



Banca Intesa's Strategies in Retail Banking

Massimo Arrighetti
Head of Retail Division

Sanford C. Bernstein – Pan European Strategic Decisions Conference 2004
London - September 28th, 2004

Agenda



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Introduction

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Strategy

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Organisational Structure

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Training

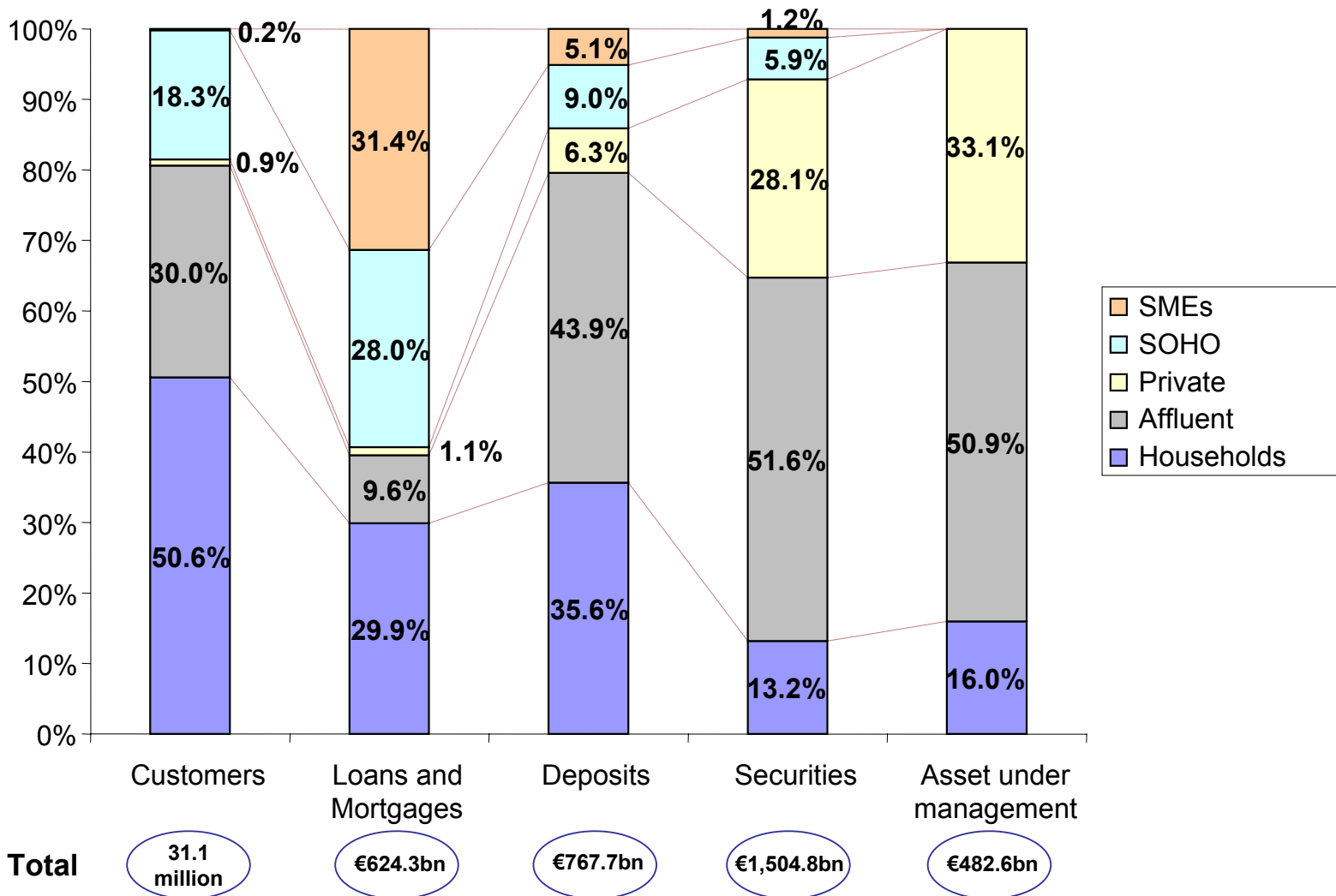
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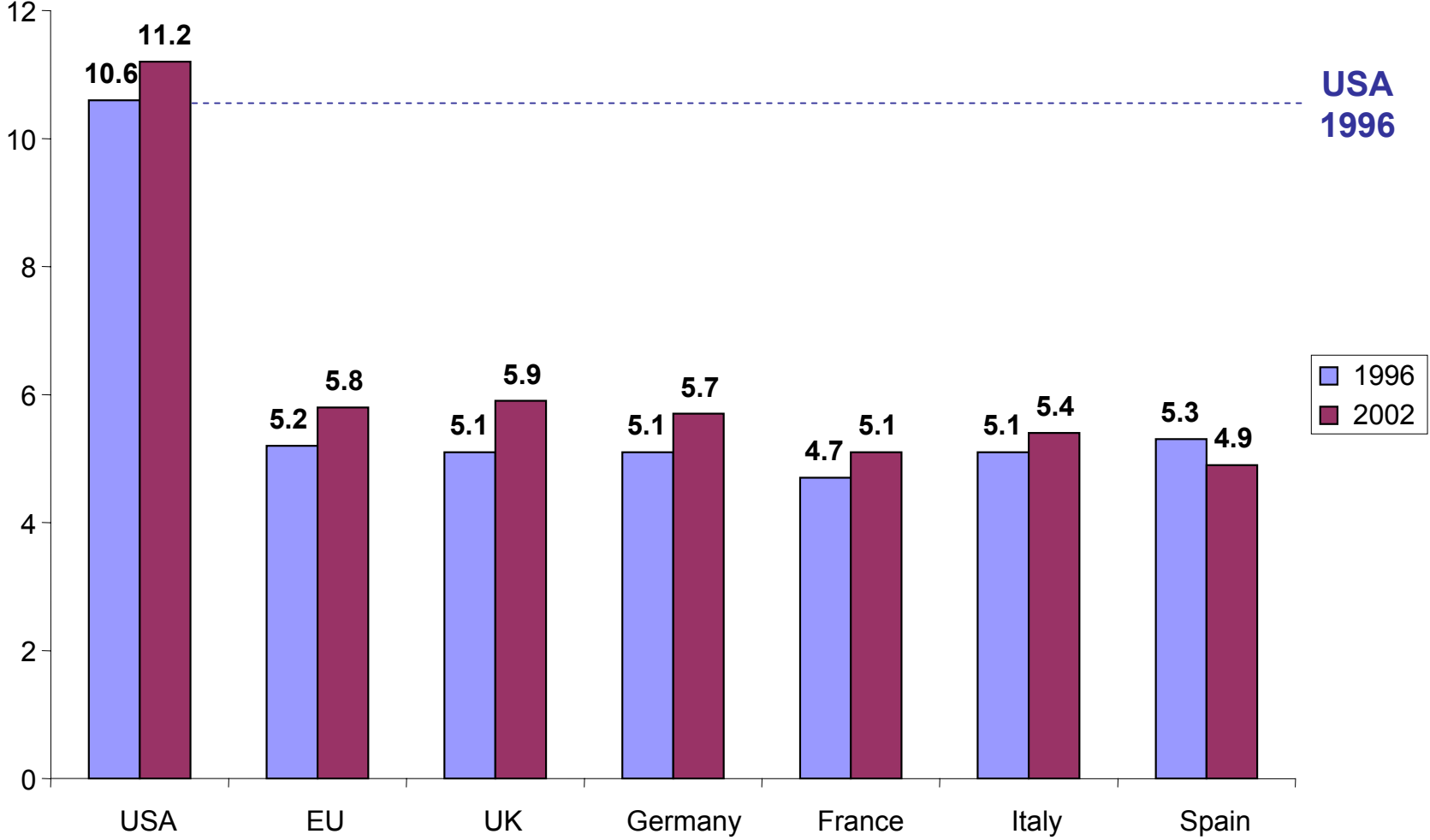
The Italian Retail Market Counts over 30 million Customers with Different Volumes According to their Segment



