Press Release

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Insight beyond the rating.

# DBRS: Strong Income Growth & Lower Impairments Drives ABN AMRO's Solid 1Q15 Results

**Industry: Fin.Svc.--Banks & Trusts**

Summary:
• 1Q15 underlying net profit of EUR 543 million, a 44% year-on-year (YoY) increase, driven by strong income growth and lower impairments.
• Capital ratios improved further, whilst the funding profile remains solid.
• DBRS rates ABN AMRO Bank NV 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) 1Q15 results as solid. The Bank reported an underlying net profit of EUR 543 million in 1Q15, a 44% increase YoY, as each business division continued to report strong income growth. Impairment charges also continued their downward trend, with a 30% decrease YoY, to EUR 252 million, reflecting the improvements in the Dutch economy and housing market. As a result, the Bank reported an underlying cost of risk of 38 basis points (bps), down from 56 bps in 1Q14. DBRS does, however, note that impairment charges were up 14% in the Bank's Corporate Banking division, principally reflecting a single large addition in the Commercial Clients business. ABN AMRO's asset quality remains satisfactory, with an overall impaired customer loan ratio of 2.8% at end-1Q15, down 10bps from end-2014, reflecting in part a decrease in impaired residential mortgage and consumer 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 543 million in 1Q15.

Operating expenses were, however, up 7% YoY, reflecting not only higher investment and pension costs, but also a charge for the reorganisation of the Corporate Banking division. Despite this increase, ABN AMRO's underlying cost-income ratio improved 2 percentage points YoY, to 56% reflecting the strong income growth. As a result, it remained in line with the Bank's 2017 target range of 56-60%. DBRS, however, notes that if the Bank included the regulatory costs, which are expected by the Bank to be approximately EUR 250 million and are to be recorded in 2H15, equally over the four quarters, the cost-income ratio would have been approximately 59%, still within the target range.

The Bank's capital position improved slightly in the quarter, with its fully loaded CRD4 Common Equity Tier 1 (CET1) ratio increasing to 14.2% as retained earnings offset a 3% increase in the total risk exposure amount. The fully-loaded Commission Delegated Regulation (CDR) leverage ratio was, however, down 20bps from end-2014, to 3.5%, reflecting the increase in IFRS assets and securities financing exposures. Funding improved in the quarter, with the loan-to-deposit ratio at 112%, from 117% at end-2014, and both the net stable funding ratio (NSFR) and the liquidity coverage ratio being over 100%.

DBRS rates ABN AMRO Bank NV 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.

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