

ABN AMRO Investor Day

# Accelerate to the future

**Innovation & Technology | Christian Bornfeld**

16 November 2018

# We are committed to

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- Modernising our IT landscape without large-scale re-platforming; competitive digital offering and solid roadmap in place
- Reducing the IT spend while increasing competitiveness; further simplification of IT landscape and adjustments to delivery model as key levers for efficiency
- Evolving client offerings by reinventing client journeys and further leveraging partnerships

# Two strategic pillars strongly tied to innovation and technology



## Build a future-proof bank

- Sustain a high level of employee engagement
- Develop, attract and retain key skills in areas like sustainability, innovation, digitalisation and analytics
- Continue consolidation, rationalisation and digitalisation of products, processes and platforms
- Strengthen data management capabilities as enabler for regulatory agenda and client offerings
- Increase cost and capital efficiency as well as agility and learning in order to reduce time-to-market
- Evolve our partnership, vendor and utility landscape to reflect the future industry dynamics

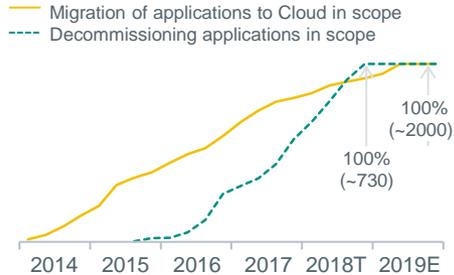


## Reinvent the customer experience

- Extend our lead in digital advisory and sales
- Enhance the customer experience – anytime, anywhere on any device
- Leverage advanced analytics and AI to increase relevance and proactivity in customer experience
- Innovate and enable new business models that extend beyond traditional banking
- Address opportunities and threats associated with Open Banking
- Retain the trust of clients through continued focus on cyber security and privacy

# Solid base for reaching our ambitions

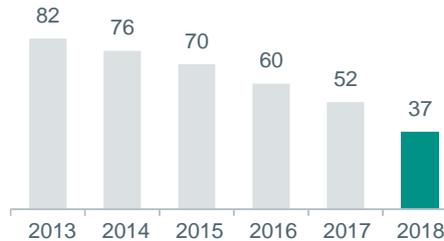
## Modernised IT platform



- Large-scale decommissioning and re-platforming achieved
- Agile way of working adopted for all change activities
- No large-scale core system replacement needed; step-wise rejuvenation plan established

## Digital focus

# m. paper documents sent to customers



- 55% reduction in paper documents sent to customers over 6 years
- Strong digital offering in the retail market with award winning apps, e.g. Tikkie and Grip
- Digitalisation roadmap in place for Commercial and Private Banking

## Innovation enablers



- Key building blocks in place: Group Innovation, Digital Impact Fund, developer portal and partnerships
- Strong innovation culture and knowledge on key technologies like: AI, Block chain and Cloud
- Multiple learnings from our own challenger banks



# Multiple levers to improve focus and IT cost efficiency

## Historic distribution of IT spend

Full-year IT costs avg. 2015-2017



- Share of IT spend for change activities historically higher than peers
- Maintained flat IT run spend since 2015 despite strong increase of transaction volumes
- IT change spend is not capitalised which gives us more flexibility to adjust our IT spend as amortisation is limited

## Key levers to increase focus and IT cost efficiency

### Demand: Consolidate and focus

- Adopt shared platforms across business lines, geographies and subsidiaries
- Further rationalise IT application landscape based on focussed client value propositions
- Reduce IT investment in non-strategic areas