Source: Banca Intesa analysis, Prometeia – Data as at March 2004

The Italian Retail Banking Income Development is Aligned to EU but still far from USA

Retail Banking Income/GNP (%)



Source: Global Insight 2004, McKinsey analysis

The Growth Opportunities Are in the Low Penetration Business

Products	Indicators	Italy	Europe	Δ%
■ Current accounts	Current account/ inhabitant	0.73	0.93	-22%
■ Cards	Cards/inhabitant	0.38	0.95	-60%
■ Securities	Stock/GNP (%)	59.9	17.3	+247%
■ Asset under management	Stock/GNP (%)	28.8	15.9	+82%
■ Life insurance	Stock/GNP (%)	21.4	42.9	-50%
■ Mortgages	Stock/GNP (%)	11.3	36.1	-69%
■ Consumer Finance	Stock/GNP (%)	4.2	8.1	-48%

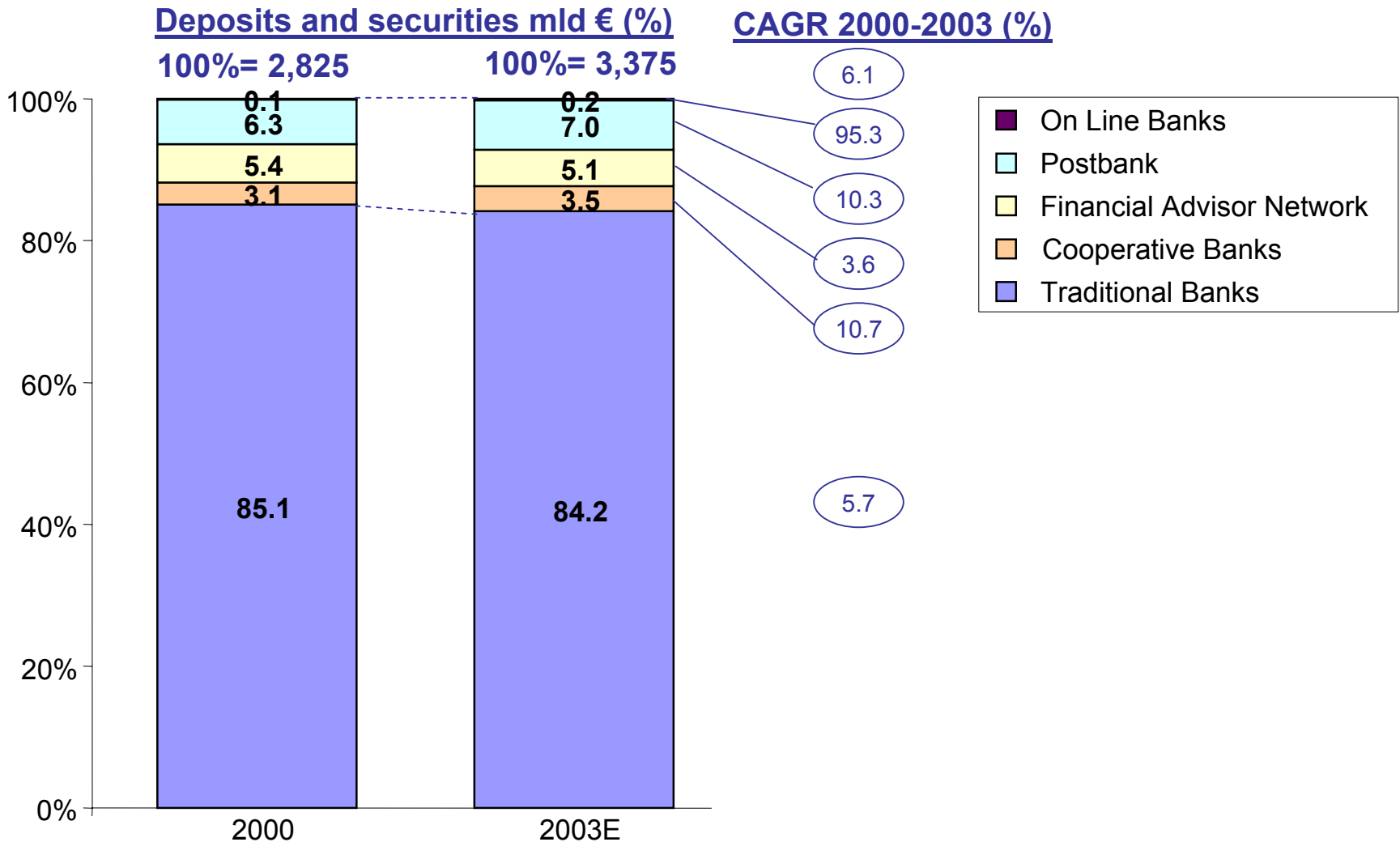
Source: Banca d'Italia, Assofin, Assogestioni, Prometeia, ISVAP, Bloomberg, McKinsey Analysis

Customer Profile is Changing

Customers will be:	Indicators	Today	Tomorrow	CAGR	Impact on the banking business
richer	GNP/person 000 €	22.7	24.8	2.3%	<ul style="list-style-type: none"> Private banking growth thanks to higher richness concentration More focused on service quality Higher pressure on margins caused by multibanking customer level
older	Over 50 (% population)	38.0	40.7	1.0%	<ul style="list-style-type: none"> Higher importance of physical branches Interesting growth of insurance products, retirement products, ...
less loyal	Churn rate (% customer banking system)	6.8	9.6	5.1%	<ul style="list-style-type: none"> More focused on service quality Higher pressure on margins caused by high offer competition and “word of mouth”
more indebted	Household debt/GNP (%)	18.0	20.8	3.7%	<ul style="list-style-type: none"> Tailor-made offers dedicated to segments in order to retain and acquire customers High estimated growth of consumer finance products
more multicultural	Immigrants/ Population (%)	4.2	7.4	8.0%	<ul style="list-style-type: none"> Higher importance of immigrant segment

