



DBRS: ABN AMRO 3Q16: Income Growth & Lower Impairments Support Net Profit; Dutch Stake Down to 70%

- ABN AMRO Group N.V. (ABN AMRO or the Group) reported a net profit of EUR 607 million in 3Q16, up 19% year-on-year (YoY), supported by both solid underlying income growth (excluding CVA/DVA), specifically in Corporate Banking, and a further reduction in impairment charges. DBRS also notes the on 16 November 2016, NL Financial Investments (NLFL), on behalf of the Dutch State, sold 65 million depository receipts representing ordinary shares in ABN AMRO, reducing its stake in the Group from 77% to 70%.
- Total underlying income (excl. CVA/DVA) increased 4% YoY, to EUR 2.2 billion, with solid net interest income (NII) growth, supported by a profit of EUR 52 million from the positive revaluation of ABN AMRO's share in Equens, a payment service provider. The Group's solid NII increased 3% YoY, driven by improved deposit pricing and higher margins on mortgage and corporate lending. As a result, ABN AMRO's net interest margin (NIM) remained solid, despite the low interest rate environment, at 150 basis points (bps), up marginally YoY.
- Underlying operating expenses totalled EUR 1.4 billion in 3Q16, up 11% YoY, driven in part by a EUR 144 million restructuring provision. ABN AMRO, however, continues to focus on cost control, with the Group refining its cost-income ratio target, from 56-60% by 2017, to 56-58% by 2020, and announcing a further EUR 400 million of planned cost savings over the next four years, in addition to the EUR 200 million identified in 2Q16, and EUR 300 million related to the Group's existing cost initiatives (TOPS2020 & Retail Digitalisation). The Group does, however, expect to take an additional restructuring provision of EUR 150-175 million in 4Q16 as a result of these additional cost savings.
- Risk costs continue to improve for ABN AMRO, with impairment charges down 75% YoY to EUR 23 million in 3Q16, equivalent to 3 bps of average customer loans on an annualised basis, which is well below the Group's estimated through-the-cycle average of between 25-30 bps. Importantly, improvements were noted across all segments, including the Group's Energy, Commodities and Transportation (ECT) Clients exposure, which experienced a 47% YoY decrease in impairment charges, to EUR 33 million. DBRS does, however, note that, at 95 bps in 9M16, the cost of risk for the Group's ECT Clients exposure remains well in excess of the estimated through-the-cycle average of below 40-60 bps, reflecting the current challenging operating environment for the Oil & Gas and Shipping sectors.
- ABN AMRO's capital position improved further in the quarter, with the Group reporting a fully-loaded Common Equity Tier 1 (CET1) ratio of 16.6%, up 40 bps sequentially reflecting further profit and reduced RWAs. The Basel 3 fully-loaded leverage ratio remained stable at 3.7% at end-3Q16. DBRS also notes that, following discussions with the Single Resolution Board (SRB), ABN AMRO has concluded that ABN AMRO Bank N.V. is likely to be appointed as the Group's designated resolution entity.

	3Q16	2Q16 ABN AMRO			1Q16 ABN AMRO			4Q15 ABN AMRO			3Q15 ABN AMRO		
		Peer Low	Group N.V.	Peer High	Peer Low	Group N.V.	Peer High	Peer Low	Group N.V.	Peer High	Peer Low	Group N.V.	Peer High
IBPT/RWAs	3.2%	0.2%	2.2%	7.7%	-0.8%	2.4%	5.4%	-2.2%	1.9%	5.3%	-0.1%	3.1%	5.3%
NPL Ratio	3.5%	15.7%	3.2%	0.3%	15.9%	2.5%	0.4%	16.5%	2.7%	0.4%	17.1%	2.7%	0.4%
Cost-to-income Ratio	61.7%	96.7%	68.5%	33.9%	111.4%	66.9%	42.9%	249.8%	74.5%	44.8%	101.7%	58.5%	42.0%
Net Loans-to-Deposits Ratio	107.0%	194.7%	107.7%	73.6%	202.1%	109.7%	72.9%	197.0%	108.9%	73.5%	193.0%	110.2%	71.8%
CET1 Ratio	16.6%	10.4%	16.2%	23.0%	10.3%	15.8%	23.7%	10.1%	15.5%	24.1%	9.8%	14.8%	23.0%

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:	A-Range European Banks
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	
Current DBRS Ratings: ABN AMRO Group N.V.	
Issuer & Long-Term Debt	A Stable
Short-Term Debt	R-1 (low) Stable

Footnotes:

IBPT/RWAs:	Income before provisions and taxes / avg. risk-weighted-assets under Basel III
NPL Ratio:	Non-performing 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 Euro unless otherwise noted.

Sources: Company Documents and SNL Financial

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

  2016, DBRS Limited, DBRS, Inc. and DBRS Ratings Limited (collectively, DBRS). All rights reserved. The information upon which DBRS ratings and reports are based is obtained by DBRS from sources DBRS believes to be reliable. DBRS does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, reports and any other information provided by DBRS are provided as is and without representation or warranty of any kind. DBRS hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS or its directors, officers, employees, independent contractors, agents and representatives (collectively, DBRS Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of ratings and rating reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS or any DBRS Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. Ratings and other opinions issued by DBRS are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness or recommendations to purchase, sell or hold any securities. A report providing a DBRS rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. DBRS receives compensation for its rating activities from issuers, insurers, guarantors and/or underwriters of debt securities for assigning ratings and from subscribers to its website. DBRS is not responsible for the content or operation of third party websites accessed through hypertext or other computer links and DBRS shall have no liability to any person or entity for the use of such third party websites. This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS. ALL DBRS RATINGS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS AT <http://www.dbrs.com/about/disclaimer>. ADDITIONAL INFORMATION REGARDING DBRS RATINGS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON <http://www.dbrs.com>.

Corporate Headquarters | DBRS Tower   181 University Avenue Suite 700 Toronto, ON M5H 3M7 | TEL +1 416 593 5577 | www.dbrs.com