


# One Bank, One UniCredit *Transform 2019*

**Commercial Banking Italy**

A. Casini – G. Ronca

London, 12 December 2017

Banking that matters. |  **UniCredit**

# Transformation of operating model fully on track

Strong commercial dynamics thanks to network revamp

Focus on multichannel client approach, leveraging on all interaction points

Improved customer focus with a lower cost structure

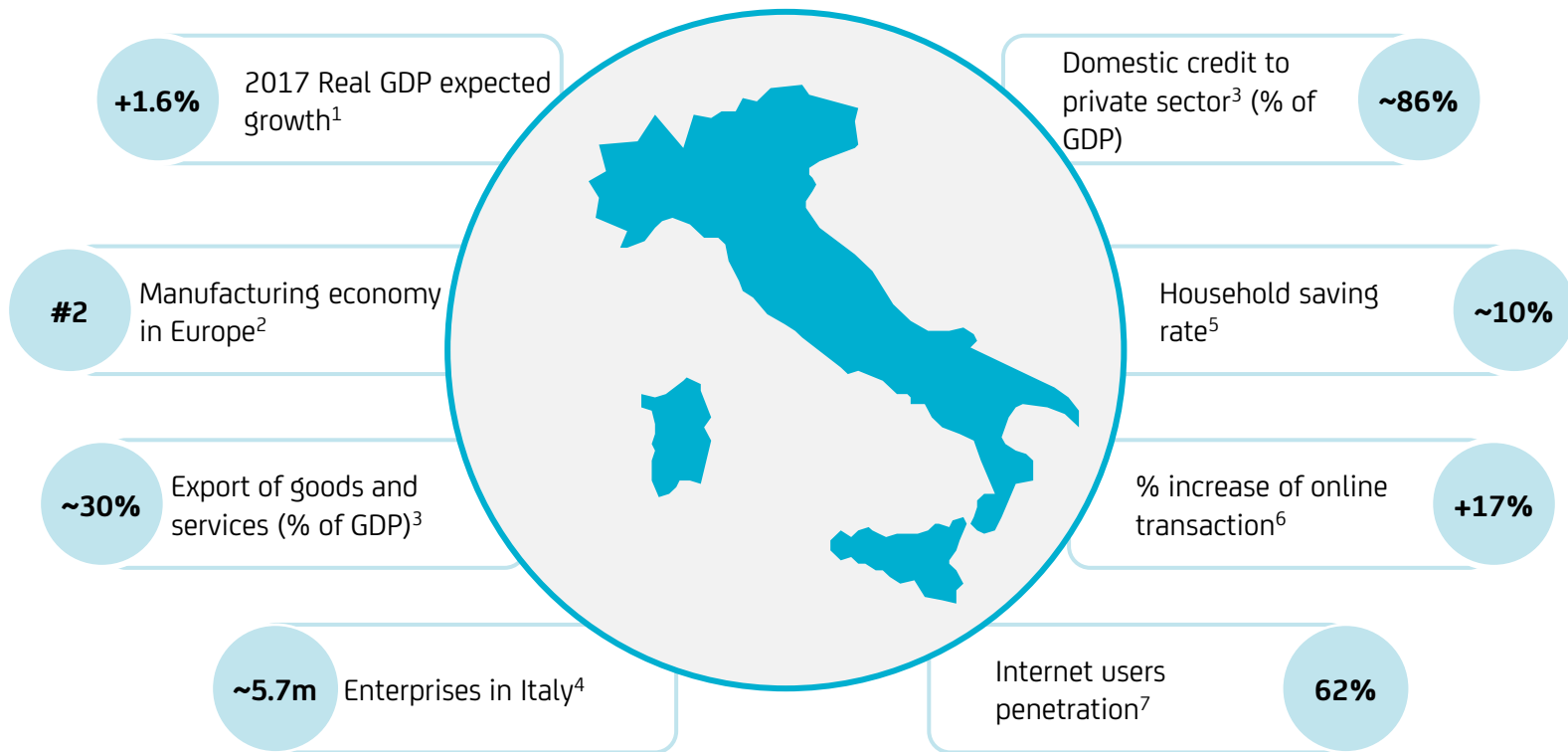
Strict risk discipline on new loan origination and tight risk monitoring