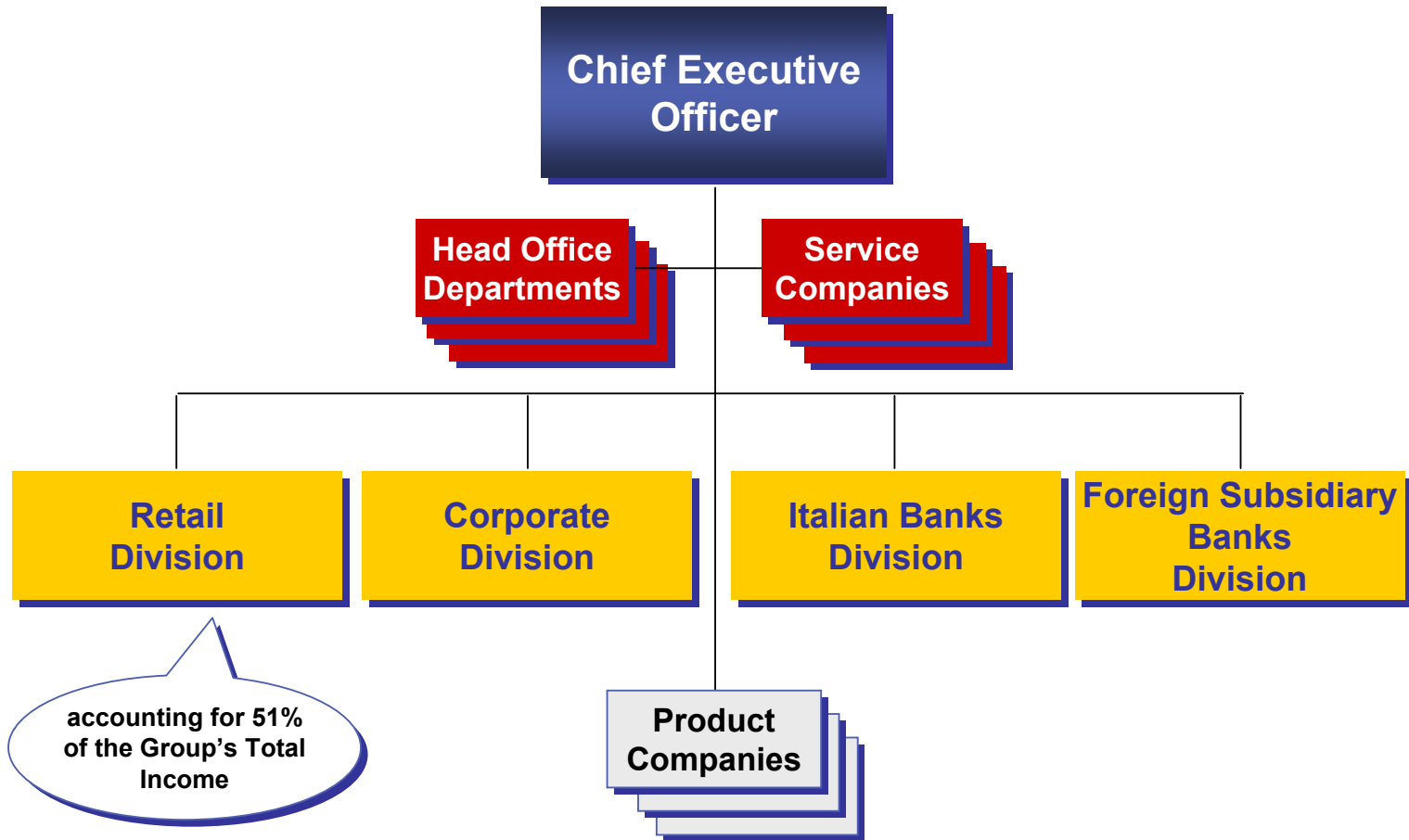
Source: Global Insight 2004, McKinsey analysis, Datamonitor, Celent, Prometeia

New Competitors Are Taking away Market Share from the Traditional Banks



Source: McKinsey analysis, Banca d'Italia, Assoreti, Assogestioni, ICCREA, Poste Italiane, Press

Banca Intesa: a “lean & mean” Customer-Oriented Organisational Model



The Retail Division

**6.3 Million
Clients**

Households, Affluent,
Private, Small Offices
and Home Offices, SMEs,
Local Public
Administrations and
Non-profit Entities

Channels of distribution

Private Banking
centres
~60

Retail
branches
~2,000

Enterprise
centres
~100

On-line services

**Intesa
online**

Internet
Phone
SMS + Wap

~2,600 ATM
~120,000 POS

Current accounts, overdrafts,
mortgages, consumer credit,
utility bill payment, acceptance
of trading instructions, ...

 **Banca Intesa**

Bancassurance

Pension funds

Wealth
management

Private
banking

Credit cards

 **IntesaVITA**

 **Intesa
PREVIDENZA**

 **Nextra**
INVESTMENT MANAGEMENT SGR

CAI PRIVATE BANKING ITALIA


BANCA INTESA PRIVATE BANKING

 **Setefi**

 **Banca Intesa**

Banca Intesa Market Shares

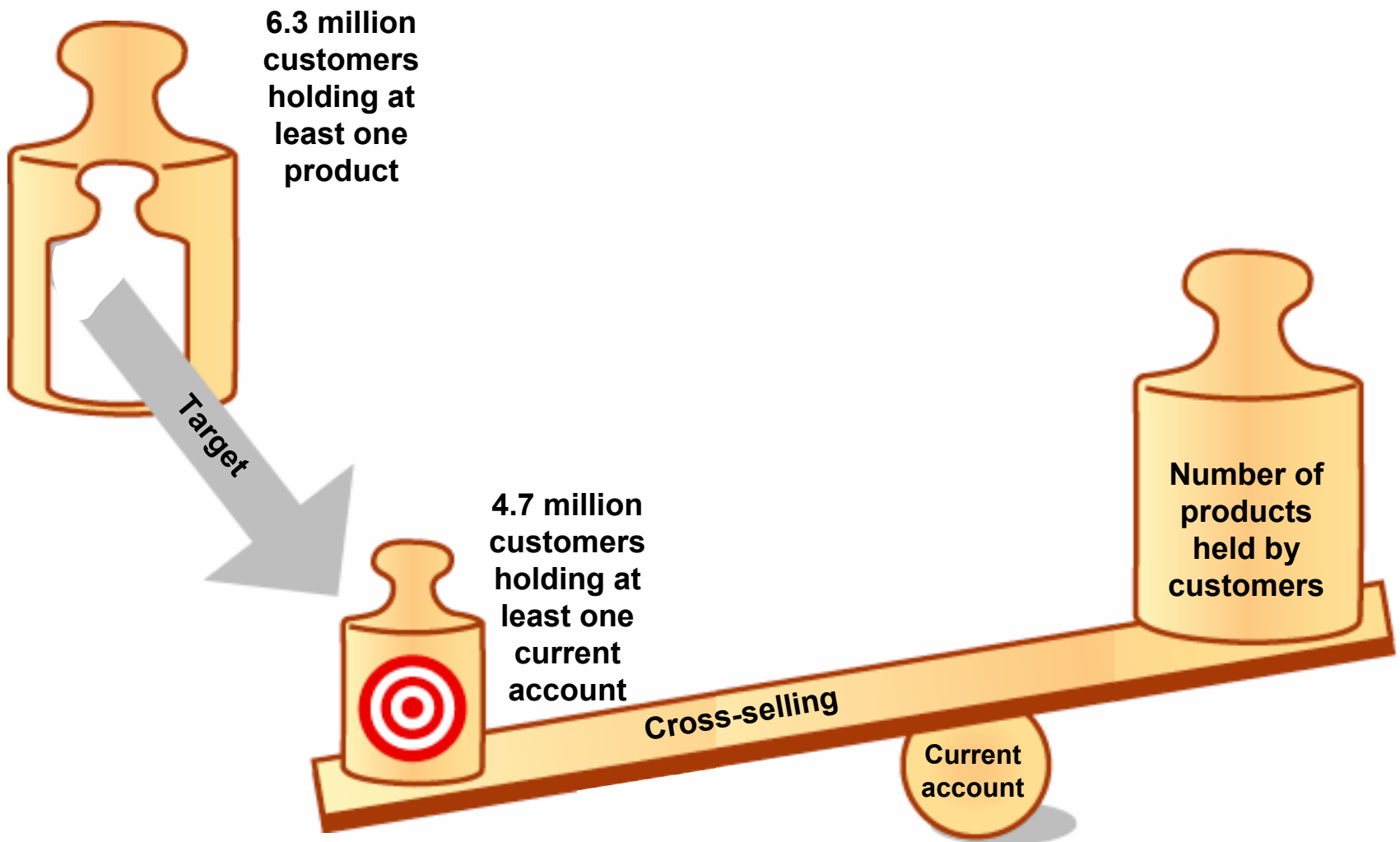
		Retail Division	Total Group
Market Shares	Consumer Credit ⁽¹⁾	6%	7%
	Branches	7%	10%
	Loans	9%	12%
	Deposits	10%	14%
	Bancassurance	14%	19%
	Mortgages ⁽²⁾	11%	13%
	Mutual Funds	10%	15%

