable/A-1

Outlook: Stable

The stable outlook on ABN AMRO Bank N.V. (ABN AMRO) reflects our expectation that ABN AMRO will continue to build its additional loss-absorbing capacity (ALAC) by our measures. We assume that its ratio of ALAC to S&P Global Ratings' risk-weighted assets (RWAs) will likely exceed our 8% threshold during 2017, and will remain above this level thereafter.

An upgrade over the next 18-24 months would require a significant improvement in ABN AMRO's business position, reflected in greater operational efficiency, a structurally lower cost-to-income ratio, and reduced pressure on the bank's business model from regulatory uncertainty.

At the same time, we consider the most likely credit improvement will arise from ABN AMRO's capital and earnings assessment. If we believe that ABN AMRO's risk-adjusted capital (RAC) ratio will improve above our 10% threshold for a strong assessment, and we expect it to remain above this level, we would likely compensate for this by reducing the number of ALAC support notches by one.

However, an improved capital and earnings assessment would lead us to revise upward the unsupported group credit profile (GCP), from which we derive our hybrid ratings. An improved operating environment in The Netherlands could also lead us to revise the ratings upward. This would require continuing recovery of the Dutch real estate markets, a reduction of household leverage, and resilience of the open Dutch economy to external shocks, such as a slowdown of the Chinese economy or the U.K. leaving the EU (Brexit).

At this time, we consider a downgrade as unlikely, as we assume that ABN AMRO will continue to reduce costs, build capital, by our measures, and we observe a reasonably benign outlook for its business growth and credit risk. However, any change to our currently positive expectations regarding bank's build-up of ALAC buffer or relatively modest level of losses in the corporate portfolio could make us lower the ratings.

We note that regulatory changes could result in the bank's common equity tier 1 (CET1) ratio falling below 14%, in which case we would likely lower the rating on ABN AMRO's additional tier 1 (AT1) instrument by one notch, as the regulatory capital ratio will be within the 301 basis points (bps)-700 bps range of the AT1 7% trigger.

Rationale

The starting point for our ratings on ABN AMRO is its 'bbb+' anchor, which is primarily based on our view of the banking system in its home market of The Netherlands. We then adjust for the following bank-specific factors:

- An adequate business position, due to the dominance of relatively stable activities in its business mix.
- An adequate capital and earnings assessment, primarily driven by our projection of a RAC ratio in the 9.5%-10.0% range by end-2017.
- An adequate risk position, reflecting our assessment of the bank's risk management and exposures being broadly in line with its main domestic peers.
- Average funding and adequate liquidity, given its manageable funding requirements and modest credit growth.

Finally, we adjust the resulting 'bbb+' stand-alone credit profile upward by two notches, reflecting our view of ABN AMRO's ALAC buffer, to arrive at the 'A' issuer credit rating or supported GCP.

Related Criteria And Research

Related criteria

- S&P Global Ratings' National And Regional Scale Mapping Tables, June 1, 2016
- Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- National And Regional Scale Credit Ratings, Sept. 22, 2014
- Group Rating Methodology, Nov. 19, 2013
- Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Methodology For Mapping Short- And Long-Term Issuer Credit Ratings For Banks, May 4, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Commercial Paper I: Banks, March 23, 2004

Related research

- Regulatory Uncertainty Shapes Dutch Banks' Capital Positions, Sept. 23, 2016
- Dutch Banks Ratings Unaffected By Developments In Interest-Rate Derivatives Litigation, July 7, 2016

Anchor Matrix

Industry Risk	Economic Risk									
	1	2	**3**	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	**bbb+**	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

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