

ABN AMRO Group N.V.

DBRS: ABN 4Q15 Results Impacted by Increased Regulatory and Legal Costs; FY15 Results Solid

*ABN AMRO Group N.V. (ABN AMRO or the Group) reported a net profit of EUR 272 million in 4Q15, down 32% year-on-year (YoY) driven by increased regulatory costs, and legal provisions. For FY15, ABN AMRO reported a net profit of EUR 1.9 billion, up 70% YoY, driven principally by the non-recurrence of special items, such as the pension settlement charge and SNS levy, which resulted in a negative EUR 417 million charge in FY14. On an underlying basis, the Group's net profit was up 24% YoY reflecting both an increase in income before provisions and taxes (IBPT) and a decrease in impairment charges.

*ABN AMRO's underlying operating income was negatively impacted in 4Q15 by increased provisions for pending legal cases involving Euribor rates in mortgages and interest-rate derivatives for SMEs. Precise details on the size of these provisions were not disclosed. DBRS does, however, positively note that net interest income on residential mortgage and corporate lending was up YoY in 4Q15, in part reflecting margin improvements. The Group's net fee and commission income was also up marginally YoY reflecting improvements across all business segments.

*Costs remain a challenge for the Group, with underlying operating expenses up 9% YoY in 4Q15, to EUR 1.5 billion. The increase was principally driven by EUR 220 million of regulatory levies, incorporating the Dutch bank tax (EUR 98 million), the National Resolution Funds (EUR 119 million) and the Deposit Guarantee Scheme (EUR 3 million). Excluding the impact of regulatory levies though, the Group's cost-to-income ratio would have stood at 63.8% in 4Q15, up from 60.9% in 4Q14, reflecting higher project and pension costs.

*Impairments charges continued their downward trend, with a 31% decrease YoY, to EUR 124 million, reflecting the improvement in economic conditions and asset quality of the domestic loan portfolio. As a result, the Group reported an underlying cost of risk of 19 basis points (bps), down from 27 bps in 4Q14. ABN AMRO's overall asset quality remains satisfactory, with an overall impaired customer loan ratio of 2.7% at end-4Q15, down 20 bps from end-4Q14, reflecting in part a decrease in impaired residential mortgages and corporate loans.

*Energy, Commodities and Transportation lending, including off-balance sheet undrawn commitments, totalled EUR 38 billion at end-2015, but this appears well diversified. ABN AMRO also estimates that only approximately EUR 3.1 billion (DBRS calculation) of the Group's ECT on-balance and off-balance exposure, excluding undrawn commitments, is directly exposed to oil price risk.

*ABN AMRO's capital position remains solid, with the Group reporting a fully-loaded Common Equity Tier 1 (CET1) ratio of 15.5% at end-2015, up 140 bps YoY, and a fully-loaded leverage ratio of 3.8%, up 10 bps YoY.

	4Q15	3Q15			2Q15			1Q15			4Q14		
		Peer Low	ABN AMRO Group N.V.	Peer High	Peer Low	ABN AMRO Group N.V.	Peer High	Peer Low	ABN AMRO Group N.V.	Peer High	Peer Low	ABN AMRO Group N.V.	Peer High
IBPT/RWAs	1.92%	-0.12%	3.10%	5.28%	-0.01%	3.08%	5.17%	1.64%	3.40%	5.13%	0.06%	2.74%	4.94%
NPL Ratio	2.69%	17.06%	2.67%	0.35%	16.91%	2.64%	0.34%	16.77%	2.76%	0.38%	16.93%	2.84%	0.38%
Cost-to-income Ratio	74.46%	101.67%	58.51%	42.01%	100.09%	58.65%	43.03%	83.40%	56.23%	43.74%	99.20%	63.96%	45.77%
Net Loans-to-Deposits Ratio	108.91%	193.03%	110.19%	71.78%	190.67%	111.14%	71.04%	194.13%	112.38%	68.86%	204.83%	116.53%	67.18%
CET1 Ratio	15.50%	9.80%	14.80%	23.00%	9.80%	14.00%	22.40%	9.70%	14.20%	20.50%	9.65%	14.10%	21.20%
Table Key		Within 10% of Peer High		Between 11% and 25%	Between 26% and 50%		Between 51% and 75%	Between 76% and 90%	Between 91% and 100%				

Peer Group:

Banco Santander SA, CaixaBank, S.A., Banco Bilbao Vizcaya Argentaria, S.A., ING Bank N.V., ABN AMRO Group N.V., Barclays PLC, Lloyds Banking Group plc, Groupe Cr dit Agricole, Soci t  G n rale, S.A., KBC Group N.V., Intesa Sanpaolo SpA, Deutsche Bank AG, Skandinaviska Enskilda Banken AB, Swedbank AB (publ), Credit Suisse AG, UBS AG, Danske Bank A/S

A-Range European Banks

Current DBRS Ratings: ABN AMRO Group N.V.

Issuer & Long-Term Debt
Short-Term Debt

A (low)
R-1 (low)

Positive
Stable

Footnotes:
IBPT/RWAs: *Income before provisions and taxes / avg. risk-weighted-assets under Basel III*
NPL Ratio: *Non-performing loans (or impaired loans) / Total gross loans*
Cost-to-income Ratio: *Total operating expenses/total gross operating income*
Net Loans-to-Deposits Ratio: *Net loans excluding repos/ deposits excluding repos (when available)*
CET1 Ratio: *Fully loaded Basel III Common Equity Tier 1 (or transitional if not available)*
Peer Group: *Excludes banks that do not report on a quarterly basis*

Notes:
All figures are in EUR unless otherwise stated.
Data Sources: Company Documents; SNL

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