(1) Excluding Agos Itafinco
 (2) To Individuals and SOHO

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- 5 Training
- 6 Advertising
- 7 Achievements

The Current Account is the Pivot of Cross-Selling

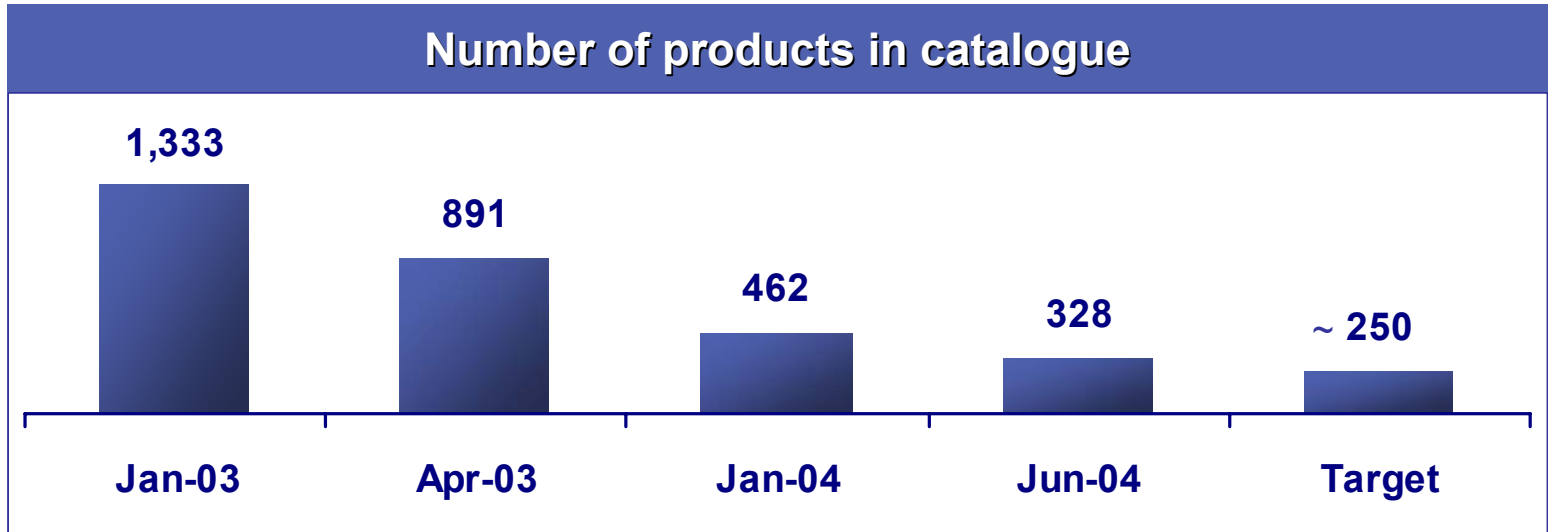


Specific Value Proposition for each Target

Segments	Customers	Business Drivers	Value Proposition
■ Private	22,000		
■ SMEs	65,000		
■ Local Public Administrations	5,000		
■ Non-profit Entities	20,000		
■ Little Enterprises	150,000		
■ Small Businesses	270,000		
■ Affluent	570,000		
■ Households	3,600,000	1. 2. 3. Cross selling 4.	Reward loyalty

EXAMPLE

The Product Catalogue of the Bank Has Been Completely Reviewed



■ 2003:
48 current accounts



■ 2004:
3 current accounts

Conto Intesa

Conto Intesa Personal

Conto Intesa Business

Pricing Models

Starting situation

Lack of correlation between profit drivers and pricing model

**Different behaviour of the branches in managing the conditions applied to customers
(18,000 special prices)**

Targets

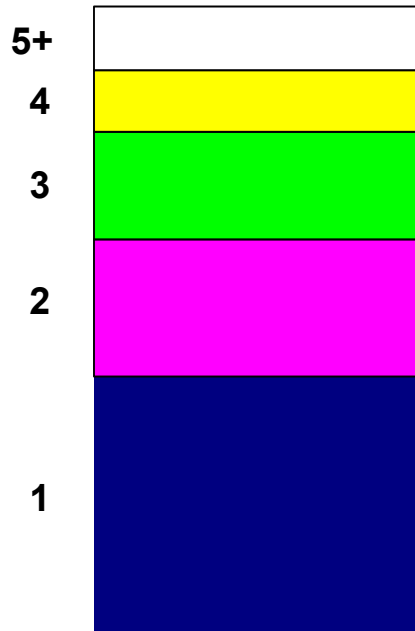
- **Rebalance the situation in order to find a pricing model which:**
 - **rewards the most important customers of the bank**
 - **is clear and transparent**
 - **is linked to segment value drivers**

- **Find a system in order to help the Account Manager use the pricing model correctly**

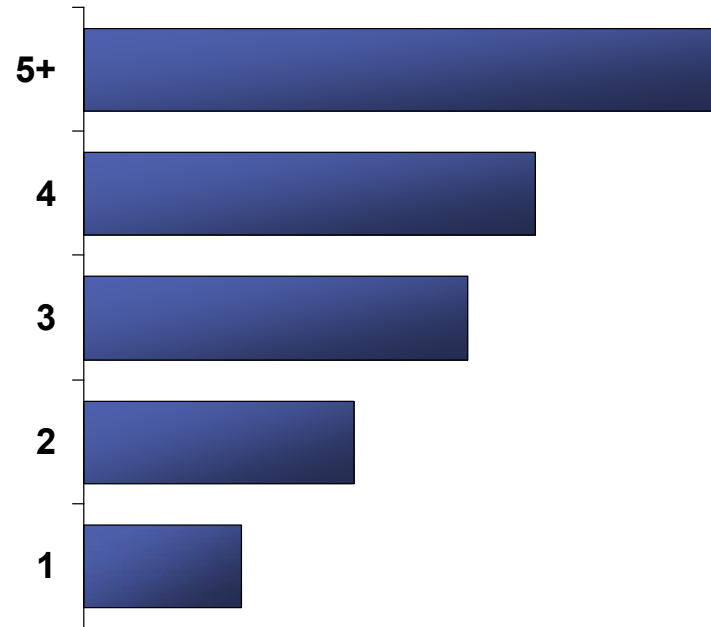
Cross-Selling is the Key Driver of Household Segment Profitability

Household current accounts

Number of products



Total revenues per account



Example: Pricing Conto Intesa

No. of products held by the account holders	Monthly fee
0	€10
1	€ 9
2	€ 8
3	€ 6
4	€ 4
5	€ 2
6	free



