

BPER:

Banca



Wealth Management in 2018

Gruppo Bper

Grazia Orlandini – Gruoup Chief Investment Officer

Today's agenda

Market overview



Key change drivers



Client's needs

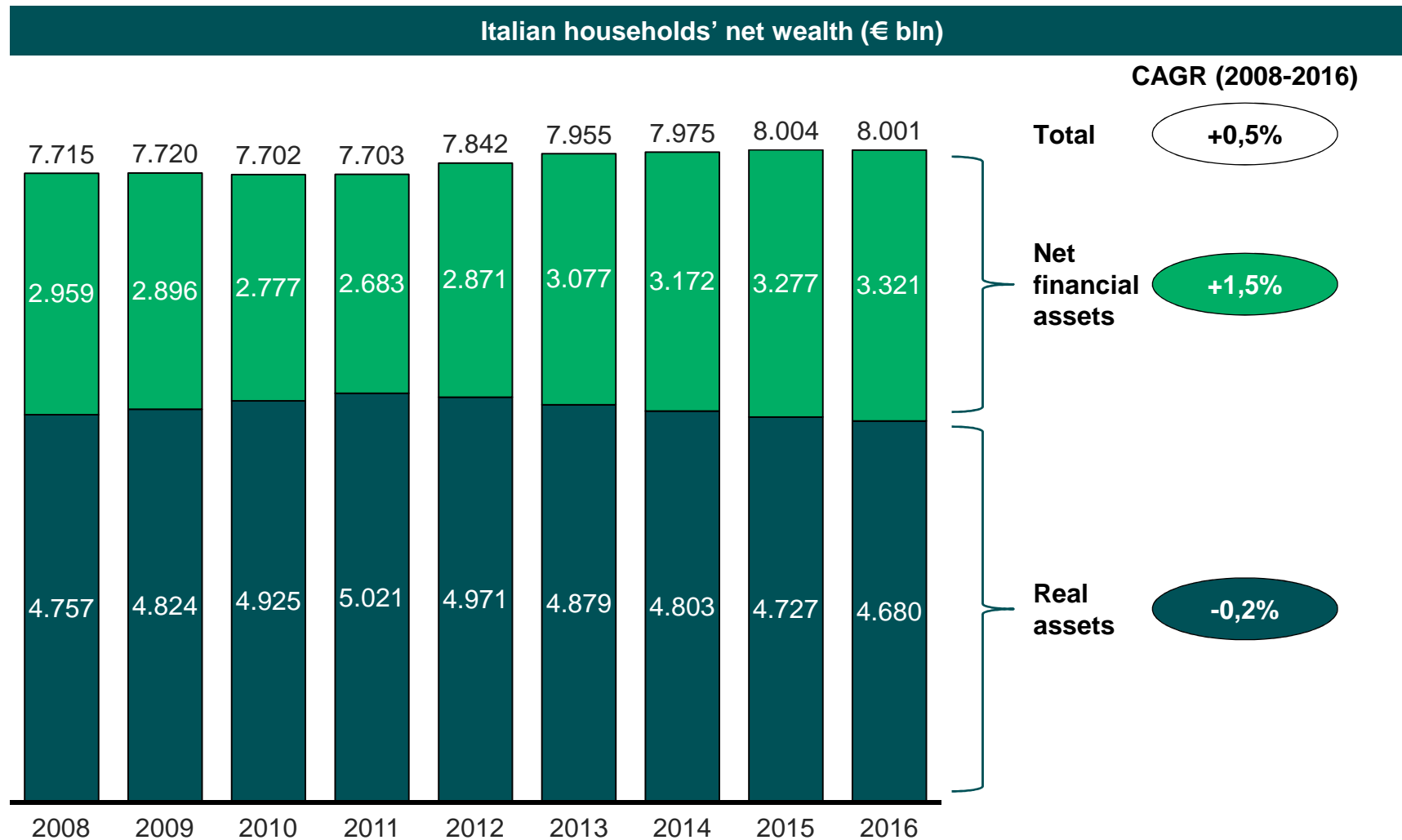


Regulation

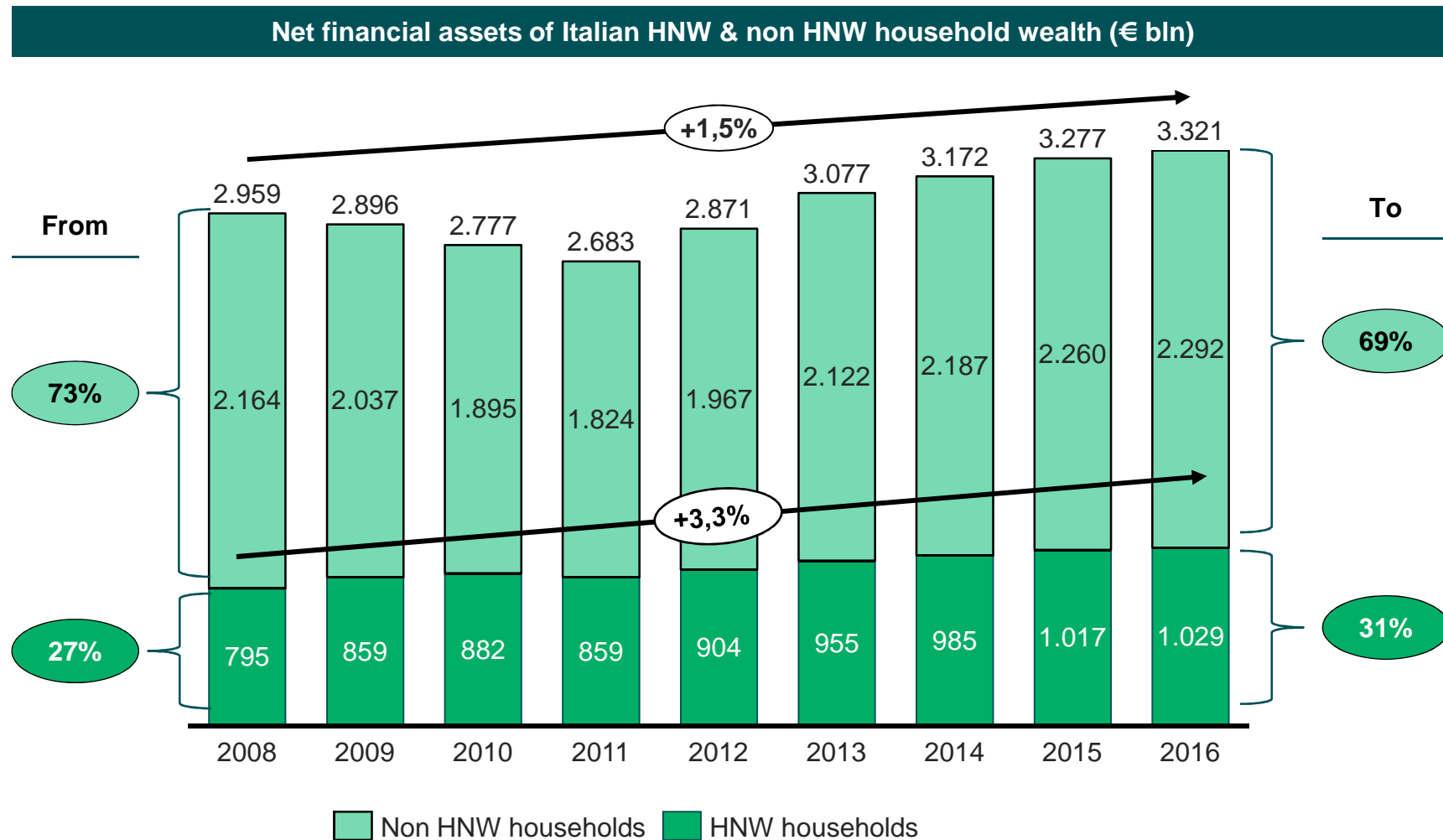


Technology

