IR / Press release

Amsterdam, 10 August 2015

Change in Tier 2 eligibility lowers regulatory total capital ratio. CET1 and loss absorbing capacity remain unaffected

The ECB informed ABN AMRO that certain Tier 2 instruments of ABN AMRO Bank should be excluded from the total capital calculation. The exclusion applies to Tier 2 instruments that were issued after year-end 2011 (the CRR cut-off date) and before the revocation of the 403-liability statement of ABN AMRO Group that was issued for the benefit of ABN AMRO Bank.

Based on a recent ruling of the Dutch Supreme Court in relation to SNS, the ECB views that the ranking of claims of Tier 2 creditors is enhanced under the former 403-liability statement. Therefore these Tier 2 instruments are no longer in line with the Capital Requirements Regulation ('CRR').

The Tier 2 instruments subject to exclusion from the total capital ratio are (the 'Excluded Instruments'):
§ 7.125% EUR 1,000 million (XS0802995166)
§ 6.250% USD 1,500 million (XS0827817650)
§ 4.700% SGD 1,000 million (XS0848055991)

Furthermore, certain other instruments become subject to the grandfathering regime and therefore the Tier 2 eligibility amortises annually. These instruments are:
§ 6.375% EUR 1,227 million (XS0619548216)
§ 6.250% USD 595 million (XS0619547838)
§ 7.750% USD 114 million (144A: US00080QAD79, Reg S: USN0028HAP03)

The change in Tier 2 eligibility lowers the total capital ratio. Based on a preliminary assessment, the pro forma total capital ratio of 20.2% (fully loaded 19.5%) reported at Q1 2015 would drop to 18.8% (fully loaded 16.2%), including the effect of capital measures conducted since. The pro forma total capital ratio remains well above regulatory requirement. The CET1 capital (of 14.1% at Q1 2015) and buffer of loss absorbing instruments (MREL/TLAC) remain unaffected. ABN AMRO will not exercise the regulatory call option of the Excluded Instruments. It is not necessary - in connection to this event - to replace the Excluded Instruments by issuing issue new capital or subordinated instruments to resolve the reduction in total capital. However, ABN AMRO will continue to issue new capital instruments to further build out the buffer of loss absorbing instruments in view of scheduled amortisations, MREL/TLAC and any other regulatory changes.

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