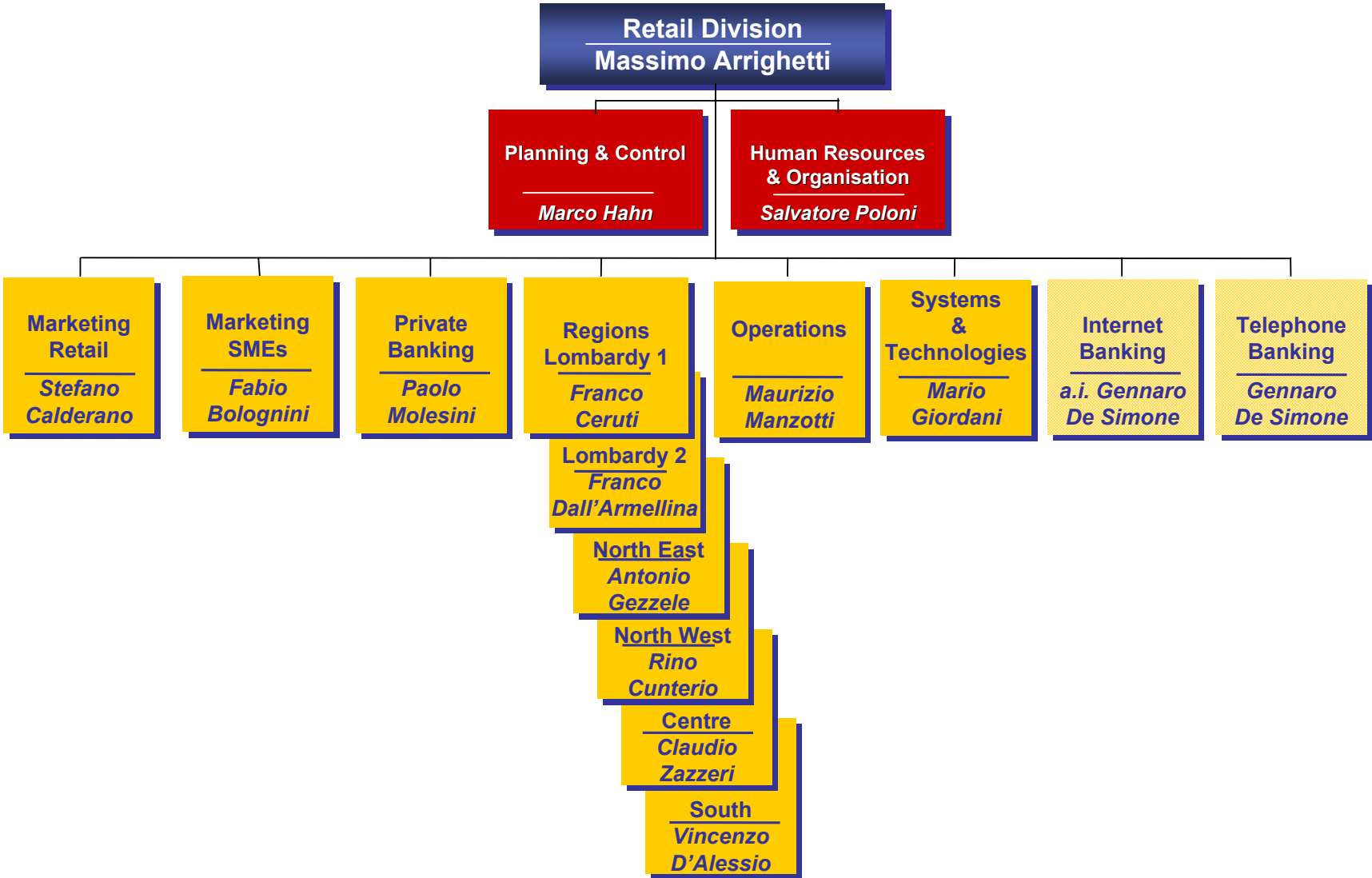
target:
**push cross-selling and
favour re-pricing**

**i.e. repricing of “old” accounts
with a 20% increase in fees from
switched accounts**

