Customer experience, our key priority

Retail Banking | Frans van der Horst
16 November 2018
We are committed to

Continuing to focus on the customer experience

- Building on proven track record for delivery and addressing 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
Client-driven and digital-focused business model

**Leading retail bank in the Netherlands**
- Primary bank for ~20% of Dutch population
- Strong presence in urban areas

**Solid revenue contributor**
- Strong position in core products
- Tailored approach to address changing client behaviour

**Strong and highly digital customer interface**
- > 1 billion annual customer contacts
- > 7 million apps downloaded

**Omni-channel distribution model**
- Strong remote advisory capabilities
- Top-class digital offering

Stable base of 5 million customers
Short-term revenue pressure due to continued low interest rates

Revenue model Retail Banking
Relative high dependency on net interest income

Three products drive majority of revenue base
- Revenues per product, in descending order
  1) Mortgages
  2) Savings
  3) Lending
  4) Payments
  5) Investments
  6) Insurances

Current developments
Fierce price competition pressures market share ABN AMRO

Main deposit rate at 3bps, little or no room to lower further

FTP deposits
Main savings rate

Deposit margins depend on rate developments

Source: Land registry
Focus on customer experience to address revenue pressure

**Client-oriented offering**
- Expanding our involvement in broader ecosystems and client journeys outside our own
- Aligning core offering with changed client behaviour and expectations to strengthen revenue base
  - off-balance models in mortgages
  - optimising funnel management in consumer lending
  - enhancing insurance and investment offerings to drive fees

**Digital first**
- Continued focus on digital first to improve customer experience and drive efficiency
  - digitising all relevant core processes and customer journeys and assisting our clients’ shift to digital
  - leveraging next generation tooling like video banking to get closer to our clients and increase flexibility

**Valuable customer interface**
- Leveraging relevant customer touchpoints to strengthen engagement and develop new sources of income
  - driving customer relevancy and loyalty
  - expanding presence in our clients’ context post PSD2
  - exploring different roles and revenue models
Address changing client behaviour in mortgages

Adapting to changed client behaviour in mortgages

<table>
<thead>
<tr>
<th></th>
<th>Current portfolio</th>
<th>New market production</th>
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</thead>
<tbody>
<tr>
<td>Variable /7 years</td>
<td>17% 5%</td>
<td>53% 39% 29% 43%</td>
</tr>
<tr>
<td>10+/12</td>
<td>1% 0%</td>
<td>1% 13% 1%</td>
</tr>
<tr>
<td>15+/20</td>
<td></td>
<td>release home equity</td>
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<td>25+/30</td>
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Tailoring our approach

Align our offering and distribution approach with client expectations and behaviour

- Highly digital service model (e.g. video banking)
- Introducing instant offering and pre-offering
- Target specific niches (e.g. self-employed, 56+) with adjusted product conditions
- Prevent ‘leavers’ with advanced analytics (e.g. predictive analysis)

Introducing off-balance options

- Longer-term mortgages capture increasing share of the market
- Initiate intermediation model (off-balance production) in markets we currently do not serve; e.g. 25/30 years market
- Increase revenues by meeting client preference shift towards 30 year fixed interest rate periods
Improving consumer lending journey

Consumer lending portfolio

<table>
<thead>
<tr>
<th>Year</th>
<th>Current performance</th>
<th>Improvement potential</th>
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</thead>
<tbody>
<tr>
<td>2017</td>
<td>5 EUR bn.</td>
<td></td>
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<tr>
<td>2018</td>
<td>6 EUR bn.</td>
<td></td>
</tr>
<tr>
<td>2019 E</td>
<td>7 EUR bn.</td>
<td>+10-15%</td>
</tr>
<tr>
<td>2020 E</td>
<td>8 EUR bn.</td>
<td>+25%</td>
</tr>
<tr>
<td>2021E</td>
<td>6 EUR bn.</td>
<td>+10-15%</td>
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Improvement potential through funnel optimisation

- **Credit application**: +10-15%
- **Credit approval**: +25%
- **Credit pay-out**: +10-15%

Multiple drivers underlying decline in portfolio volume

- Favourable economic conditions reduce clients’ need for consumer lending
- Low interest rate environment encourages redemption of loans
- Proactively approaching customers with interest-only credits from a duty of care perspective

