

ABN AMRO Investor Day

# Banking for better, for generations to come

**CEO | Kees van Dijkhuizen**

London, 16 November 2018

# Decisive management team achieving good results



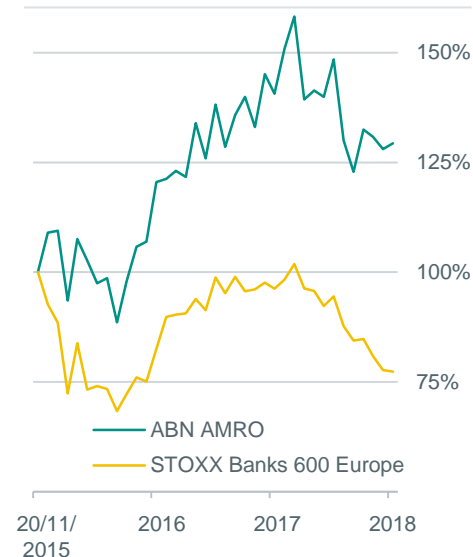
- Disciplined delivery since IPO
- Strategic steps taken to further improve the bank
- Accelerating the sustainability shift of our clients in a profitable way
- Moderate risk profile as evidenced by our good 2018 EU-wide stress results, confirming resilience in adverse economic scenarios
- Delivering attractive results with high capital return

# Strong results and steady capital generation since IPO in 2015

## Development key financial targets

|                               | 2013  | 2015  | 2017                | 2018 YTD            | IPO target                 |
|-------------------------------|-------|-------|---------------------|---------------------|----------------------------|
| <b>ROE</b>                    | 5.5%  | 12.0% | 14.5% <sup>1)</sup> | 13.1%               | 10-13%<br>in coming years  |
| <b>C/I ratio</b>              | 63.6% | 61.8% | 60.1% <sup>1)</sup> | 55.3% <sup>2)</sup> | 56-60%<br>2017             |
| <b>CET1 ratio</b>             | 13.9% | 15.5% | 17.7%               | 18.6%               | 11.5-13.5%<br>fully loaded |
| <b>Dividend pay-out ratio</b> | 30%   | 40%   | 50%                 | 60% <sup>3)</sup>   | 50%<br>2017                |

## ABN AMRO share price since IPO



1) Excluding the gain on PB Asia sale, the ROE was 13.4% and C/I was 61.2%

2) Cost/Income in the 4<sup>th</sup> quarter will be higher due to regulatory levies, among other things

3) Dividend accrual YTD of 60%; final decision in FY results.

# Strategic steps taken to further improve profile and profitability

## New and decisive management team in place

### **Sharpened C/I ratio to 56-58% by 2020**

Nominal cost level 2020 lower than 2015

### **Continued IT Transformation and digitalisation**

Strong digital offering. 65% of retail sales digital  
Peer-to-peer app Tikkie with close to 5 million users

### **Strategic focus Private Bank**

Scalable franchise with strong local brands in core countries in NW Europe

### **CIB Update**

Reduction of RWAs from 39 bn to 34 bn to improve ROE above 10% by 2021

### **Focus on sustainability**

Real Estate portfolio to average energy label 'A' in 2030, sustainable investments as the norm and becoming a partner of choice to support clients in a circular business model



# Purpose-led organisation to benefit all stakeholders

## Societal and banking trends

### Continuously changing expectations

- New technology
- Increasing regulation
- Safety and security

### Unbundling of value chains

- Digital ecosystems and partnerships
- Disintermediation
- Open Banking

### Megatrends

- Climate change
- Sharing economy
- Ageing population



## Stakeholder expectations

### Clients

- Effortless customer experience
- Proactive and relevant advice
- Safe, stable banking services

### Investors

- Attractive returns
- High capital return
- A responsible investment proposition

### Employees

- Purpose-led and values-driven culture
- Improving the employee journey

### Society

- Integrate societal impact in decisions
- Accelerate the sustainability shift

# Three pillars to help us live our purpose throughout the bank

Build on three pillars to the benefit of all our stakeholders: clients, employees, investors and society



## Sustainability



- Clear business opportunity
- Engage with clients to support the transition to sustainable business model
- Maintain strong DJSI score
- Lead by example



## Customer experience

- Treasuring the customer relationship
- Customer-focused and data-driven
- Effortless and recognizable customer experience
- Partner to deliver better services and extend to adjacent industries