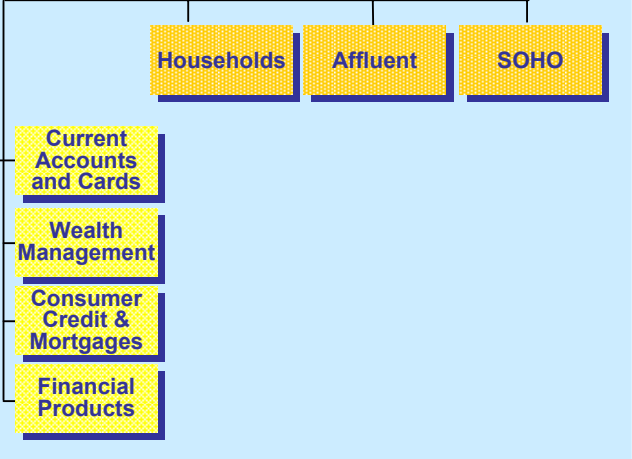
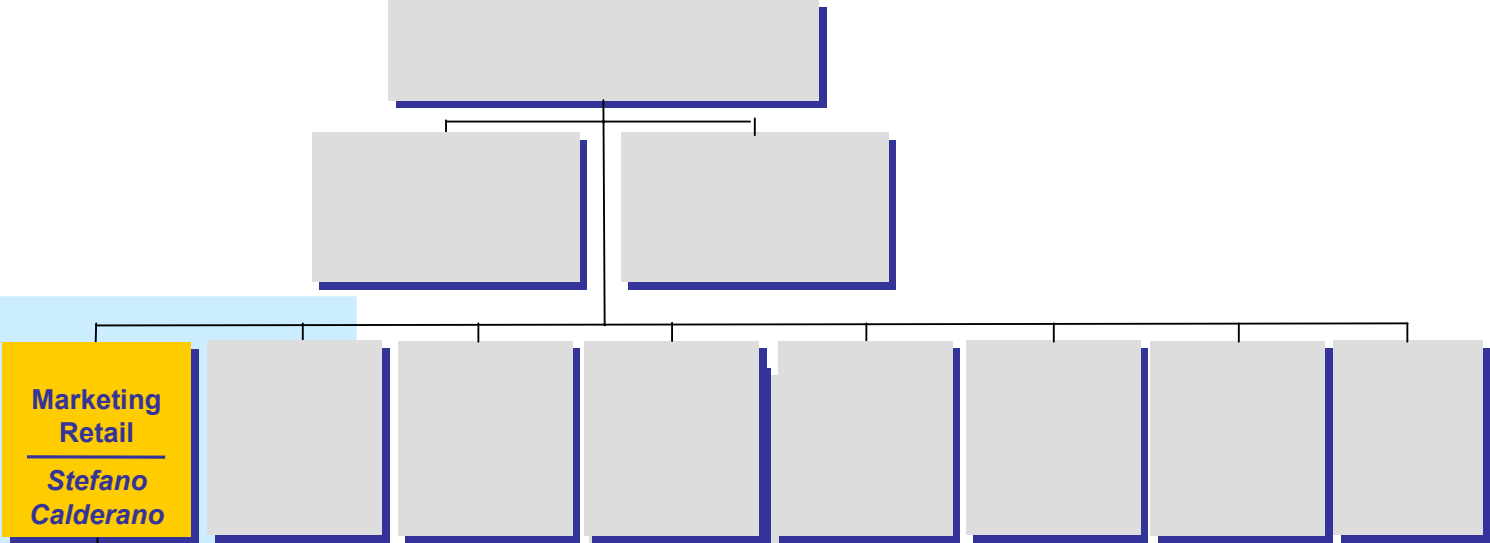
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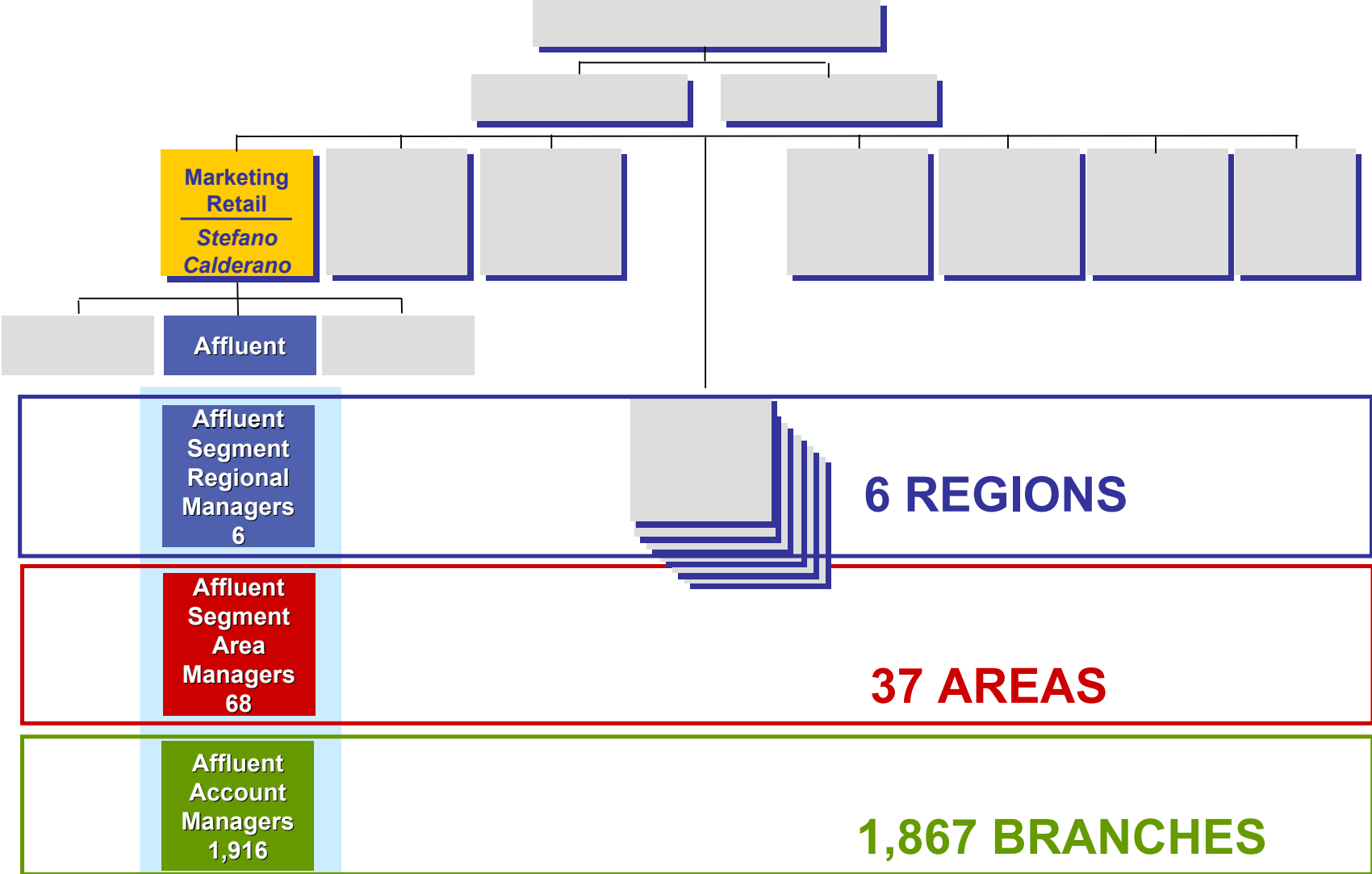
Retail Division Management Team