Reduce leakage in each step of personal loan funnel

- Enhance digital process flow in personal loans
- Offer easier access to human assistance and advice

Tailored approach to target interesting niches

- Enhanced offering for ‘buy-to-let’ market and ‘Medical professions’ segment

1) Excluding consumer lending portfolio Private Banking
Growing fee income through investments and insurances

**Investments: targeting 30,000 new customers in 2019**
- Number of investing households expected to continue to grow to over 2 million investing households by 2021

- Activate existing customer base by pro-actively providing insights on relevant themes through launching ‘theme investing’ app
- Attract new investing customers through
  - Enhanced offering and more competitive pricing of ‘execution only’ proposition
  - Launch new investment app – leveraging Prospery architecture – targeting younger customers and prospects to start investing at a low threshold

**Insurances: increasing level of penetration**
- Current level of penetration emphasises growth potential
- Enhancing complete insurance assortment to realise seamless journeys in line with client expectations
  - Improving digital request funnels car insurance and liability insurance
  - Integrating home-related insurances in mortgage sales processes
  - Expanding distribution strategy for term life insurances with intermediary channel
- Initial focus on car insurances, with already promising results

**Premium inflow car insurances (in m.)**

Source: Kantar – TNS Retail Investor
Continued focus on digital first to improve customer experience and drive efficiency

Share of digital continues to rise

% of digital in sales and services

<table>
<thead>
<tr>
<th>Year</th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>E 2019</th>
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<tr>
<td>%</td>
<td>31%</td>
<td>34%</td>
<td>37%</td>
<td>50%</td>
<td>65%</td>
<td>70%</td>
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High level of customer satisfaction

% of 9+ experience digital channels

- Internet banking
- Mobile banking

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<tr>
<th>Year</th>
<th>2011</th>
<th>YTD2018</th>
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<tr>
<td></td>
<td>50%</td>
<td>70%</td>
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Consolidation of branch network

# of branches

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<tr>
<td>#</td>
<td>469</td>
<td>412</td>
<td>366</td>
<td>303</td>
<td>260</td>
<td>221</td>
<td>202</td>
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Success of digital strategy emphasised by several use cases

- Frontrunner in Video banking (‘Beeldbankieren’)
  - Reduces necessity for a geographical footprint
  - Clients value remote contact even higher than face-to-face contact
- Continued focus on digitising our core, resulting in most advanced mobile banking app in the Netherlands
- Redesign branches to assist-to-digital
- Leveraging next generation tooling (e.g. chatbot, speech analytics) for better and more efficient client interactions
Increase loyalty and relevance

Contactless payment with watch or ring

Overview and insight into income and expenditure

Peer-to-peer payments

Unique lending opportunities with Tweadle

Resulting in strong growth of our mobile footprint

- Multiple apps in place rather than one app with too many functionalities as part of our constellation strategy
- > 7 million apps downloaded
- 63% of Tikkie users are non ABN AMRO clients
- Grip substantial growth potential after multi-bank aggregation
Generating insight, creating pro-active customer interactions

- Combining data from different apps to truly understand our clients
- Aggregation (multi-banking) to further increase value and functionalities

Multiple possible models to monetise value

- Search for strategic partnerships with corporates
- Smart connecting of data and insights across apps
- Explore different revenue models (e.g. kick-back revenue models)
Well positioned to explore platform-oriented revenue models

Well positioned to explore different roles and models

- API Developer platform to explore opportunities & connect with developers, Beyond Banking Days to identify concepts
- Expand our role and become involved in broader ecosystems and customer journeys
- Combining service with partners to deliver a broad value proposition
- Multiple capabilities and solutions in place that can be leveraged through APIs
  - **Tikkie** has potential as a B2B2C payments solution, multiple third-party solutions being developed and validated
  - **Tweedle** has future potential as lending API to distribute capabilities to strategic suppliers
  - **Grip** has potential in digitalising our advisory capabilities

Tikkie’s success proves platform potential

Introduced as an innovative person-2-person payment solution
Tikkie has attracted a strong user base

Close to 5m users and still growing by 250k users a month

Expanding product suite with business solution to attach businesses to Tikkie and generate transaction based fees

Strong growth in number of fee-generating Tikkies

With a growing base of users and businesses, Tikkie is well positioned to explore platform-based revenue models (e.g. monetise interactions between merchants and consumers)
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