ABN·AMRO

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ABN AMRO reports EUR 662 million underlying net profit for Q2 2016, up 10% y-o-y

- **Reported net profit for Q2 2016 was EUR 391 million (H1 2016: EUR 866 million) after a provision for interest rate derivatives of EUR 271 million net of tax**
- **Underlying net profit for Q2 2016 was EUR 662 million, up EUR 62 million or 10% on Q2 2015; underlying net profit for H1 2016 was EUR 1,136 million, virtually unchanged compared with H1 2015**
- **The new Tikkie app, for sharing payments, already has almost 100,000 active users. Clients can now make investment orders via their mobile banking app**
- **Net interest income remained robust; fees and commissions were negatively impacted by volatile markets; costs were contained and loan impairments remained low**
- **Underlying ROE for Q2 2016 was 15.1% (H1 2016: 13.1%) and the underlying cost/income ratio was 57.2% (H1 2016: 61.8%)**
- **Fully-loaded CET1 ratio increased to 16.2% and the fully-loaded leverage ratio was 3.7%**
- **An interim dividend of EUR 0.40 per share will be paid**

Gerrit Zalm, Chairman of the Managing Board of ABN AMRO Group, comments:

'In early July we decided that it was in the best interests of our clients to adhere to the advice of the committee of independent experts on the reassessment of interest rate derivatives sold to SME clients. This decision means clients do not have to go through a complex and time-consuming process; they now know where they stand.

We are extending our current range of innovative and smart solutions. We launched the new Tikkie app in Q2, enabling users to send payment requests via WhatsApp. Tikkie is an innovative solution developed by ABN AMRO, which can be used by clients with a current account at any Dutch bank. Almost 100,000 people are already actively using this app. Also, clients can now place their investment orders via our Mobile Banking app.

We are well on track with three of our financial targets: an ROE of 10-13% over the coming years, a CET1 ratio of 11.5-13.5% and a dividend payout ratio increasing to 50% over 2017. The underlying net profit for H1 2016, which excludes an additional provision for SME interest rate derivatives, was flat at EUR 1,136 million. Continued growth of our capital base - the fully-loaded CET1 ratio increased to 16.2% - caused the ROE to decline to 13.1%, above the target range. We will pay an interim dividend of EUR 0.40 per share, or 45% of the reported net profit. Once there is more clarity on Basel IV, we will update our strategic financial targets beyond 2017.

To invest in growth and to lower the C/I ratio of 61.8% (target range is 56-60% by 2017), we have identified EUR 200 million of cost savings in support and control activities. This a reduction of about 25% of this cost base. These savings are a combination of staff and non-staff related costs, and a significant part will be realised next year. Further cost savings in other areas are currently being identified and will be initiated this year.'

Key figures and indicators

(in EUR millions)	*Q2 2016*	*Q2 2015*	*Change*	*Q1 2016*	*Change*	*H1 2016*	*H1 2015*	*Change*
Operating income	2,201	2,126	4%	1,971	12%	4,172	4,294	-3%
Operating expenses	1,260	1,247	1%	1,319	-5%	2,579	2,465	5%
Operating result	**941**	**879**	**7%**	**651**	**45%**	**1,593**	**1,828**	**-13%**
Impairment charges on loans and other receivables	54	34	58%	2		56	287	-80%
Income tax expenses	225	244	-8%	175	29%	400	398	1%
Underlying profit/(loss) for the period[1]	**662**	**600**	**10%**	**475**	**39%**	**1,136**	**1,144**	**-1%**
Special items	- 271	-		-		- 271	-	
Reported profit/(loss) for the period	**391**	**600**	**-35%**	**475**	**-18%**	**866**	**1,144**	**-24%**
Underlying cost/income ratio	57.2%	58.6%		66.9%		61.8%	57.4%	
Underlying return on average Equity	15.1%	15.3%		11.1%		13.1%	14.7%	
Fully-loaded CET1 ratio	16.2%	14.0%		15.8%		16.2%	14.0%	

[1] Underlying results exclude special items which distort the underlying trend. A detailed explanation of special items is provided in the Additional financial information section.