

Bank of Albania Conference

The future of banking in emerging Europe

Session 2: Changing Business Model of Banks

Tirana, 11th October 2019

Paola Angeletti

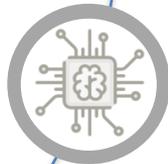
Head of International Subsidiary Banks Division

INTESA  SANPAOLO

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**HIGHLIGHTS ON INTESA SANPAOLO'S
INTERNATIONAL SUBSIDIARY BANKS
DIVISION (ISBD)**



**ISBD STRATEGY IN A RAPIDLY
CHANGING ENVIRONMENT**

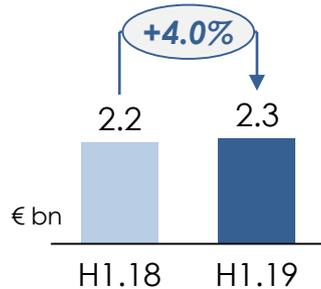
ISBD is a pillar of Group's performance...

June 2019

ISP RESULTS



Net Income –
The best H1 since 2008

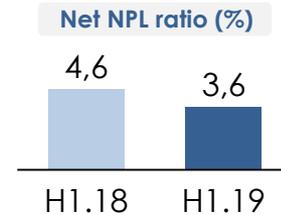


**Common Equity⁽³⁾
ratio**

13.9%



NPL deleveraging –
The lowest NPL stock and NPL ratios since 2009



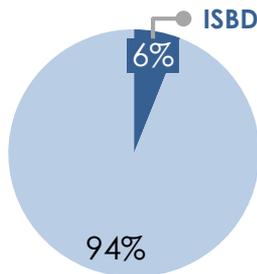
**Corporate Social
Responsibility –**

Strong commitment through a variety of concrete initiatives

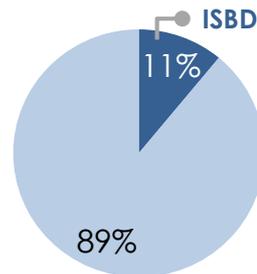
- REDUCE CHILD POVERTY
- SUPPORT PEOPLE IN NEED
- ACCELERATOR PROGRAMS FOR START-UPS
- ISP "GIOVANI E LAVORO"
- ISP "GALLERIE D'ITALIA" MUSEUMS

ISBD WEIGHT ON ISP
GROUP

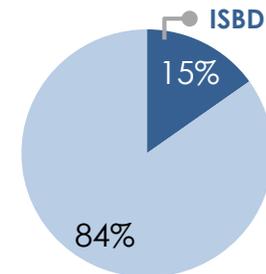
Total assets (€ bn)



Operating income (€ bn)



Net income (€ bn)



...operating in selected foreign markets...

Subsidiaries' Ranking, volumes and branches by country (as of 31.12.2018)

	SLOVAKIA	#2
Total assets (€ bn)	16.6	
Customer Loans (€ bn)	13.6	
Income before tax (€ ml)	215.6	
Branches	207	

	HUNGARY	#7
Total assets (€ bn)	5.9	
Customer Loans (€ bn)	2.7	
Income before tax (€ ml)	69.1	
Branches	68	

	CROATIA	#2
Total assets (€ bn)	11.9	
Customer Loans (€ bn)	6.7	
Income before tax (€ ml)	248.9	
Branches	192	

	SLOVENIA	#6
Total assets (€ bn)	2.6	
Customer Loans (€ bn)	1.8	
Income before tax (€ ml)	18.0	
Branches	49	

	BOSNIA	#5
Total assets (€ bn)	1.1	
Customer Loans (€ bn)	0.7	
Income before tax (€ ml)	20.5	
Branches	54	



	ALBANIA	#4
Total assets (€ bn)	1.4	
Customer Loans (€ bn)	0.4	
Income before tax (€ ml)	5.2	
Branches	34	

	EGYPT	#8
Total assets (€ bn)	4.7	
Customer Loans (€ bn)	1.9	
Income before tax (€ ml)	174.4	
Branches	175	

	SERBIA	#1
Total assets (€ bn)	4.9	
Customer Loans (€ bn)	3.0	
Income before tax (€ ml)	115.0	
Branches	154	

	ROMANIA	#15
Total assets (€ bn)	1.2	
Customer Loans (€ bn)	0.8	
Income before tax (€ ml)	2.0	
Branches	34	

	MOLDOVA	#5
Total assets (€ bn)	0.2	
Customer Loans (€ bn)	0.03	
Income before tax (€ ml)	-4.5	
Branches	17	

	UKRAINE	#27
Total assets (€ bn)	0.14	
Customer Loans (€ bn)	0.04	
Income before tax (€ ml)	-4.30	
Branches	50	