Transform 2019 fully on track, yielding tangible results



# Economic landscape

## Italy open for business



1. UCG Assumptions  
2. World Bank - Manufacturing GDP per capita  
3. World Bank  
4. Ce.Bi

5. ISTAT  
6. MIP/Osservatori.Net  
7. Audiweb powered by Nielsen



# Key business priorities and achievements

## Retail commercial performance mainly driven by productivity increase

### 2017 key highlights

#### Strengthen asset gathering

- Expanded product offer also thanks to the partnership Pioneer-Amundi<sup>1</sup>
- Growth in AUM and its share of TFA

#### Reaffirm leading position in Retail lending

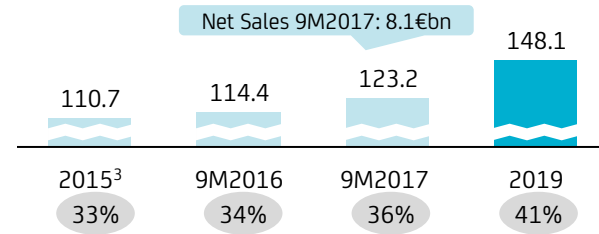
- Robust new production of Consumer Finance, improving the quality of origination
- Increased share of wallet in Small Business<sup>4</sup>
- Improving market share in residential mortgages new business<sup>6</sup> from 8.7% in Dec16 to 11.7% in Sep17

#### Productivity

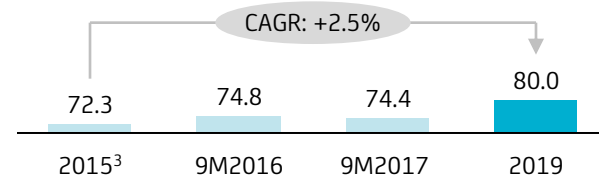
- Strong increase in FTE productivity, accelerating in 2017
- Productivity gains driven both by optimised salesforce and increase in total banking sales

### Evolution

AuM<sup>2</sup>,  
€bn



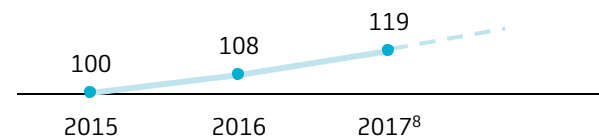
Retail loan stock,  
€bn



CF&SB<sup>5</sup>

CAGR 15-19: +5.8%

Sales per FTE<sup>7</sup>,  
Index



1. Including new products

2. Includes Retail, Corporate, Private, Wealth Management, CC local, Leasing and Factoring

3. Recasted data

4. Leveraging on pre-approved loans, new acquisition initiatives (jointly launched by Risk and Business divisions) and dedicated IT tools (e.g. CRM tool for Small Business)

5. Consumer Finance and Small Business. CAGR relates to stock.

6. Source: ABI

7. Ratio between number of Banking sales and FTE dedicated to sales activities. Banking sales are: current accounts, "Genius" cards, pre-paid cards, credit cards (Flexia), credit cards (Flexia) instalments and switch, overdrafts, personal loans, mortgages, "fast credit", enterprises loans, salary loans, saving & term deposit, AUM, insurance, P&C insurance, CPI, car insurance (new emissions and renewals), debit cards, POS, App Mobile and Online Banking

8. Figures relates to annualised data for 9M2017



# Key business priorities and achievements

## The new Corporate model delivering tangible results

### 2017 key highlights

#### Become go-to bank for customers

- Sustained new origination with consolidated risk discipline

#### Boost Cross-selling

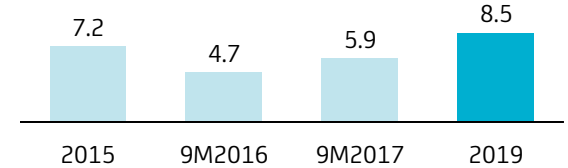
- CIB "fully plugged-in" (e.g., F&A, Joint Venture) and synergies between Retail, Private and Wealth Management
- Focus on cross-border business - new international accounts increased by 11% Y/Y<sup>2</sup>
- Coordinated commercial activities - increased pitch intensity, joint targeting, joint business meetings