Focus on Marketing Retail (1/2)



Focus on Marketing Retail (2/2)



Intesa On-Line

Internet Banking



Corporate
Individuals
Traders

Telephone Banking



IVR
VOX NAUTA
Operator

Mobile Banking



SMS - MMS
PDA

ATM



POS



Tailored platform to meet customers' variously complex needs / behaviour

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Achievements

Salesforce IT Platform

Advice Tools

Tailored to meet customers' variously complex needs



INVESTI CON NOI

ASSET ALLOCATOR

FINANTICS



Data Mining & Campaign Management

ISSV

Individuals

Companies

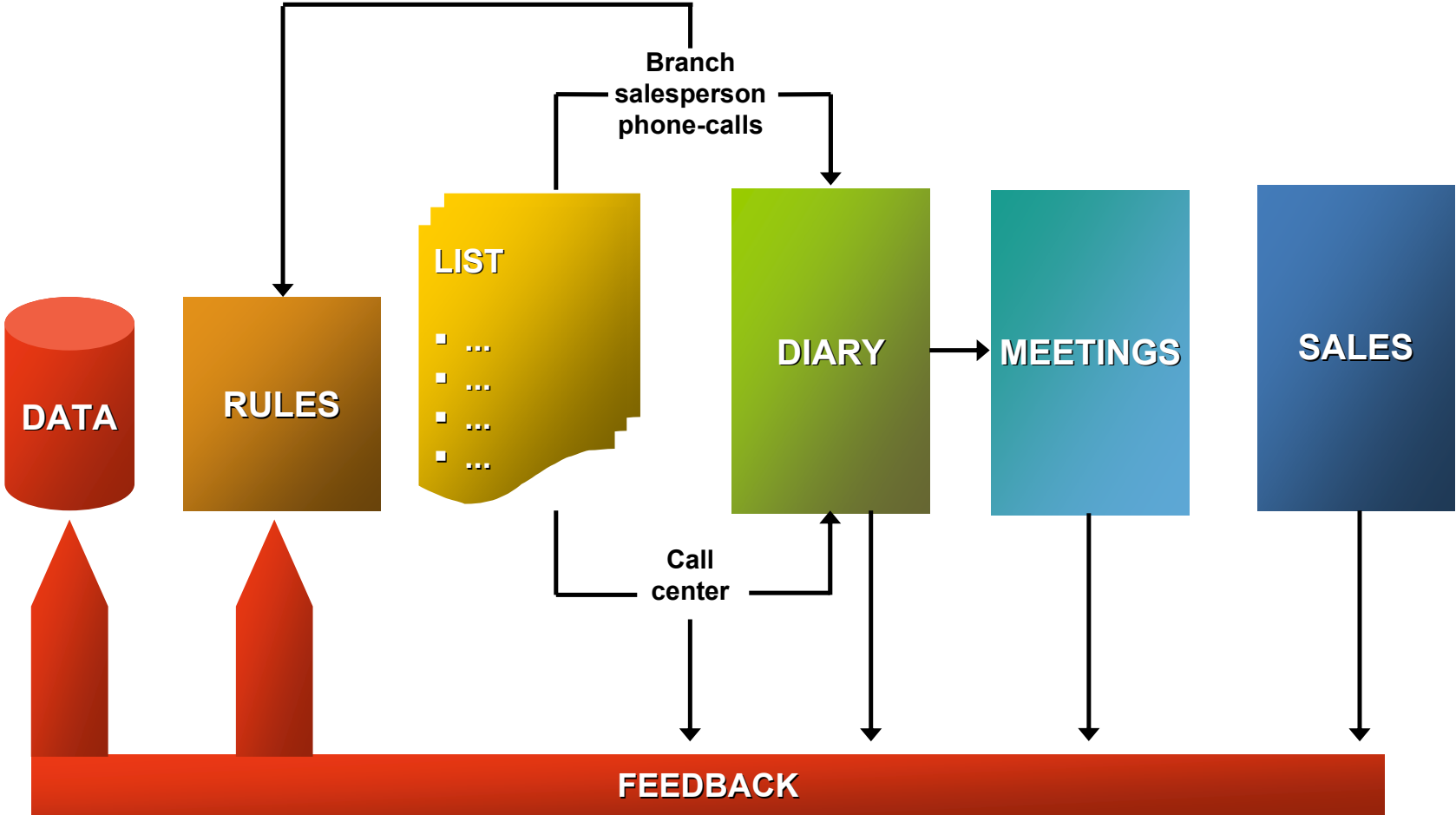
Households

Affluent

Private

Salesforce IT Platform

ISSV



Credit Decision Support Systems

CREDIT CARDS

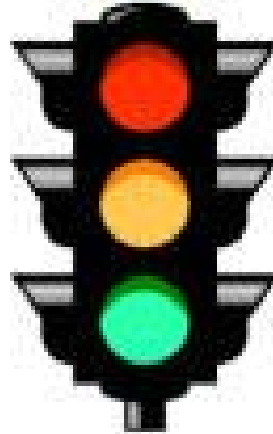
PERSONAL LOANS

MORTGAGES

SMALL BUSINESSES

LITTLE
ENTERPRISES

SMEs

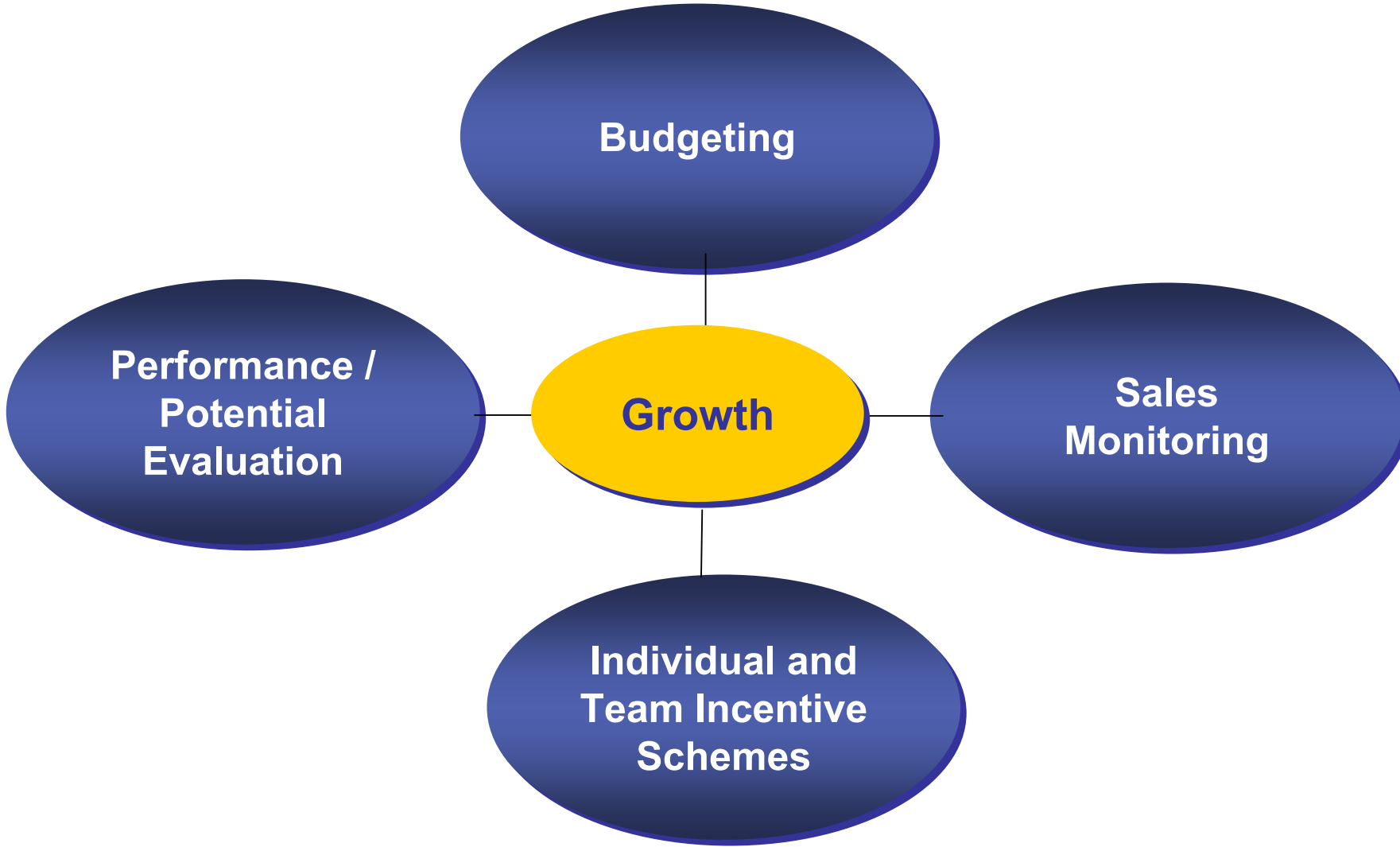


11%	NO	Rejected
15%	?	Answer in 48 hours
74%	OK	Same Day



*Tomorrow marks
the first-year
Anniversary*

Management Systems



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Training

New Roles



40 Product Specialists
200 Segment Area Managers

Sale Effectiveness

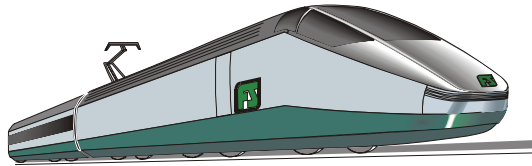


**“Progetto Arcobaleno”
(the Rainbow project)**



Branch account managers
Enterprise-centre account managers
Cashiers

“Arcobaleno” Roll-Out Has Involved More Than 20,000 Employees



“Commercial Migration”

- ~150 new branches every 15 days
- 74 teachers and 111 instructors involved full time
- Consistency with other activities being rolled out within the network (e.g. Comit Migration, other courses, branch closing, etc.)

Key characteristics

1

About 12,000 people attending training courses
More than 20,000 people involved on the whole

2

37 training centres concurrently active in comfortable hotels all over Italy (1 for each Area)

3

Programme structured according to 15 training groups for an aggregate duration of over 9 months

4

Each branch enrolls its employees in a two-week course, on a rotation basis, within the group it belongs to

5

Two weeks of on-the-job training follow classroom instructions

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Advertising Campaigns

April 2004

New current account for Households

NOVITA

Conto Intesa

L'unico conto con canone bloccato che diminuisce se hai altri prodotti Banca Intesa.



Vogliamo meritare di essere la tua banca.



May 2004

New personal loan

NOVITA

800.30.48.72

PrestIntesa

Il prestito personale facile e trasparente che ti migliora la vita.

30 MILA EURO.

48 ORE PER AVERLI.

72 MESI PER RESTITUIRLI.

Vogliamo meritare di essere la tua banca.



September 2004

New current account for SOHO

NOVITA

800.30.48.72

Conto Intesa Business

Il conto che ti aiuta a far crescere la tua attività.



Amplia scelta di prodotti e servizi dedicati al tuo lavoro.
Possibilità di diventare partner del Circuito "Gli Amici del Sorriso".
Costi che diminuiscono quanto più lavori con la banca.
Operazioni illimitate senza costi aggiuntivi.

Vogliamo meritare di essere la tua banca.



