Press Release

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Insight beyond the rating.

DBRS: Increased Impairments and Bank Tax lead to Q4 loss for ABN AMRO

Industry: Fin.Svc.--Banks & Trusts

Summary:
•Q4 2013 net loss before tax of EUR 22 million, primarily due to the annual Dutch bank tax and increased impairment charges.
•Despite the weak earnings performance in Q4 2013, the balance sheet remains solid with impaired loans at manageable levels, and increased capital ratios.
•DBRS rates ABN AMRO Bank NV at A (high) with a Stable trend for Long-Term Debt & Deposits.

DBRS Ratings Limited (DBRS) considers that ABN AMRO Bank N.V.'s (ABN AMRO or the Bank) results for Q4 2013 illustrate the continued challenging domestic operating environment. In the quarter the Bank took impairment charges totaling EUR 555 million, up 60% on Q3 2013 (excluding special items in the third quarter), and up 2% on the same period of 2012. The rise in impairments compared to Q3 2013 was primarily driven by the small- and medium-sized enterprises (SME) portfolio within the commercial division and the merchant banking division. On a full-year basis ABN AMRO reported a pre-tax profit of EUR 1.57 billion for 2013, a 10% rise compared to 2012. The 2013 result did however benefit from releases in the year totalling EUR 685 million related to the recovery on the Greek government-guaranteed corporate exposures and the Bank's collateral from clients exposed to the Madoff fraud. Without the provisioning releases the result would have been significantly lower.

The Dutch bank tax, which totalled EUR 106 million for 2013, is paid in the fourth quarter on an annual basis and therefore operating expenses in the period are impacted by this. DBRS also notes that the Bank's expenses in 2014 will be impacted by the one-off resolution levy introduced by the Dutch State as a result of the nationalisation of SNS Reaal Group. The Bank expects this to total approximately EUR 200 million.

Although the domestic operating environment remains challenging, the Bank's asset quality remains satisfactory. At end-2013 impaired residential mortgage loans accounted for only 1.1% of the total portfolio, up from 0.9% at end-2012. Both the overall impaired loan ratio and the commercial impaired loan ratio improved substantially. However, this improvement was principally driven by the sale of the Greek government-guaranteed corporate exposures and the Madoff related collateral. At end-2013 the overall impaired loan ratio was 2.9% on the customer loan book.

The Bank reported a 12.2% Common Equity Tier 1 (CET1) on fully loaded CRD4 basis, up from 11.8% at end-September 2013. The Bank's fully loaded Basel III leverage ratio was 3.5% at end-2013. Due to the Bank's strong capital position and solid underlying profitability DBRS views the Bank as well placed to manage the impact of the evolving regulatory environment.

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.

The principal applicable methodology is the Global Methodology for Rating Banks and Banking Organisations. Other methodologies used include the DBRS Criteria: Support Assessment for Banks and Banking Organisations and DBRS Criteria: Rating Bank Capital Securities – Subordinated, Hybrid, Preferred & Contingent Capital Securities. All can be found on the DBRS website under Methodologies.

The sources of information used for this rating include company reports and SNL Financial. DBRS considers the information available to it for the purposes of providing this rating was of satisfactory quality.

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.

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http://www.dbrs.com/research/236983/banks-and-banking-organisations-linking-document.pdf

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