#8	OTHER COUNTRIES
4.7	 Czech Rep. - VUB Banka Branch Prague
1.9	 China - Bank of Qingdao (ISP actual ownership 13.9%)
174.4	 China - Yi Tsai (ISP ownership 100%)
175	

... where ISP Group has a long lasting experience and a long term investment view

BEFORE 2000

-  Croatia
-  Hungary

2000 - 2010

-  Slovakia
-  Czech R.
-  Romania
-  Slovenia
-  Serbia
-  Albania
-  Bosnia
-  Ukraine
-  Egypt

2010-2019

-  Moldova

Overall ISBD footprint in CESEE region

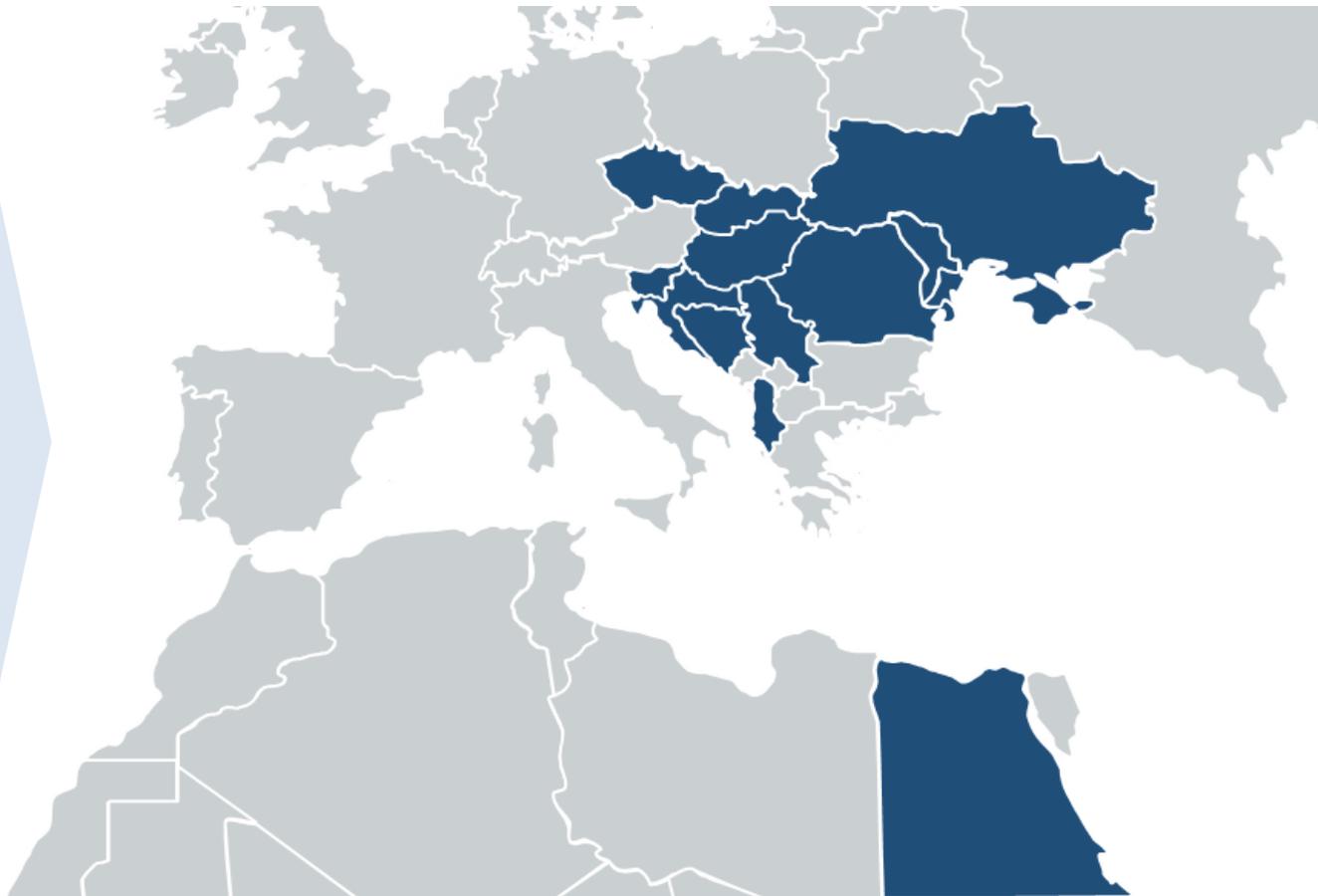
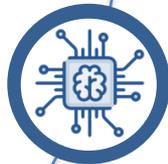


