Press Release

Insight beyond the rating.

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DBRS: Lower Impairment Charge Boosts ABN AMRO's 2Q14 Result

Industry: Fin.Svc.--Banks & Trusts

Summary:
• Underlying profit before tax of EUR 413 million, up 40% on 2Q13, boosted by a lower impairment charge.
• One-off pension costs and the bank levy imposed by the Dutch government relating to the nationalisation of SNS Reaal led to a substantially lower net profit of EUR 39 million.
• Funding and capital ratios remain robust.
• 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) 2Q14 results as robust. On an underlying basis, the Bank reported profit before tax of EUR 413 million, up 40% on 2Q13. The improved performance was driven primarily by a substantial reduction in the impairment charge, which was down 32% on 2Q13, reflecting some tentative signs of a recovery in the Dutch economy. However DBRS notes that at EUR 342 million the impairment charge remains elevated. All four main operating divisions reported a net profit in 2Q14, and DBRS would expect the performance of the Commercial Banking division to improve in line with the domestic economy.

However, the Bank's reported net profit for 2Q13 was EUR 39 million, down substantially on the EUR 402 million profit reported in 2Q13. The lower result in 2Q14 reflected the one-off EUR 216 million cost of transitioning to a defined contribution pension scheme and the second of three installments of the bank levy imposed by the Dutch government relating to the nationalisation of SNS Reaal. The 2Q13 result was also boosted by a EUR 252 million release related to the Bank's collateral from clients exposed to the Madoff fraud.

The Bank's asset quality remains satisfactory given the still challenging environment in the Netherlands. At end-2Q14, the level of impaired residential mortgage loans remain unchanged from end-2013, at 1.1% of the portfolio, whilst impaired loans in the commercial loans portfolio were also relatively stable. At end-2Q14, the overall impaired customer loan ratio was 2.7%, down 20 bps from end-2013. Despite this slight improvement, and the tentative signs of a recovery in the Dutch economy, DBRS will continue to closely monitor the Bank's asset quality, especially given the Bank's focus on the Netherlands.

Both funding and capital remained resilient in 2Q14. The fully-loaded CRD4 Common Equity Tier 1 (CET1) ratio was 12.7%, up slightly from 12.2% at end-2013, and the Basel 3 fully-loaded leverage ratio was 3.6%. DBRS notes that ABN AMRO already meets the Dutch Central Bank's additional capital requirements, which will result in a minimum CET1 ratio requirement of 10% by end-2019. As a result of this, and the Bank's solid internal capital generation, DBRS considers the Bank to be well placed to manage the impact of the evolving regulatory environment. Funding also remained stable in the quarter, with the loan-to-deposit ratio at 119%, from 121% at end-2013, and both the net stable funding ratio (NSFR) and the liquidity coverage ratio being over 100% at end-2Q14.

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

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

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