# AFS Dividend Review Week 39, 2019

## The Week Ahead

**Ex-dividend dates:**
No ex-dividends in the EuroStoxx50, AEX and CAC40 indices this week.

**Events:**
1 October: Deutsche Post capital markets day
3 October: Thales capital markets day

## Confirmed Dividends

**BANCO SANTANDER –** will pay out an interim dividend of EUR 0.10 per share with 30 October as ex-dividend date.

**PERNOD RICARD –** will pay out a final dividend of EUR 1.94 per share with 25 November as ex-dividend date.

**THALES –** will pay out an interim dividend of EUR 0.60 per share with 3 December as ex-dividend date.

## EuroStoxx50 News

**[24 September] TOTAL –** now plans to raise its dividend by 5% to 6% a year on the back of higher cash flow, while it earlier intended to raise its dividend by 3% a year. As a result, Total will already raise its third quarter dividend to EUR 0.68 per share, which has 30 March 2020 as ex-dividend date. CEO Patrick Pouyanné added that the total dividend over 2019 will increase by 4.7% from the EUR 2.56 per share over 2018, which implies a fourth quarter dividend of EUR 0.68 per share too. Total will also continue repurchasing shares after 2020 if the Brent crude oil price is above USD 60 per barrel. The oil major still has USD 2 billion of its USD 5 billion buyback program reserved for 2020.

An annual dividend increase of up to 6% implies quarterly dividends of EUR 0.71 per share over 2020 and EUR 0.75 per share over 2021. These estimates lead to levels of EUR 2.73, EUR 2.88 and EUR 3.04 in the 2020, 2021 and 2022 dividend futures, respectively. These dividend futures last traded at EUR 2.68, EUR 2.60 and EUR 2.68, respectively.

**[25 September] BANCO SANTANDER –** took a EUR 1.5 billion goodwill impairment as it's negatively impacted by new ring-fencing rules at its UK business. The impairment won't impact Santander's CET1 ratio and underlying profit as said charges are excluded from these metrics. It thus won't have a negative impact on the bank's dividend either. Banco Santander repeated that it will pay out between 40% and 50% of underlying attributable profit as dividend over 2019, with the cash part at least equal to last year's EUR 0.195 per share. This thus points to a 2019 final dividend of at least EUR 0.10 per share if it's fully paid in cash. Santander's CEO Jose Antonio Alvarez said earlier this year that the bank still has the option to pay part of the dividend in scrip, which opens up the possibility of a final dividend supplemented with a small scrip payment.

## AEX News

**[26 September] ABN AMRO –** The Dutch public prosecutor has started a criminal investigation into ABN AMRO as it suspects the bank of breaching anti-money laundering and terrorism financing laws. ABN AMRO is suspected of not notifying unusual transactions, insufficient or no client due diligence and not having timely parted with clients. The bank set aside EUR 114 million last quarter to improve customer due diligence and mentioned that it could be subject to fines on the matter.

ABN AMRO could face a similar fate as Dutch peer ING, which was fined EUR 775 million last year for facilitating money laundering between 2010 and 2016. However, ING's fine was mainly based on facilitating VimpelCom's multimillion bribery payments in Uzbekistan and other corporate money laundering cases, while it seems that the ABN AMRO probe is focused on retail accounts. Although hardly any details on the matter are known, ABN AMRO will likely face a fine in the hundreds of millions of euros. The prosecutor's investigation into ING lasted about two and a half years, which implies that there won't be any clarity on a potential ABN AMRO fine in the short term.

ABN AMRO's CET1 ratio was 18% at the end of Q2 – in the middle of the 17.5% to 18.5% target range – but this excluded the profits generated in the first half of the year. Every EUR 100 million increment of a future fine cuts the CET1 ratio by approximately 9 bps. A fine similar to ING's EUR 775 million would cut the CET1 ratio by 70 bps to 17.3%, just below the target range. ABN AMRO generates approximately 80 bps of capital a year after dividends, sufficient to keep the CET1 ratio within the target range by the end of this year after taking an ING-sized fine into account, barring any other regulatory headwinds.

ABN AMRO's dividend policy of paying out at least 50% of net profit isn't at risk based on the impact estimated above and the fact that the probe won't be concluded anytime soon. ABN AMRO said earlier that it wants to set aside a similar share of net profit for the dividend as last year's 62%. The EUR 0.60 per share interim dividend was equivalent to 50% of net profit in the first half of the year. Assuming net profit in the second half of 2019 equal to last year indicates to earnings per share of EUR 2.24 over 2019. A 60% payout ratio leads to a total dividend of approximately EUR 1.35 per share, implying a final dividend of EUR 0.75 per share.

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