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DBRS: ABN Reports Solid 3Q14 Results: Lower Impairments and Good Revenue Growth

Industry: Fin.Svc.--Banks & Trusts

Summary:

- Underlying profit before tax (PBT) up 56% YoY to EUR 450 million, driven by lower impairment charges, as well as good growth in net interest income (NII).
- PBT as reported declined 2% YoY to EUR 383 million in 3Q14, partly reflecting the final installment of the SNS bank levy.
- Funding remained robust and CET1 Fully-loaded ratio improved.
- DBRS rates ABN AMRO Bank N.V. at A (high) with a Stable trend for Long-Term Debt & Deposits.

DBRS Ratings Limited (DBRS) views ABN AMRO Bank N.V.'s (ABN AMRO or the Bank) 3Q14 results as solid. On an underlying basis, the Bank reported profit before tax (PBT) of EUR 450 million, up 56% YoY, driven by good NII growth in both the Retail and Corporate Banking businesses. Impairment charges were 17% lower YoY at EUR 287 million in 3Q14, reflecting the modest signs of recovery in the Dutch economy. DBRS, however, notes that impairment charges rose in the Corporate Banking division primarily as a result of a few medium sized and large clients. On a reported basis, the Bank's PBT was EUR 383 million in 3Q14, down 2% YoY, reflecting the final instalment of the bank levy imposed by the Dutch government relating to the nationalisation of SNS Reaal and the non-recurrence of a EUR 135 million reserve release related to Greek loan impairments that benefited the prior year's results.

ABN AMRO posted solid capital ratios at end-3Q14, with a fully-loaded CRD4 Common Equity Tier 1 (CET1) ratio of 12.9%, up 70 bps from end-2013. DBRS notes that ABN also comfortably passed the ECB's recent Comprehensive Assessment, reporting a 9.2% CET1 ratio in the adverse scenario. The Bank's fully-loaded leverage ratio was 3.2% at end-3Q14, down 40 bps from end-2Q14. DBRS, however, notes that the reduction reflects a move to the EBA accounting definition which uses gross amounts instead of the netted figures used under IFRS in, for example, cash pooling. Funding also remained robust in the quarter, with the loan-to-deposit ratio at 117%, down from 121% at end-2013, and both the net stable funding ratio (NSFR) and the liquidity coverage ratio being above 100% at end-3Q14.



ABN AMRO also announced a strategic update for the Retail Banking division, aimed at accelerating the digitisation of services. The major elements of this include: (i) the concentration of the branch network; (ii) the investment of an additional EUR 150 million by 2018 to strengthen key digital customer processes; and (iii) a reduction of full-time equivalents (FTEs) of approximately 650-1,000 FTE by 2018, for which a provision of EUR 50-75 million will be booked in 4Q14.

DBRS rates ABN AMRO Bank N.V. at A (high) with a Stable trend for Long-Term Debt & Deposits.

Notes:

All figures are in Euros (EUR) unless otherwise noted.

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

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