

ABN Amro to exit trade and commodity finance after losses

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ABN Amro is ceasing all trade and commodity finance activities following exposure to fraudulent activity in Singapore and Germany, a historic crash in oil prices and a slowdown caused by Covid-19.

After reporting a net loss of €5mn for Q2 this year, the bank says its corporate and institutional banking division will exit all non-European activities other than clearing.

“Trade and commodity finance activities will be discontinued completely, and natural resources and transportation and logistics will focus on European clients only,” says chief executive Robert Swaak.

“In addition, stricter lending criteria and credit limits have been set to also contribute to a moderate risk profile.”

The announcement follows an internal review of the bank’s corporate and institutional banking activities. **GTR** reported in May that ABN Amro was **concerned about its exposure** to high-risk trade and commodity finance activities, and believed “more de-risking is clearly necessary”.

The bank says the final outcomes from that review will be published in November, but it is already clear it needs to focus on clients in North-West Europe and undertake a “significant risk reduction in global sectors”, including trade finance, natural resources and shipping.

The winddown is expected to take place over the next three to four years, and remains subject to regulatory approval. The bank plans to cut 800 jobs from its non-core corporate banking activities.

ABN Amro financial results for the first half of 2020 show impairments totalling more than €1.8bn, up significantly from €231mn over the same period last year.

“The sharp increase was mainly attributable to the financial impact of Covid-19, oil price developments and three exceptional client files in the credit portfolio relating to a loss at Clearing and two potential fraud cases, one in Singapore and one in Germany,” it says.

The Singapore case is understood to be a reference to the scandal involving Hin Leong, a major commodities trading company that collapsed in April following allegations of fraud.

The company’s founder and chairman, Lim Oon Kuin, revealed to investors in April the company had suffered undisclosed losses of US\$800mn, and that oil pledged as collateral had also been sold.

Sources close to the case say it then became apparent the company had inflated its figures and built up leverage by **creating fake trades alongside its legitimate activity**. Banks were left with claims to the same assets and, in some cases, to cargo that did not exist in the first place.

“The company is suspected of keeping loss-making transactions outside its books,” today’s report says. “A large part of the total impairment pertained to off-balance items, such as guarantees and documentary credits.”

ABN Amro’s overall exposure to Hin Leong reportedly stands at US\$300mn, second only to HSBC.

The German case is believed to relate to Wirecard, a payment processor and card issuer, which was accused by auditors of “elaborate and sophisticated” accounting fraud. The combined write-offs from those two cases is valued at €616mn, the bank says.

Impairment charges related to Covid-19 and this year’s crash in oil prices total €827mn, and full-year impairments for 2020 are expected to reach €3bn – “more than offsetting our resilient operating performance”, ABN Amro adds.

Wider concerns

The closure of the bank’s trade finance business follows concerns within the wider commodity finance sector, particularly in Singapore – where further allegations of fraudulent conduct **continue to emerge**.

Bloomberg revealed in late July that Société Générale would close its Singapore-based trade commodity finance unit, moving operations to Hong Kong and cutting ties with smaller traders – a decision that was reportedly prompted by the collapse of Hin Leong.

When contacted by **GTR**, a spokesperson says the bank “is and will remain committed to the trade commodity finance sector, including in Asia”.

“Société Générale continuously adapts its set up to better serve its global and local clients and leverages its presence and strengths in Asia to bring proximity and appropriate solutions to its clients,” they say.