

# Investor Presentation

Milan, 20 July 2018

## Carlo Panella –Digital & Operations Speech

### Slide 14

As we have seen so far, Direct Banking as well as the other divisions, will use extensively technology. Let's see how we are going to support business with a digital platform.

### Slide 15

As the Digital Platform and the operations will be cross to all divisions, the goals that we have in mind for this area are:

- Build a full digital bank: the base to support all the strategies described. The platform will have all the functionalities to manage data and enable AI, ML and all the innovative technologies
- Design an open and scalable platform at a competitive cost: as the bank will grow, cost will have to be less than proportional
- Be a sound, agile and reliable partner for our business divisions: IT won't be a provider, it will be a partner for business and central divisions, working together with joint responsibility to deliver products, processes and results
- 

### Slide 16

The first thing I want to share with you is where we are and what we have done so far. As Corrado anticipated, we have bought Banca Interprovinciale. Its IT systems will be enhanced to support the initial commercial initiatives and NPL operations.

Going to NPL, the new system has been re-designed and we are beginning the detailed analysis and implementation phase. The first release will be available October 2018 and its final version will be ready by mid 2019

The new no legacy core banking system has been designed:

- The architecture has been designed
- Main suppliers have been identified
- Main decisions have been taken

The new system will be deployed within second quarter of 2019

### Slide 17

The four pillars on which we will build the systems are:

- Fully modular and Openness: the system won't be a monolith but will be the collection of fintech and best in market solutions

- It will be built having business and IT functions working together. An example of this approach is the Business Plan: IT costs have been defined by each division, IT endorsed them
- Data will drive every decision, and they will be present everywhere.

### Slide 18

The IT systems of the new bank will be of new generation. It is not only a matter of getting rid of mainframe cost, it is much more.

In this slide are listed the main items that differentiate a new generation banking platform from one based on architecture. I won't go through each and every item, but the 4 significant keywords that represent the value of the new approach are:

- **Data:** the new architecture has all data in one place, called the "data lake", and this enables mixing internal, external and big data together
- **Flexibility:** as the system is modular, it is flexible by definition. The final solution is a mix of different technologies put together with common interfaces
- **Complexity:** as the system is designed to be flexible, complexity will decrease as the design includes from the beginning tools to manage different parties
- **Cost:** getting rid of old systems and simplifying connections between parts allow scalability of volumes without a direct increase in costs

It is important to highlight that this new architecture is necessary if a bank wants to work with new technologies to enhance efficiency. The good news for SPAXS is that a traditional bank needs from 2 to 5 years to switch to a newly designed architecture: this is a competitive advantage for us.

### Slide 19 - Core Banking

In the next set of slides, I will take you into the architecture with the objective to explain which are the main components that will enable what we have discussed so far.

Let's start from the Core Banking. It has traditionally been considered as the heart of the bank. In our case it will be more an accounting tool that must be sound for business continuity and resilient to allow business initiatives.

In this architecture, it is a pillar, but it must be replaceable if something new will be available

### Slide 20 – API Layer

All around the Core Banking a layer of connectors (called API, Application Programming Interfaces), will enable the integration of different solutions provided by fintech and financial providers. It is the tool that enables flexible interaction between parties and systems.

### Slide 21 - Division Specific Verticals

Every division will have a part of IT system that will be specific for its needs and that we are designing in order to be unique and innovative

- NPL will leverage on pricing, on processes and on easy onboarding and selling of portfolios

- SME will have a unique credit evaluation process
- Retail will have stunning payment hub

These systems will be linked to core banking by API in order to be able to enhance and eventually replace them as the innovation process requires a sharp step in evolution

### **Slide 22 - External systems**

SPAXS Bank will be an open bank, and it will be open not only in term of product and systems, but also because it will interact in a seamless way with:

- external partners: Servicers, other banks, info provider
- customers: Digital CFO

Technical interaction will be possible using the same API's that will connect internal systems.

Therefore, the system will make complexity easy to manage and will reduce costs in the mid term

### **Slide 23 - Digital touchpoints**

On top and across all the vertical systems, an interaction layer to communicate with customers will be the "manager" on relations. On top there are the front end: web, mobile and contact center.

Below, there is the "orchestration" layer: where processes happen. To give you an example, in the system that lets you know where is the credit card that you asked or in which phase so the approval process is a loan. This is strategic to support tutors and to make Direct Banking

### **Slide 24 - Regulatory**

All – of course - must comply with regulators: bank of Italy, ECB, Agenzia delle Entrate, and any other relevant party

### **Slide 25 - Data**

Last, but not least at all, the layer that will surround all the system and that will contain data, AI and ML engines that must be available for all business functions. That's why they surround everything (included regulatory layer).

### **Slide 26 e 27**

Finally, this map represents all the components organized by division and technology that we need to put in place to perform all the actions described. Without going in detail in each and every item, the light blue areas evidence what has already started. We are on the way on almost everything.

### **Slide 28**

We have enough resources to achieve goals: 95 million in Business Plan period. 50 million will be investment, while 45 will be running cost. Out of 135 employees, over 60 will be in the contact

venter and the virtual branch giving the human touch we have described in Direct Banking and in Corrado's introduction.

**Slide 29**

Again, also for Digital & Ops, we have the engines ready to go.

**Slide 30**

Our road ahead: by H218 we plan to release the NPL Platform, design the IT Platform and begin development and hire 15 IT resources.

By H119 we will launch our new IT Platform, complete the NPL platform and execute the deployment of the Contact Centre.

By H219 we will hire up to 30 resources for contact centre and BPO.