### Productivity: Automation and shift to cloud

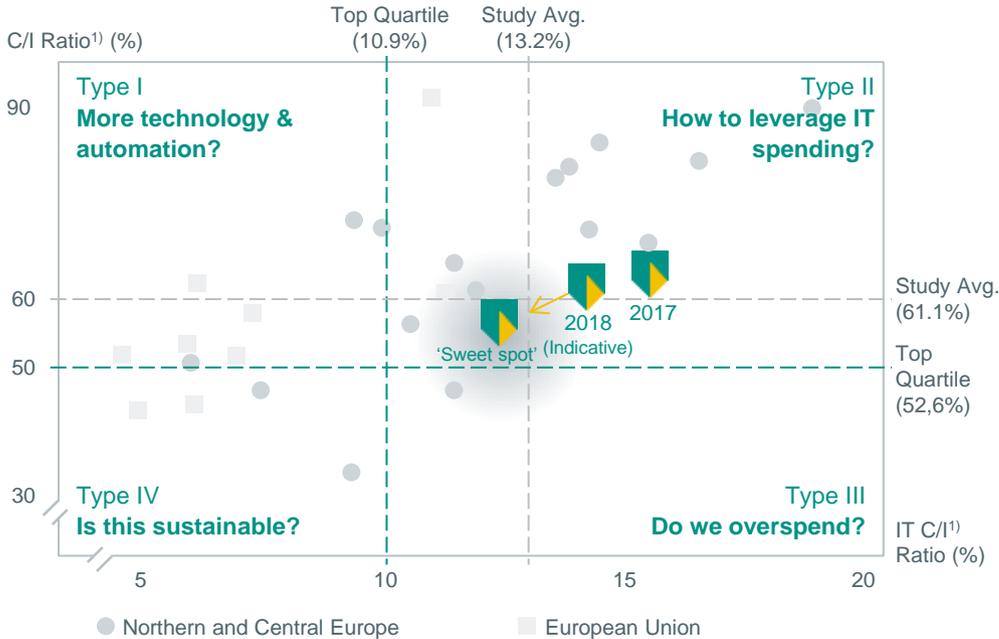
- From Agile to DevOps with integrated teams and a higher degree of automation
- Continue the shift to a hybrid cloud delivery model for IT applications
- Optimise our off-shore delivery model

### Supply: Standardise and right-source

- Standardised technology platforms and tools
- Evolve partnerships to reflect cloud computing
- Consolidate and optimise vendor landscape



# Reducing IT spend while remaining fit for the future



## Right-sizing the IT spend

- Continuously manage the balance of efficient and sufficient IT investments
- IT is a critical enabler in decreasing the overall cost/income ratio
- IT spend as share of income will decrease over the coming years
- Decrease is enabled by delivering required capacity for less spend, combined with increased focus
- Clear prioritisation in delivery of regulatory and strategic priorities

European IT Benchmarking in Banking (EITBB) 2017. C/I Ratio: operating expenses as a percentage of operating income. IT C/I Ratio: operating IT expenses as a percentage of operating income



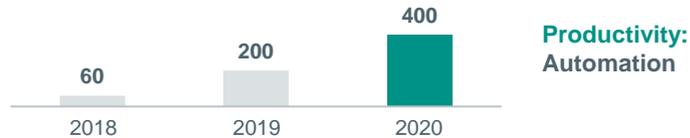
# Achieving our ambitions by moving to the sweet spot

## Leading indicators

Reduction in number of applications since 2014 (accumulated)



Number of teams with DevOps capabilities



Cloud delivery models split (%)

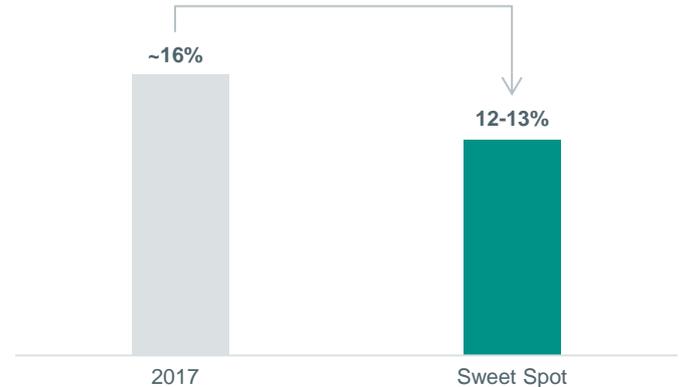


IT C/I Ratio: IT expenses as a percentage of operating income

Including SaaS applications

## IT C/I Ratio 'sweet spot' of 12-13%

IT C/I Ratio<sup>1</sup> in %



- Focused effort over several years provides good starting point
- Ambition to hit 'sweet spot' by gradually reducing IT spend as share of operating income
- Next steps in IT rejuvenation will be conducted step-wise through multiple levers



# Two parallel approaches to reinvent the customer experience

## Extend our strong position step-by-step

- Sharpen value proposition for key client segments, allowing us to reduce complexity
- Reduce client hassle by removing the need for paper and physical signatures
- Decrease processing time and increase conversion rates on key processes
- Further improve client access through digital channels, e.g. video meetings and chatbots
- Establish a proactive dialogue based on predictive data models

