Press Release

Date of Release: August 25, 2015

Insight beyond the rating.

DBRS: Strong Income Growth & Lower Impairments Drives ABN AMRO's Solid 2Q15 Results

Industry: Fin.Svc.--Banks & Trusts

Summary:
• 2Q15 underlying net profit of EUR 600 million, an 86% year-on-year (YoY) increase, driven by strong income growth and lower impairments.
• Capital ratios and funding profile remain solid.
• DBRS rates ABN AMRO Bank NV at A (high) – Under Review with Negative Implications for Long-Term Debt & Deposits.

DBRS Ratings Limited (DBRS) views ABN AMRO Bank N.V.'s (ABN AMRO or the Bank) 2Q15 results as solid. The Bank reported an underlying net profit of EUR 600 million in 2Q15, an 86% increase YoY, with the Private and Corporate Banking divisions both reporting strong income growth.

Impairment charges also continued their downward trend, with a 90% decrease YoY, to EUR 34 million, reflecting improved economic circumstances and consequently improved asset quality of the loan portfolio in the Netherlands. As a result, the Bank reported an underlying cost of risk of 5 basis points (bps), down from 52 bps in 2Q14. DBRS does, however, note that the exceptionally low impairment charges in 2Q15 may not be representative for the remainder of 2015. ABN AMRO's overall asset quality remains satisfactory, with an overall impaired customer loan ratio of 2.6% at end-2Q15, down 30 bps from end-2014, reflecting in part a decrease in impaired residential mortgages and corporate loans. As a result of there being no special items in the quarter, the Bank's reported net profit was the same as the underlying profit of EUR 600 million in 2Q15.

Operating expenses were, however, up 7% YoY, reflecting higher investments and pension cost. Despite this increase, ABN AMRO's underlying cost-income ratio improved 2 percentage points YoY, to 59% reflecting the strong income growth. As a result, it remained in line with the Bank's 2017 target range of 56-60%.

The Bank's fully loaded CRD4 Common Equity Tier 1 (CET1) ratio fell slightly in 2Q15, down 20 bps sequentially to 14%, as retained earnings were offset by a marginal increase in RWAs and higher capital deductions. The fully-loaded Commission Delegated Regulation (CDR) leverage ratio was, however, down 40 bps from end-1Q15, to 3.1%, reflecting a revised interpretation of the leverage exposure calculation. DBRS notes that ABN AMRO is targeting a leverage ratio of 4% or greater by 2018, to be achieved through retained earnings, management of the exposure measure and Additional Tier 1 issuance. Funding improved in the quarter, with the loan-to-deposit ratio at 111%, from 117% at end-2014, and both the net stable funding ratio (NSFR) and the liquidity coverage ratio (LCR) being over 100%.

DBRS rates ABN AMRO Bank NV at A (high) – Under Review with Negative Implications (URN) for Long-Term Debt & Deposits. The URN reflects DBRS's view that recent developments in European regulation and legislation, including the Bank Recovery & Resolution Directive (BRRD), means that there is less certainty about the likelihood of timely systemic support for systemically important banks (SIBs). Currently DBRS's support assessment for ABN AMRO is SA-2, which results in a one-notch uplift from ABN AMRO's intrinsic assessment (IA) of A to the final rating of A (high).

Notes:
All figures are in Euros (EUR) unless otherwise noted.

For more information on this credit or on this industry, visit www.dbrs.com or contact us at info@dbrs.com.

Ross Abercromby
Senior Vice President - Global FIG
+44 20 7855 6657
rabercromby@dbrs.com

David Laterza, CPA
Senior Vice President - Global FIG
+1 212 806 3270
dlaterza@dbrs.com

Alan G. Reid
Group Managing Director – Financial Institutions and Sovereign Group
+1 212 806 3232
areid@dbrs.com

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.DBRS.COM.