#### Transform operating model

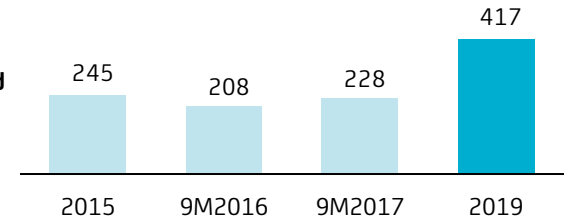
- Network specialisation (Corporate and Retail) coupled with organisation delayering (minus 1 layer)
- New clients segmentation in place

### Evolution

MLT new loans<sup>1</sup>, €bn



Revenues from F&A and JV<sup>3</sup>, €m



1. Corporate loans excluding leasing

2. As of November 2017

3. Includes revenues from structured financing, Markets, DCM, ECM, M&A



# Key business priorities and achievements

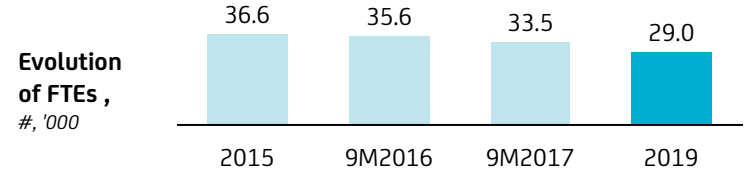
## Transformation of operating model fully on track

### 2017 key highlights

### Evolution

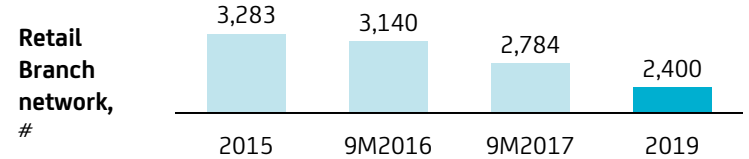
#### FTEs

- Reduction of FTEs ongoing:
  - Ca. 2,700 net exits in 2017<sup>1</sup> (o/w ca. 1,000 in 4Q17)
  - Ca. 4,000 net exits since 2015<sup>2</sup> (more than 50% of 2019 target)
  - FTE re-training program, moving staff from back office to front office roles and new junior hirings



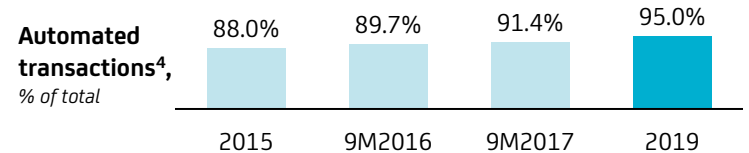
#### Sales channels

- Rationalisation 2017 completed:
  - 391 branch closures in 2017 (o/w 121 in 4Q17<sup>3</sup>)
  - Ca. 620 branch closures since 2015 (70% of 2019 target)



#### Day-to-day Banking

- Migration program 2017 on track:
  - Revised branch formats to increase automated transactions<sup>4</sup> on basic services
  - Reduction of in-branch transactions on track (-15% 9M/9M)



1. Exits are fully provisioned

2. Including approximately 1,000 exits in 4Q17




3. Already completed by the end of November 2017

4. Includes cash withdrawals, cash deposits and transfers



# Multichannel strategy

## Innovative redesign of branches

Branch formats	Description	2019 target # branches
<b>FULL SERVICE Branch</b> 	<b>Branches with 360° service:</b> <ul style="list-style-type: none"><li>All products and specialised advisory services</li><li>Transactions provided both by teller and advanced ATMs (<i>Casse Veloci</i>)</li></ul>	<b>1,600</b>
<b>SMART Branch</b> 	<b>Partially automated branches:</b> <ul style="list-style-type: none"><li>All products and simplified advisory services</li><li>Transactions provided by advanced ATMs (<i>Casse Veloci</i>), no teller available</li></ul>	<b>400</b>
<b>CASH-LESS Branch</b> 	<b>Fully automated branches:</b> <ul style="list-style-type: none"><li>Basic products and remote advisory services</li><li>Transactions provided by ATMs, no teller available</li></ul>	<b>400</b>