## Future-proof bank

- Purpose-led and values-driven culture
- Product and process rationalisation and optimisation
- Continued I&T improvements guided by business needs
- Improving the employee journey

# Continued focus on strong digital proposition of Retail Banking

## Key features

- Focus on Dutch, mass affluent clients
- 5 million clients, primary bank for 20% of Dutch population
- Strong digital focus: >1 billion annual client contacts
- Short-term revenue pressure due to continued low interest rates
- Efficiency drives stable and strong ROE of 33%<sup>1)</sup> YTD

## Committed to

- Building on proven track record for delivery and address short term revenue pressure
- Delivering differentiating customer experiences by enhancing our core offering and a continued focus on the shift to digital
- Maintaining our forefront position in innovation to increase customer loyalty and monetise our strong customer interface



'D' → 'A'

Average energy level by 2030 in the  
**EUR 150bn** residential real estate portfolio



37% → 65%

Share of digital sales  
(2016-2018)



250 → 135

branches  
(2016-2018)

1) Based on 13.5% CET1

# Scalable Private Bank in NW Europe with growth potential

## Key features

- Focus on onshore North West Europe
- Managing EUR 195bn of client assets
- Focus on Private Wealth Management, Entrepreneurs & Enterprise and LifeCycle segments
- Clear market leader in NL, number 3 and 5 positions in Germany and France
- ROE of 23%<sup>1)</sup> YTD

## Committed to

- Continued focus on North West Europe, pursuing organic and inorganic growth
- Further harmonise and digitise, achieving a C/I ratio <70% by 2021
- Offer our clients sustainable investments as a standard



80%

Of new clients opt for sustainable investments in NL



81%<sub>NL</sub> 56%<sub>DE</sub> 42%<sub>FR</sub>

Clients using online solutions (August 2018)



5 → 2

One platform in NL and one shared platform in all other locations (2017-2021)

1) Based on 13.5% CET1



# Growth through sustainable revenues in Commercial Banking

## Key features

- 365,000 small-mid sized Dutch clients
- Primary bank for 25% of Dutch enterprises
- Strong economy supports good ROE of 15%<sup>1)</sup> YTD
- Sector knowledge as a clear differentiator

## Committed to

- Service the Dutch SME market guided by client intimacy where it matters and efficiency everywhere else
- Drive the sustainable agenda to accelerate the sustainability shift, which contributes to society and our financial performance
- Grow our top line profitably and manage cost effectively



EUR 1bn

Circular assets and 100 circular deals by 2020



85%

Of all contacts are initiated digitally by 2022<sup>2)</sup>



50%

Product reduction in 2020

1) Based on 13.5% CET1

2) For enterprises with a yearly turnover below EUR 2.5 million

# RWA reduction in CIB to increase profitability to at least 10%

## Key features

- 3,000 large corporate and financial clients in North West Europe and specific global sectors
- Leading domestic franchise, established positions in selected global sectors
- Sector knowledge leveraged to neighbouring countries
- Strategic update to deliver ROE of at least 10% (YTD 9.4%<sup>1)</sup>)

## Committed to

- Sustainable relationships with multi-product clients in profitable sectors
- Reducing RWA, lowering cost, and strict discipline in capital allocation
- Delivering >10% ROE targets in 2021 under Basel III and transform as preparation for Basel IV



EUR 8bn

Advisor on 12 deals Green bonds  
in 2018 YTD



>60%

of global clients are multi-product  
by 2020



10%

ROE by  
2021

1) Based on 13.5% CET1

# Flattish loan book in 2019-2020, opportunities in medium term

## Disciplined delivery

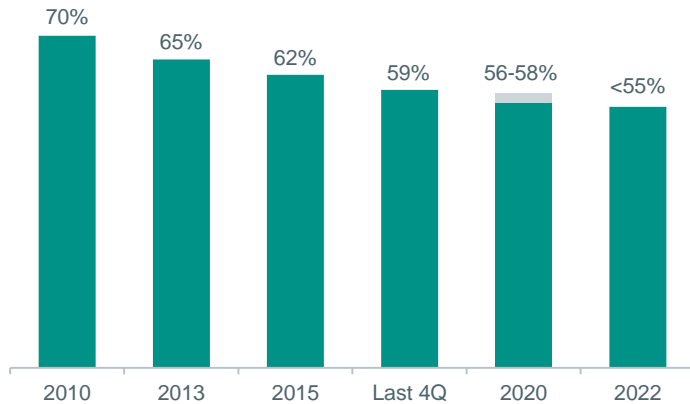
- Loan book expectation flattish for 2019-2020 due to interest rate environment and disciplined margin behaviour, however at high ROE and CET1 levels
- After 2020 moderate growth of 1-3% of the loan book is expected
- Stable fees in short term; thereafter modest pickup from growth initiatives, reflecting new services & business models, and from partnerships
- Strengthen return on capital through originate-to-distribute opportunities