### Common capabilities (examples)

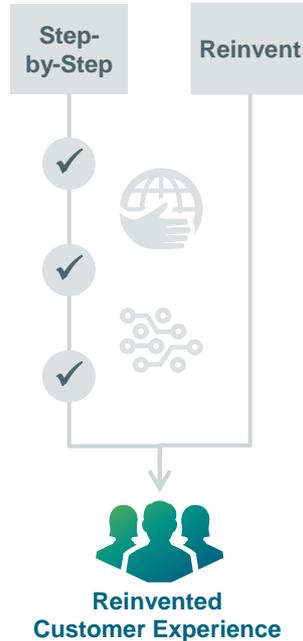
Online On-boarding	Users & clients	Digital identity
Voice of client & analytics	Video & chat	Track & trace

## Create new offerings and experiences

- 'Zoom out' to identify key customer experience points and new business opportunities
- Establish new partnerships both within and outside the financial sector
- Address the threats and opportunities related to Open Banking by providing APIs
- Develop challenger propositions to experiment with brand-neutral offerings
- Engage with regulators to ensure alignment and level playing field in new types of offerings

### Key focus areas (examples)

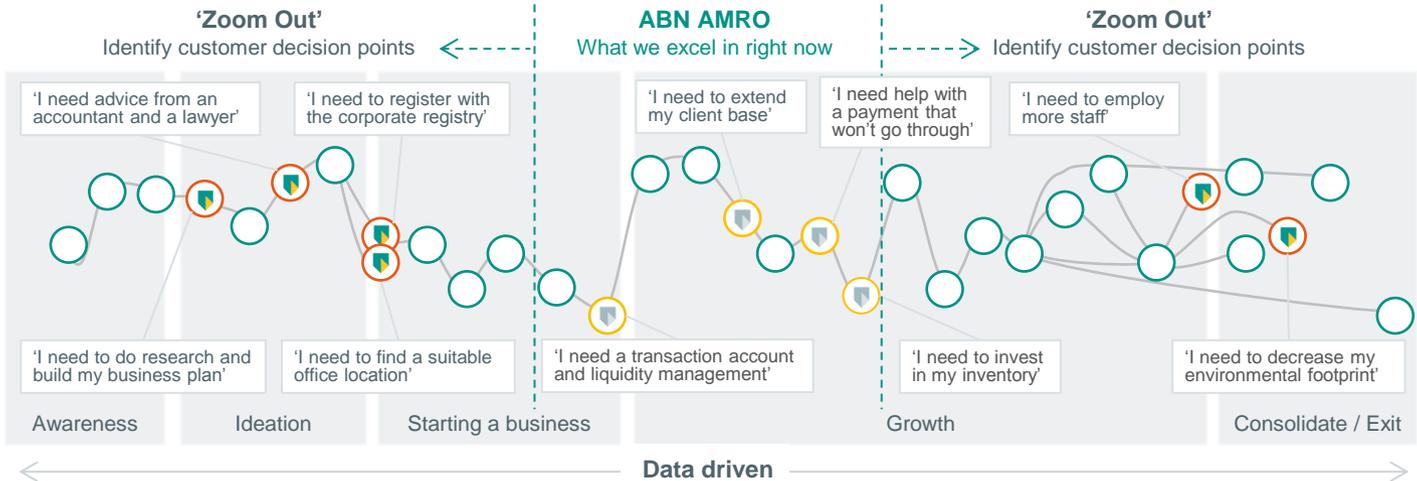
Energy transition	Urbanisation & future of work	Ownership, access, usage
Privacy & trust	AI	Block chain



# Extending into new client journeys

## Realising my entrepreneurial dream<sup>1)</sup>

○ Customer action    ◡ Touchpoint with AAB    ◡ Client opportunity AAB



### Two-pronged approach

- 1) Step-by-step approach to extend our position in the areas in which we currently excel
- 2) Extending into new offerings and experiences