**Business Centre** 

**New centres fully dedicated to Small Business customers**

All products and services available

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Dedicated coverage for specific sector/customer segments

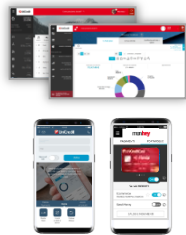


# Multichannel strategy

## Foster digital adoption

### Solid increase of internet & mobile users

- New Internet Banking, GIMB
- New Wallet solution for mobile payments



3M

2017<sup>1</sup> online banking user

+6%<sup>2</sup>

1.6M

2017<sup>1</sup> mobile banking user

+18%<sup>2</sup>



### New digital processes

- Digital signature
- SMS/token signature



38%

digitalised contracts (7,5 million contracts<sup>3</sup>) since launch in 2015



### Move to digital transactions

- Supported by branch automation
- Growing number of digitally enabled transactions



900

# of currently installed "Casse Veloci"<sup>4</sup>

2x

faster migration speed for branches with "Cassa Veloce"



Continuous improvement of seamless multichannel customer approach

1. Data as of September 30<sup>th</sup> 2017

2. Increase 9M2016 – 9M2017

3. Equal to 130 million of pages

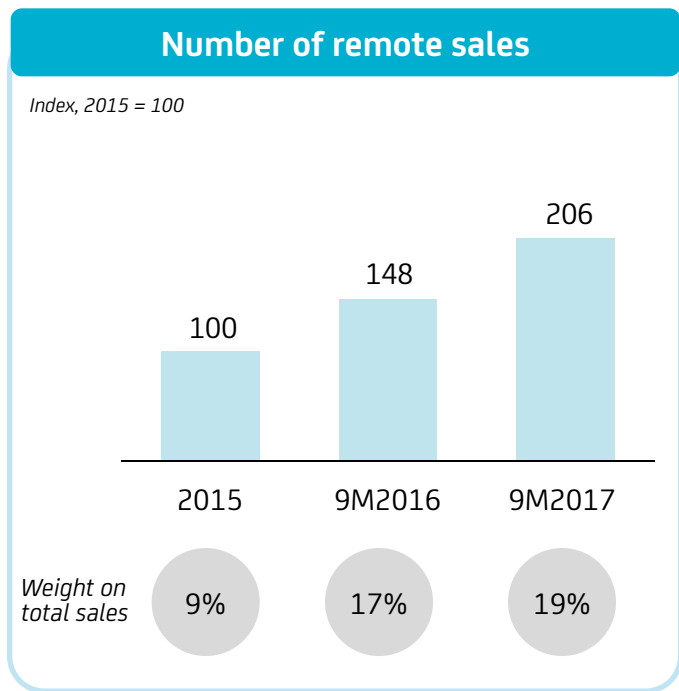
4. Data as of November 15<sup>th</sup> 2017





# Multichannel strategy

## Reinforcing leadership in remote sales



**Strong growth of remote sales**



**More products available on digital platform**



**+40%** Remote sales increase 9M/9M

**+34%** Pre-approved lending solutions 9M/9M

**+78%** Property & Casualty bancassurance products 9M/9M

**NEW** Pre-approved lending solutions on "credit revolution<sup>1</sup>" platform (5 product categories) for Retail customers

**NEW** Robo for Advisory process (leveraging on internal best practices)

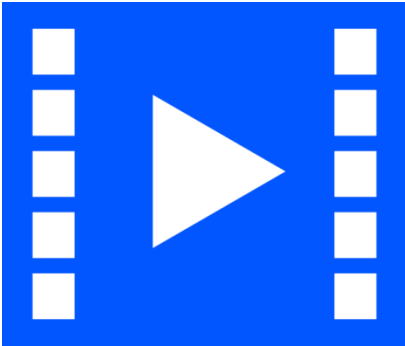
**NEW** SME loans offering, leveraging on credit revolution<sup>1</sup> approach (pre-approved credit)

1. Credit Revolution is a Program within Risk division mainly aiming at: a) simplifying credit process and products and b) rationalizing IT architecture and platforms.