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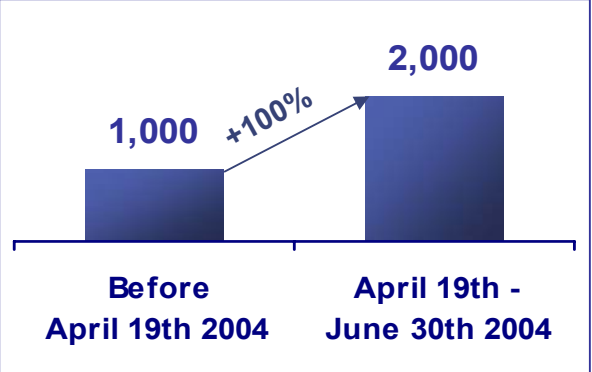
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Achievements



Retail Division & Wealth Management

New Households Products Launched in 4Q03: Conto Intesa

Description	Product	Achievements						
New Current Account New current account with decreasing fees in relation to cross selling	Conto Intesa 	No. Accounts Opened Daily  <table border="1"><thead><tr><th>Period</th><th>No. Accounts Opened Daily</th></tr></thead><tbody><tr><td>Before April 19th 2004</td><td>1,000</td></tr><tr><td>April 19th - June 30th 2004</td><td>2,000</td></tr></tbody></table>	Period	No. Accounts Opened Daily	Before April 19th 2004	1,000	April 19th - June 30th 2004	2,000
Period	No. Accounts Opened Daily							
Before April 19th 2004	1,000							
April 19th - June 30th 2004	2,000							

- Advertising campaign launched on April 19th, 2004
- Over 170,000 accounts opened in 1H04: ~40% are new accounts
- Products held by customers who switched to Conto Intesa: +27%
- Fees from switched current accounts: +20%
- New Current Accounts for SOHO and Affluent launched in July.
Advertising campaign for SOHO launched at mid September

Retail Division & Wealth Management

Other New Households Products Launched in 4Q03

Description

New Personal Loan

New personal loan available within 48 hours.

Max. amount: 30,000 euro

(date of launch: October 2003).

Advertising campaign launched on May 16th 2004



New Mortgage

New "Capped" floating rate mortgage (date of launch: November 2003)



New Debit Card

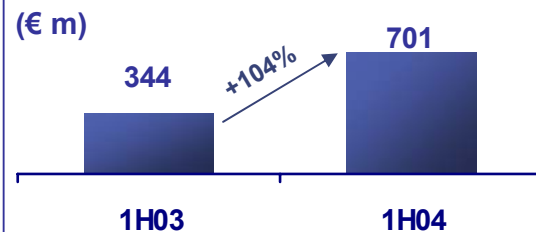
The only debit card in Italy with online checking of payments (date of launch: beginning of November 2003)



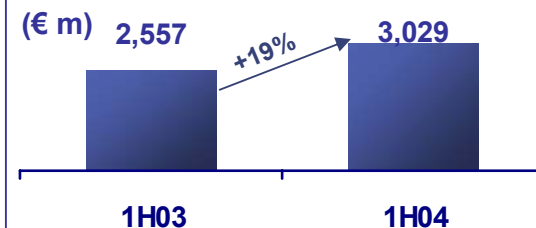
Product

Achievements

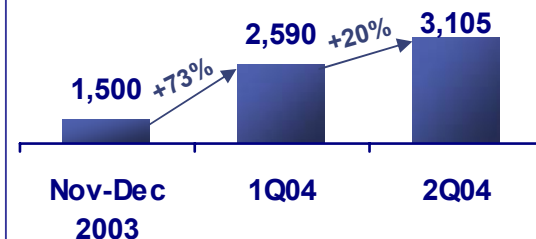
Total Personal Loans Granted in the Period



Total Residential Mortgages Granted in the Period

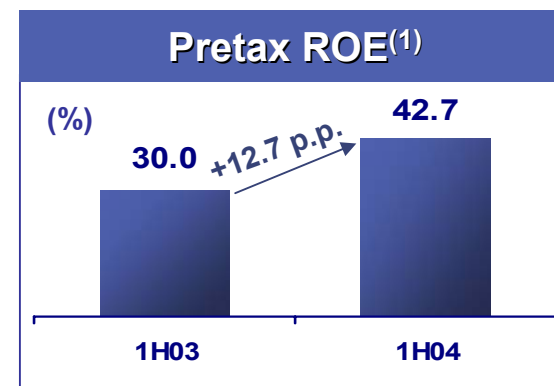
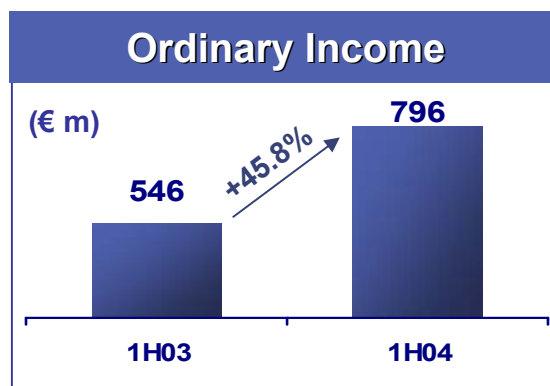
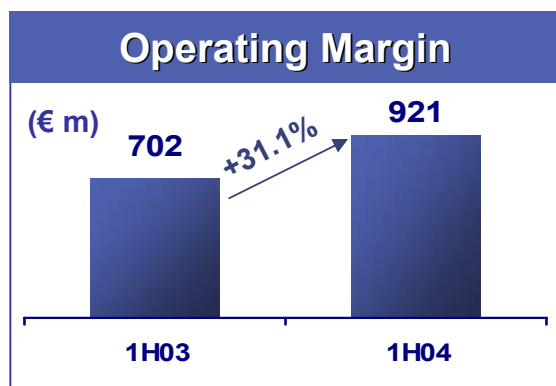
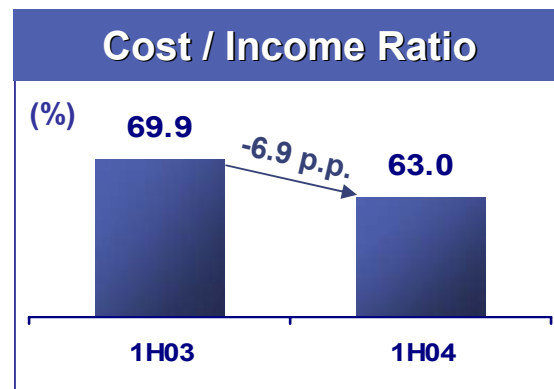
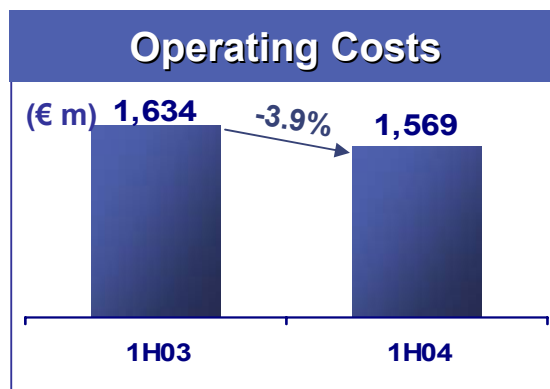
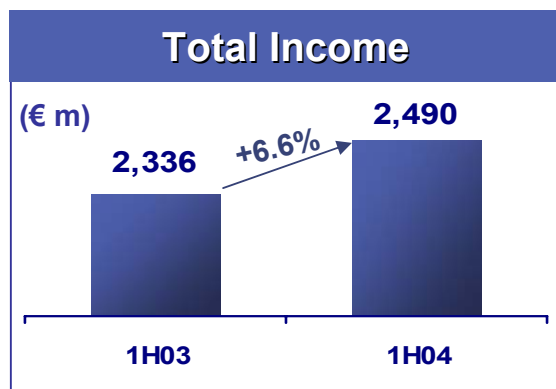


No. Cards Sold a Day



Retail Division & Wealth Management

2004 First Half at a Glance



■ **1H04 €340m EVA[®] (vs €192m in 1H03)**

Note: Includes Individuals (Households, Affluent, Private), SOHO (turnover <€2.5m), SMEs (turnover between €2.5m and €50m), Local Public Administration, Non-Profit Entities and Wealth Management

Figures may not add up due to rounding differences

(1) Ordinary Income (before Extraordinary Items and Income Taxes) / Allocated Capital; annualised

The Best is Yet to Come !

