Press Release

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DBRS: Net Interest Income Growth Drives ABN AMRO's Q1 Results; Impairment Charges Remain Elevated

Industry: Fin.Svc.--Banks & Trusts

Summary:
• Underlying profit before tax of EUR 479 million, with net interest income (NII) growth offsetting still elevated impairment charges.
• Core franchise remains robust, with impaired loans at manageable levels, and improving capital position.
• DBRS rates ABN AMRO Bank N.V. at A (high) with a Stable trend for Long-Term Debt & Deposits.

DBRS Ratings Limited (DBRS) views ABN AMRO Bank N.V.'s (ABN AMRO or the Bank) Q1 2014 results as solid. On an underlying basis, the Bank reported profit before tax of EUR 479 million (up 24% on Q1 2013) following good year-on-year growth in net interest income across all four of the Bank's divisions. Impairment charges, however, remain elevated, at EUR 361 million.

ABN AMRO's reported net profit for the period was EUR 311 million, reflecting the first instalment of the bank levy imposed by the Dutch government relating to the nationalisation of SNS Reaal. Net profit was down 25% on Q1 2013 reflecting not only the SNS levy but also the non-recurrence of a reserve release (EUR 297 million) related to Greek loan impairments which boosted net profitability in the comparable period a year ago.

The Bank's asset quality remains satisfactory given the challenging environment in the Netherlands. At end-March 2014, the level of impaired residential mortgage loans remain unchanged from end-2013, at 1.1% of the portfolio, whilst impaired loans in the commercial loans portfolio were also relatively stable. At end-March 2014, the overall impaired customer loan ratio was 2.7%, down 20 bps from end-2013 primarily reflecting the increased client flow for securities financing transactions. Despite this stabilisation, and the tentative signs of a recovery in the Dutch economy, DBRS will continue to closely monitor the Bank's asset quality, especially given the Bank's focus on the Netherlands.

ABN AMRO has continued to strengthen its balance sheet, and posted solid capital ratios at the end of Q1 2014. The pro-forma fully-loaded CRD4 Common Equity Tier 1 (CET1) ratio was 12.9%, up 70 bps from end-2013, and the Basel 3 fully-loaded leverage ratio was 3.6%, an increase of 10 bps from end-2013. DBRS notes that ABN AMRO already meets the Dutch Central Bank's additional capital requirements, which will result in a minimum CET1 ratio requirement of 10% by end-2019. As a result of this, and the Bank's solid internal capital generation, DBRS considers the Bank to be well placed to manage the impact of the evolving regulatory environment. Funding also remained stable in the quarter, with the loan-to-deposit ratio reducing to 119%, from 121% at end-2013, and the net stable funding ratio (NSFR) increasing to 111% from 105% at end-2013.

DBRS rates ABN AMRO Bank N.V. at A (high) with a Stable trend for Long-Term Debt & Deposits.

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 - European Financial Institutions Group
+44 20 7855 6657
rabercromby@dbrs.com

David Laterza, CPA
Senior Vice President - Financial Institutions Group
+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

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