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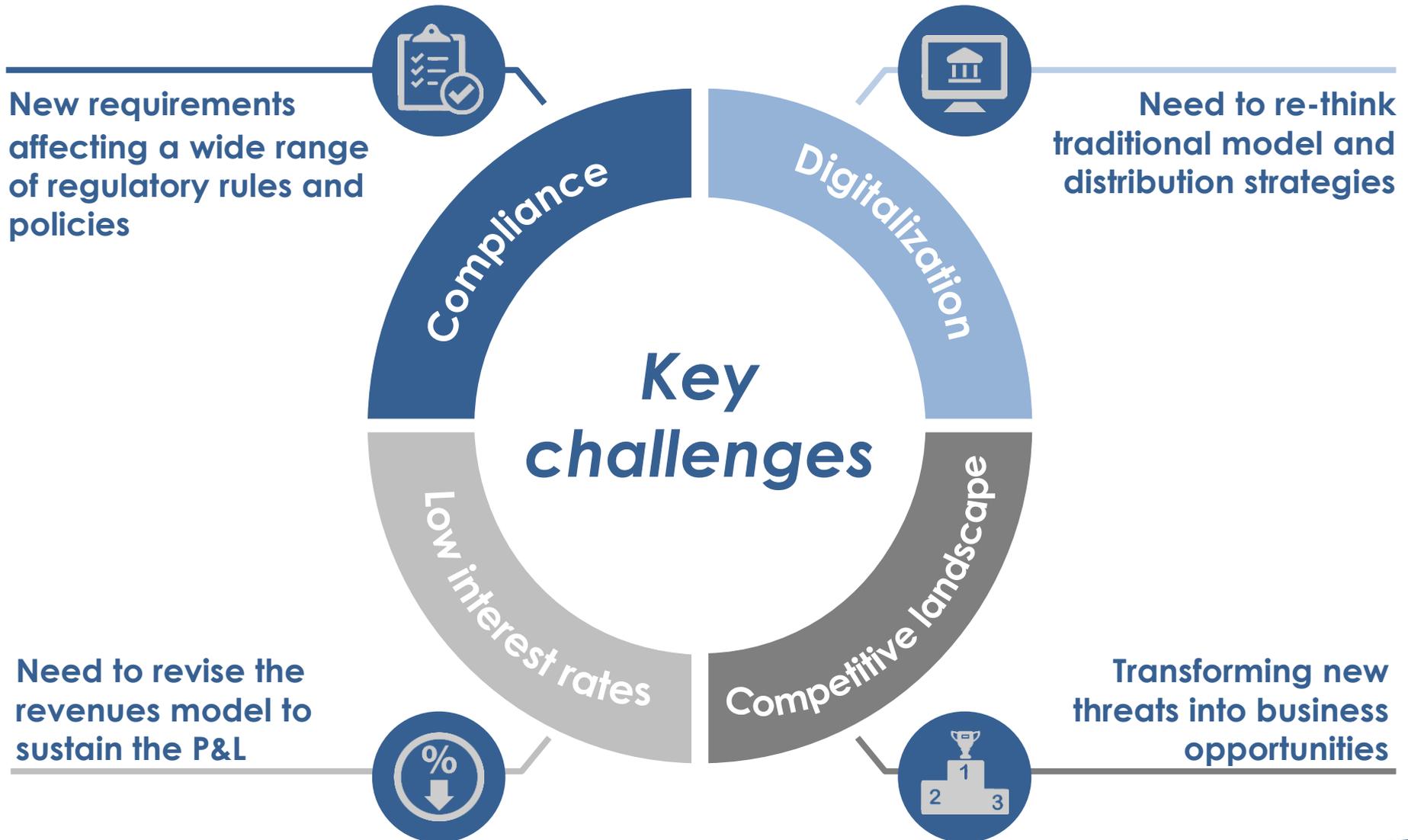


**HIGHLIGHTS ON INTESA SANPAOLO'S
INTERNATIONAL SUBSIDIARY BANKS
DIVISION (ISBD)**



**ISBD STRATEGY IN A RAPIDLY
CHANGING ENVIRONMENT**

Exogeneous macrotrends affect the banking business...



