

IR / Press Release

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ABN AMRO reports EUR 607 million underlying net profit for Q3 2016, up 19% y-o-y

- Underlying net profit for Q3 2016 of EUR 607 million, up 19% y-o-y, includes a restructuring charge of EUR 108 million (net of tax) and a EUR 52 million (net of tax) revaluation gain on our stake in Equens
- Underlying net profit for 9M 2016 was EUR 1,743 million, up EUR 91 million or 5% on 9M 2015
- Net interest income remained robust; fees and commissions were lower than in 2015; costs were contained; and loan impairments remained low
- Underlying ROE for Q3 2016 was 13.8% (9M 2016: 13.4%) and the underlying cost/income ratio was 61.8% (9M 2016: 61.8%)
- Fully-loaded CET1 ratio increased to 16.6% and the fully-loaded leverage ratio was 3.7%
- New cost savings plan of EUR 0.4 billion, affecting approximately another 1,500 FTEs
- Pre-tax restructuring charges of EUR 144 million in Q3 2016 and EUR 150-175 million expected in Q4 2016

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

'Our underlying net profit increased by 19% compared with Q3 2015, to EUR 607 million, on continued robust net interest income, cost control and low impairments. The CET1 ratio increased to 16.6%, and the 9M 2016 ROE and C/I ratio were 13.4% and 61.8% respectively. We saw an increase in total client lending and deposit gathering this quarter.

In 2016 we updated and extended our strategic priorities and financial targets towards 2020. We concluded that the strategic foundations of being client-driven, having a moderate risk profile, investing in the future and our people, and pursuing sustainable growth remain firm. Our services are well recognised by our clients; for instance, our Mobile Banking app came in 6th place globally in an industry survey. We now want to take another step forward in delivering in-depth expertise in a digitally savvy way to our clients and will increase our expenditure on initiatives for growth, innovation and digitalisation by EUR 0.4 billion by 2020 compared with 2015. To finance these initiatives and offset cost inflation and levies of approximately EUR 0.5 billion, we target cost savings of a similar amount (EUR 0.9 billion) by 2020.

Building on our Q2 cost initiatives, we have identified further cost savings of EUR 0.4 billion. This will affect approximately another 1,500 FTEs. These savings come on top of the EUR 0.2 billion for the support and control activities (announced in Q2 2016) and the EUR 0.3 billion (on track) for TOPS 2020 and Retail Digitalisation. We have sharpened the cost/income target range from 56-60% by 2017 to 56-58% by 2020. As the impact of Basel IV is still unclear, we have decided to leave the targets for the CET1 ratio (11.5-13.5%), ROE (10-13%) and the dividend payout ratio (50% over 2017) unchanged for now. I am confident that our plans will enable us to deliver lasting value to our clients, now and in the future.'

Key figures and indicators

(in EUR millions)	Q3 2016	Q3 2015	Change	Q2 2016	Change	9M 2016	9M 2015	Change
Operating income	2,222	2,109	5%	2,201	1%	6,393	6,403	0%
Operating expenses	1,372	1,234	11%	1,260	9%	3,951	3,700	7%
Operating result	849	875	-3%	941	-10%	2,442	2,703	-10%
Impairment charges on loans and other receivables	23	94	-75%	54	-57%	79	381	-79%
Income tax expenses	220	272	-6%	225	-3%	620	670	-7%
Underlying profit/(loss) for the period¹	607	509	19%	662	-8%	1,743	1,652	5%
Special items	-	-	-	-271	-	-271	-	-
Reported profit/(loss) for the period	607	509	19%	391	55%	1,472	1,652	-11%
Underlying cost/income ratio	61.8%	58.5%		57.2%		61.8%	57.8%	
Underlying return on average Equity	13.8%	12.7%		15.1%		13.4%	14.0%	
Fully-loaded CET1 ratio	16.6%	14.8%		16.2%		16.6%	14.8%	

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.