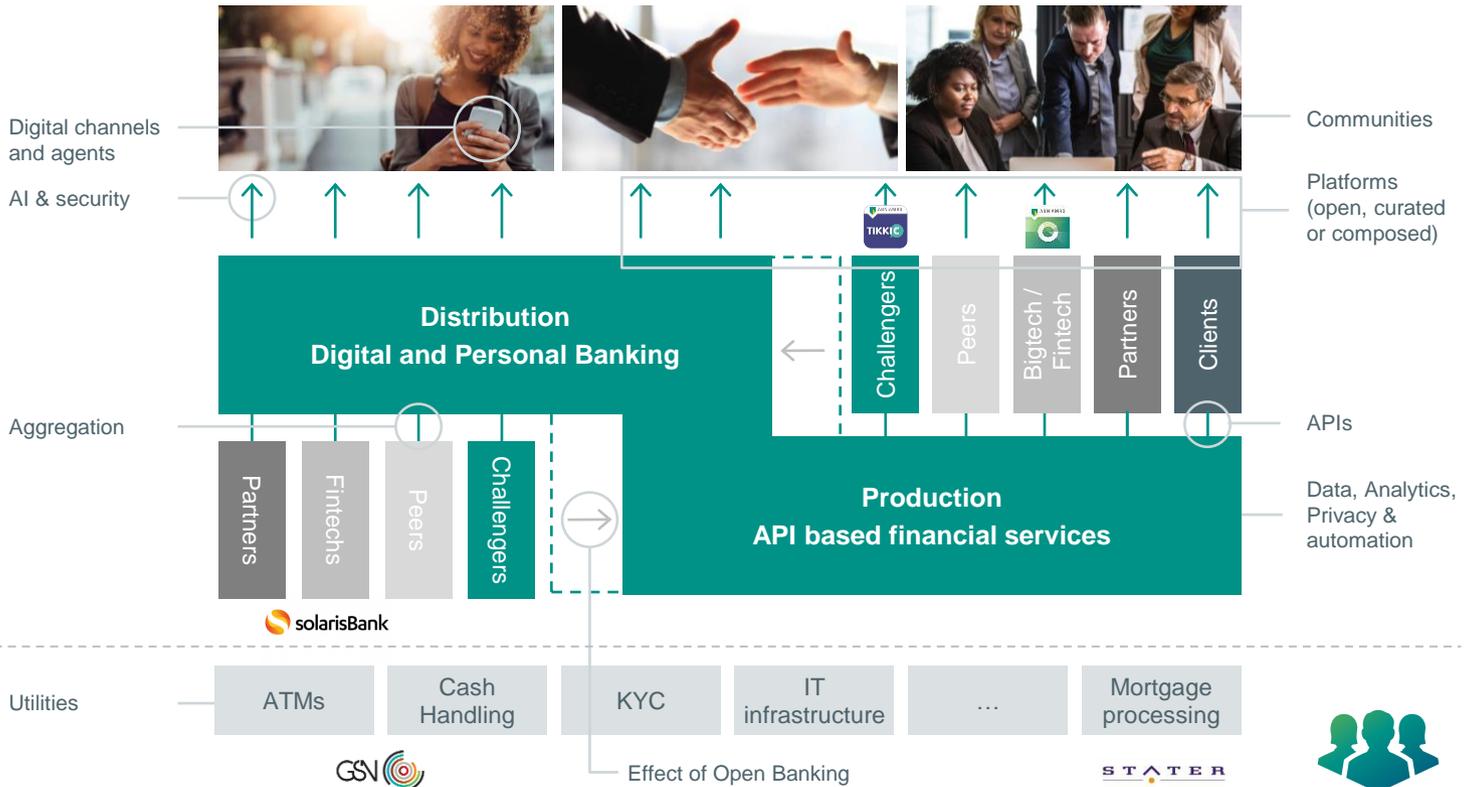
### Current initiatives

- Selected set of customer journeys is being mapped with a broad sample of clients within focus segments
- Multiple partnerships being explored to unlock business potential in line with strategic identity

Simplified example



# Leveraging on partners



# Learning by experimenting with challenger banks and impact fund

## ABN AMRO challenger banks



## Complemented by Digital Impact Fund investments



## Key learnings

- A new proposition can be built and brought to market in less than a year
- Agile practices combined with DevOps capabilities, cloud technologies and Fintech solutions is highly efficient
- Both proposition and timing need to be right
- Client acquisition is expensive and association with a trusted brand like ABN AMRO is key
- Scale-up of operational processes as well as risk and compliance functions is expensive in a stand-alone setup

## Extracting value from challenger banks

- New stand-alone propositions complement or replace part of the ABN AMRO offering
- Scale-up by redeploying solution under the main ABN AMRO brand
- Continuously evolve the challenger set-up to ensure return on investment



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