# Video on Multichannel strategy

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# End-to-End Delivery Unit to optimise internal processes and enhance customer satisfaction

## E2E Delivery unit

Teams organised in "**rooms**", each focusing on a different product/ process

**Cross-functional** teams including Business, IT and other relevant Departments<sup>1</sup>

**Idea generation workshops** to merge business priorities and customer feedback

## Guiding principles



**Agile methodology**



**No-frills approach**



**Fast delivery**



**Open mindset**

## Expected benefits/goals

**>450 FTEs**

**Increased efficiency** – More than 450 FTE efficiencies in 2017

**3x**

**Speed to open a current account** – 3 times faster (thus improving satisfaction of customers)

**100%**

**Self Service for Credit Card** – Full remote card management on Internet and Mobile Banking 24/7



**Sustainability of solutions with specific focus on risk** – Increased number of automated risk controls for current account opening from 0 to 7

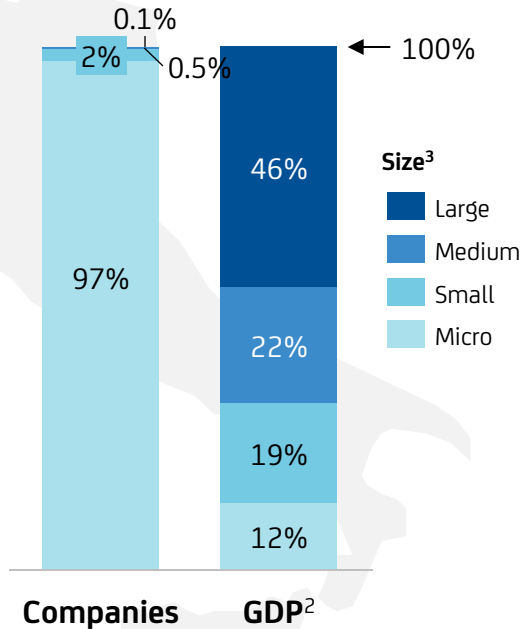
<sup>1</sup>. E.g. Risk, Legal, Compliance, Processes, HR



# SMEs as the backbone of the Italian ecosystem

## Italian non-financial enterprises

5.7 million enterprises<sup>1</sup>



1. Includes individual enterprises and VAT numbers  
2. Based on value added distribution

## Key client drivers

Internationalisation and access to foreign markets

Digital innovation and technology investments

Generational handover, "managerialisation",  
industry knowledge and networking

Access to Capital Markets: Equity/ Debt for growth acceleration

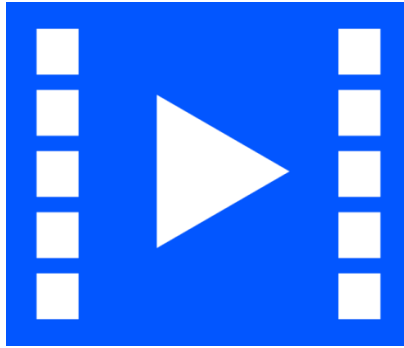
**Strong cross-selling potential within  
improving Italian economic scenario**

3. Based on the European Commission categorization, accounting for a combination of employee number, turnover and total assets –respectively: <10 and ≤2m or ≤2m for Micro, <50 and ≤10m or ≤10m for Small, <250 and ≤50m or ≤43m for Medium, ≥250 or >50m and >43m for Large  
Source: Ce.Bi. 2017, 2015 data, UniCredit analysis



# Video: Rainbow – an Italian growth story

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# New segments in place to enhance commercial targeting...