...forcing the International banking groups active in CESEE to re-think their business models

Raise the service models and distribution channels effectiveness

- **Develop a differentiated approach to priority segments («growth engines»).** To compete banks are developing more distinctive and specialized service models and offers
- **Innovate to deliver new formats and propositions better tailored to the characteristics of clients needs.** In the past decade, regional banks tended to rely mainly on traditional branch-based networks. As consumer preferences are evolving, the banks have been reshuffling their product/services offer, **leveraging also on new distribution channels**

Operational convergence

- **Build stronger regional governance models with more coordinated operations and risk management.** A decentralized banking group model, with strong country organizations, limits the pursuit of operating synergies across markets. There is the need to look for **convergence opportunities**, particularly in some of the smaller geographic markets and for investing in standardized products and processes to create **scope for synergies in investments**

The 3 pillars of ISBD strategy 2018-2021

1

Operating platform convergence

- Further convergence of the **IT system** and **operations** of the Banks belonging to the **main Hubs** into a **single platform**

2

Service model enhancement

- Development of an **efficient multi-channel model** leveraging ISP Group best practices:
 - **Branch network redesign** by micro-markets
 - **New client segmentation** and dedicated branch roles
 - Revamp of **ATM** cash-in functionalities
- Extension of the **Wealth Management** Advisory Service model and distribution of Life insurance policies
- **Evolution of corporate coverage** through the introduction of Senior Corporate Bankers

3

Digital evolution management

- Boost of **digital customer penetration** by offering a new set of state-of-the-art products and services (e.g., multi-channel advisory)
- Development of new **digital processes** to push **online sales** and launch **new products**
- Introduction of the “**Digital Identity**” to enhance sales capabilities through **virtual branches**

1 The main organisational benefits stemming from operating platforms convergence



Clear interaction lines between corresponding functions in the Banks and in Parent Company: **communication, reporting and functional coordination** are made easier



“**Best of the art**” **organizational structure** design, that includes the **best experiences** across the Group and it is **coherent** with Intesa Sanpaolo Organisational Model



Comparability of the same functions and positions across Banks, that allows easier **benchmarking**, and facilitates many **HR processes**



Enabler of **harmonization of IT platforms and operational processes**, thus allowing for an increase in operational efficiency and deployment of synergies

2 Service Model enhancement – AGDM

New relationship and sales driven by Adopting Group Distribution Model (“AGDM”), that is based on 4 key pillars



ATM channel enhancement and creation of self areas



Increase of value added time of branch employees by improvement of processes



Network optimization and branch refurbishment according to Group standards



Sub-segmentation and proactive sales approach



New Retail commercial approach

2

The enhancement of service models: necessary, but not an easy job

Meeting the new Service Model goals....



Sustainable returns for banks



Maximize customer satisfaction



...by managing segmentation complexity...

From size to....



Sector/Industry



Credit intensity



Internationalization



Range of products needs

... and by activating some internal enablers



Products & customer journeys



Credit policies & procedures



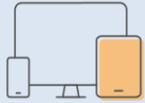
Digital & technology applications



Organization, HR & capabilities

3 Digital Evolution – Digical

A digital bank model (“DigiCal”) based on an integrated system as enabler to enhance lending volume and reduce costs



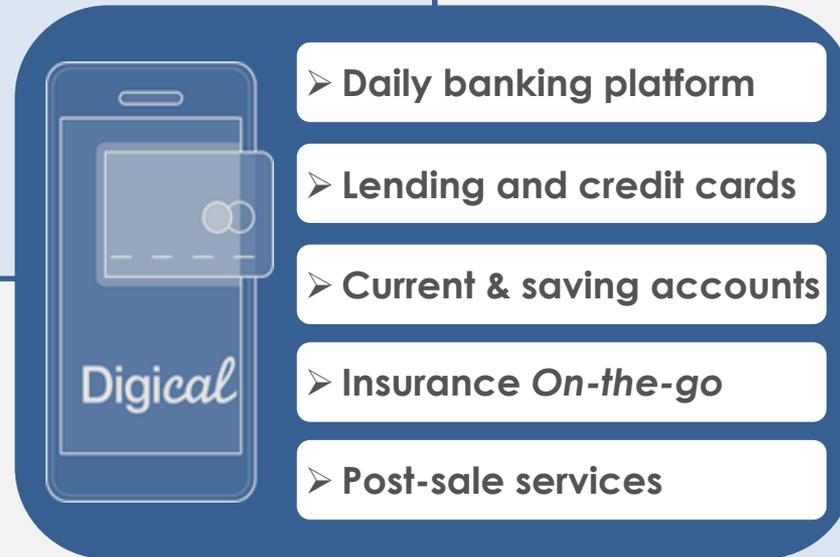
Direct Channels

- Direct channels create a **seamless experience** in **Responsive and Mobile application**
- The content strategy is supported by a **back-office module integrated** with the local **CRM solution**
- Digital Branch **helps the relationship managers** in branch to manage their **daily activities and goals** and pursuing a fully **paperless** model

Public Portal & Onboarding



- **Public Portal** provides to customers a **common improved Customer Experience**
 - This channel is the **entry point of On Boarding process** related to current account opening and other products for prospects
- Digical for Business will create a **seamless experience in all channels also for Legal Entities customers**



Digital Branch

Digital for Business



THANK
YOU