## Seize bolt-on opportunities for inorganic growth

- ✓ Bolt-on
- ✓ Not transformational
- ✓ Within ROE hurdle in reasonable timeframe
- ✓ Manageable by local management
- ✓ Maintain capital position

# Delivering on cost savings whilst investing in growth and digital

## Cost measures to ensure continued C/I improvements



## Disciplined delivery

- Cumulative cost savings of EUR 640m delivered at the end of Q3 2018
- Internal and external FTEs to decline by 14% by 2020 (vs. YE2015); actual FTEs down by 12.4% vs. YE2015
- Further cost savings expected from digitalisation & process optimisation, TOPS2020 & retail digitalisation and support & control activities
- Well on track to meet 56-58% in 2020
- C/I target sharpened to <55%<sup>1)</sup> for 2022
- Increase IT cost efficiency
- Further product and process rationalisation and improvement across business lines and support functions

1) Based on assumptions of ABN AMRO group economics, incl on GDP, interest rates and the mortgage market

# Strong capital position, well positioned for a dividend pay-out >50%

- With Basel III CET1 ratio of 18.6%, well positioned for Basel IV
- Our Basel III CET1 improved from 17.7% to 18.6% YTD 2018, while Basel IV CET 1 remained more or less stable at c.13%, before mitigations, as Basel IV inflation increased from 35% to 43%
- Mitigating actions lower Basel IV inflation from 43% to 35%. We expect to maintain our capital target range in 2019 at 17.5%-18.5% (subject to SREP)
- EU-wide stress test confirms resilience in adverse economic scenarios
- Leverage ratio a constraint in 2018, less so in later years
  - Possible legal merger Bank and Group: c.0.2%
  - SA-CCR (Clearing) expected by 2021 at the latest: c.0.5%
- YTD 2018 60% of profit accrued for dividend, final decision with FY result, subject to SREP
- Strong ROE and moderate RWA growth create further room for a dividend pay-out clearly above 50% in later years

# Financial targets

|                               | 2017                | 2018 YTD            | Targets  |
|-------------------------------|---------------------|---------------------|--|
| <b>ROE</b>                    | 14.5% <sup>1)</sup> | 13.1%               | 10-13%   |
| <b>C/I ratio</b>              | 60.1% <sup>1)</sup> | 55.3% <sup>2)</sup> | 56-58% by 2020<br><b>&lt;55%<sup>3)</sup> by 2022</b>                    |
| <b>CET1 ratio</b>             | 17.7%               | 18.6%               | 17.5-18.5% <sup>4)</sup><br><b>2019</b>                                  |
| <b>Dividend pay-out ratio</b> | 50%                 | 60% <sup>5)</sup>   | Additional distributions above 50% of sustainable profit <sup>4,6)</sup> |

1) Excluding the gain on PB Asia sale, the ROE was 13.4% and C/I was 61.2%

2) Cost/Income in the 4<sup>th</sup> quarter will be higher due to regulatory levies, among other things

3) Based on assumptions of ABN AMRO group economics, incl on GDP, interest rates and the mortgage market

4) Additional distributions will be considered when capital is within or above the target range, and are subject to other circumstances, including regulatory and commercial considerations. Capital target range to be reviewed annually

5) Dividend accrual YTD of 60%; final decision in with FY results

6) Sustainable profit attributable to shareholders excludes exceptional items that significantly distort profitability; examples from the past would have been the PB Asia divestment (2017) and the provision for SME derivatives (2016)

# Responsible investment choice with high returns

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- Domestic champion in Retail, Private, Commercial and Corporate Banking in digitally-savvy and strong Dutch market
- Making a positive impact in a profitable way by accelerating the sustainability shift of our clients
- Treasuring the customer relationship increasingly working with partners
- Demonstrated delivery on cost savings, with Innovation & Technology as a critical enabler for efficiency
- Moderate risk profile based on discipline, strong capitalisation and a clean balance sheet
- Delivering attractive returns with high capital return
- Decisive and agile management team

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