## New segments in place



Large

~ 1k Groups

>€350m turnover<sup>1</sup>



Top

~ 8k Groups

>€25m turnover<sup>2</sup>



Mid

~ 16k Groups

>€5m turnover<sup>3</sup>



Small  
Business<sup>4</sup>

~ 660k Clients

<€5m turnover

## Dedicated service models

- **CIB platform fully plugged-in** with competitive service model Cost/ Income
- **Commercial targeting** based on key client needs
- Modular approach by **industry, size and specific demands**
- **Simplified solutions** to match basic client needs
- **Digital platforms** and best practice sharing with Small Business
- Dedicated **Business Centers**
- **Remote advisory** for basic banking needs

## Industry verticals



Real  
Estate

~ 400 groups



Public  
Sector

~ 3k groups

1. Or local subsidiary of international clients

2. Or clients with complex needs based on actual and potential revenues, number of products, cross-border propensity and risk/return profile

3. Or clients with basic needs;

4. Small Business consolidated in Retail segment



# ... enabled by a new digital infrastructure

**B.link**

## The data ecosystem

- Digital workbench with advanced data analytics
- Commercial targeting for lead generation
- Integrated access to product platforms
- Mobile sales productivity and enhanced advisory
- Cross-border capabilities

**Real time access to massive amount of internally available data, across all segments**

## Online banking platforms by segment

- Online portal for Large corporates with specialised tools for complex products
- Simple online "environment" for SMEs with value-added/ non-banking services

**Innovate through CIB & Retail Banking digital platforms evolution**

## Digitalised operations

- Industrialised operations through automation, digital tools and analytics
- Multichannel experience
  - Digital document exchange
  - Multiple signature collection with mobile digital signature

**Integrate advanced analytics into every function and process, across all segments**

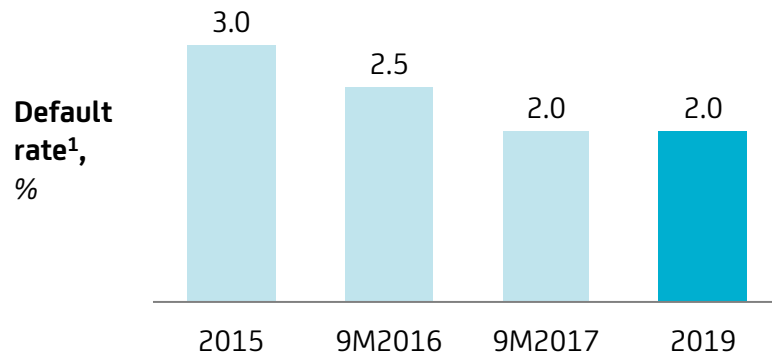


# Disciplined risk approach to underwriting and monitoring

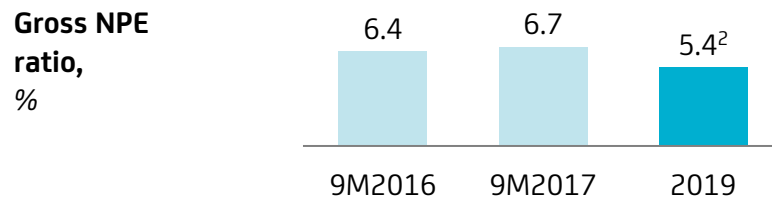
## Actions

- Network focused on investment grade classes
- Increased number of preapproved customers eligible for lending
- Improved screening of watch list portfolio and evolution of risk alerting systems for Network

## Evolution



- Due to seasonal effects, we expect Gross NPEs to slightly increase in CBK Italy in 4Q 2017
- We confirm 2019 NPE targets



1. CBK Italy, including Leasing and Factoring  
2. Recalculated on the bases of forecasted volumes





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Focus on multichannel client approach, leveraging on all interaction points

Improved customer focus with a lower cost structure

Strict risk discipline on new loan origination and tight risk monitoring

Transform 2019 fully on track, yielding tangible results





# Targets CBK Italy

€m

	2015	9M2016	9M2017	2019	CAGR 15-19
Revenues	7,676	5,797	5,541	7,521	-0.5%
Costs	-4,602	-3,459	-3,351	-3,956	-3.7%
Cost/income	60.0%	59.7%	60.5%	52.6%	
Cost of Risk	94 bps	74 bps	66 bps	58 bps	
RWA	77,008	78,826	81,496	105,190	8.1%
RoAC	6.9%	10.4%	11.7%	12.9%	

Note: figures were recasted on a like-to-like basis to consider changes in scope of business segment and line adjustment; Allocated Capital based on RWA equivalent figures calculated as 12.5% of divisional RWA



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