IR / Press Release

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ABN AMRO settles agreement on new pension scheme for employees in the Netherlands

Today ABN AMRO is announcing that it has settled the agreement regarding the new Collective Defined Contribution (CDC) Plan for its employees in the Netherland. With the settlement of the agreement, ABN AMRO removes the volatility in its balance sheet and capital position introduced by the revised pension accounting standard IAS 19[1] and reduces volatility in its pension expenses.

The settlement follows the approval of the collective labour agreement (CLA) by the trade unions (FNV Finance, De Unie and CNV Dienstenbond) and their respective members on 28 April of this year and final approval of the pension administration agreement by the Board of ABN AMRO Pension Fund on 12 June of this year after positive advice of its Council of Participants.

As announced on 2 April 2014, as from settlement of the agreement, ABN AMRO will be released from its financial obligations under the Dutch Defined Benefit (DB) Plan, resulting in a release of the related net pension liability. Furthermore, the regulatory capital filter under the Basel III phased-in approach for the effects stemming from the revised pension accounting standard IAS 19 will be removed.

The settlement of the pension agreement will have an estimated one-off negative impact on the net result of EUR 216 million[2] (EUR 288 million pre-tax). This is the sum of:

- the compensation payment of EUR 500 million pre-tax (EUR 375 million after tax)
- a EUR 200 million pre-tax lump sum (EUR 150 million after tax) for a catch-up indexation initiated by the pension fund
- the release of the net pension liability, which finally amounted to approximately EUR 449 million[2] pre-tax (EUR 337 million after tax) at 12 June
- an expense of EUR 37 million pre-tax (EUR 28 million after tax) for the difference between the pre-agreed cash contribution to the pension fund and the CDC cash contribution for the remainder of 2014

Combined with the effect of the removal of the regulatory capital filter, the agreement is expected to have a negative impact on the phased-in Basel III Common Equity Tier 1 (CET1) ratio of 167bps[2]. The impact on the fully loaded Basel III CET1 ratio is expected to be 19bps[2] negative.

The financial impact will be reflected as a special item in ABN AMRO's second quarter 2014 results.

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[1] Effective as of 1 January 2013
[2] Pending final actuarial audit of the financial position of the ABN AMRO Pension Fund at 12 June

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