Wealth in real assets remained constant, but net financial wealth keeps increasing...

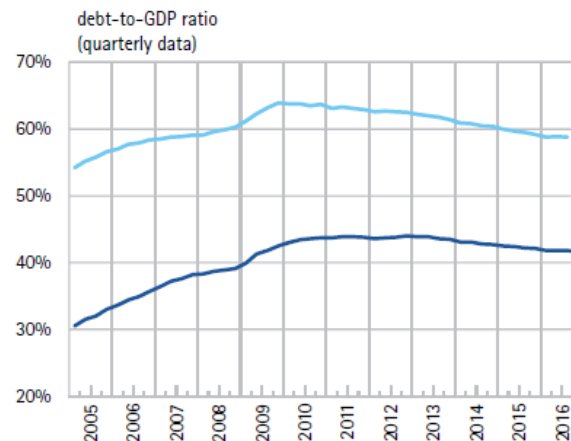
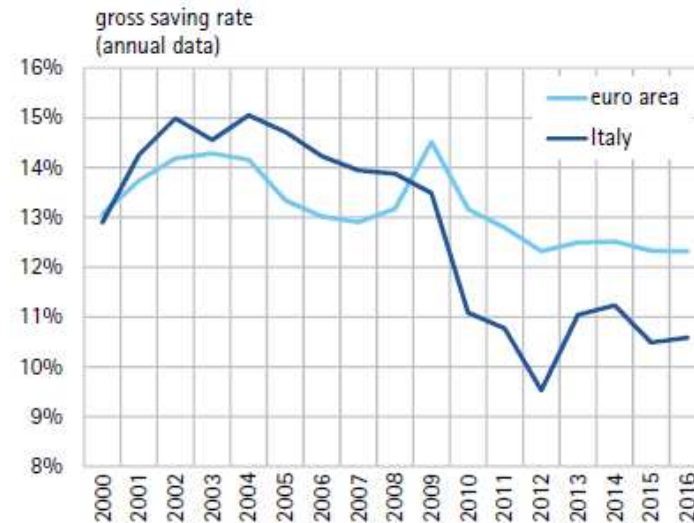
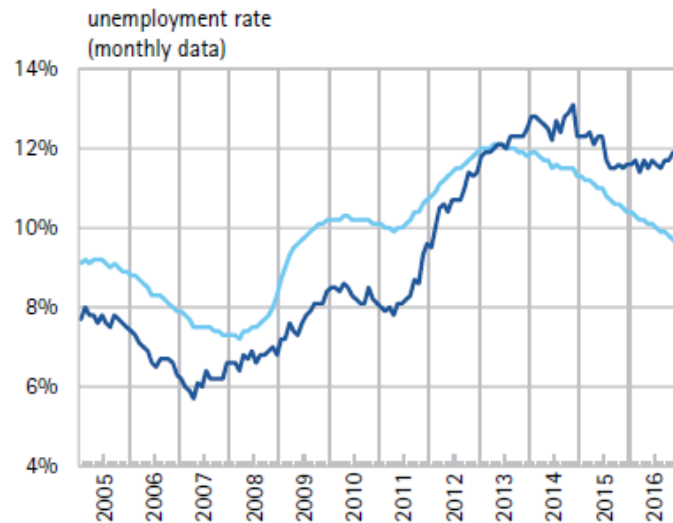


... With HNW household's net financial wealth growing twice as much as total net financial assets



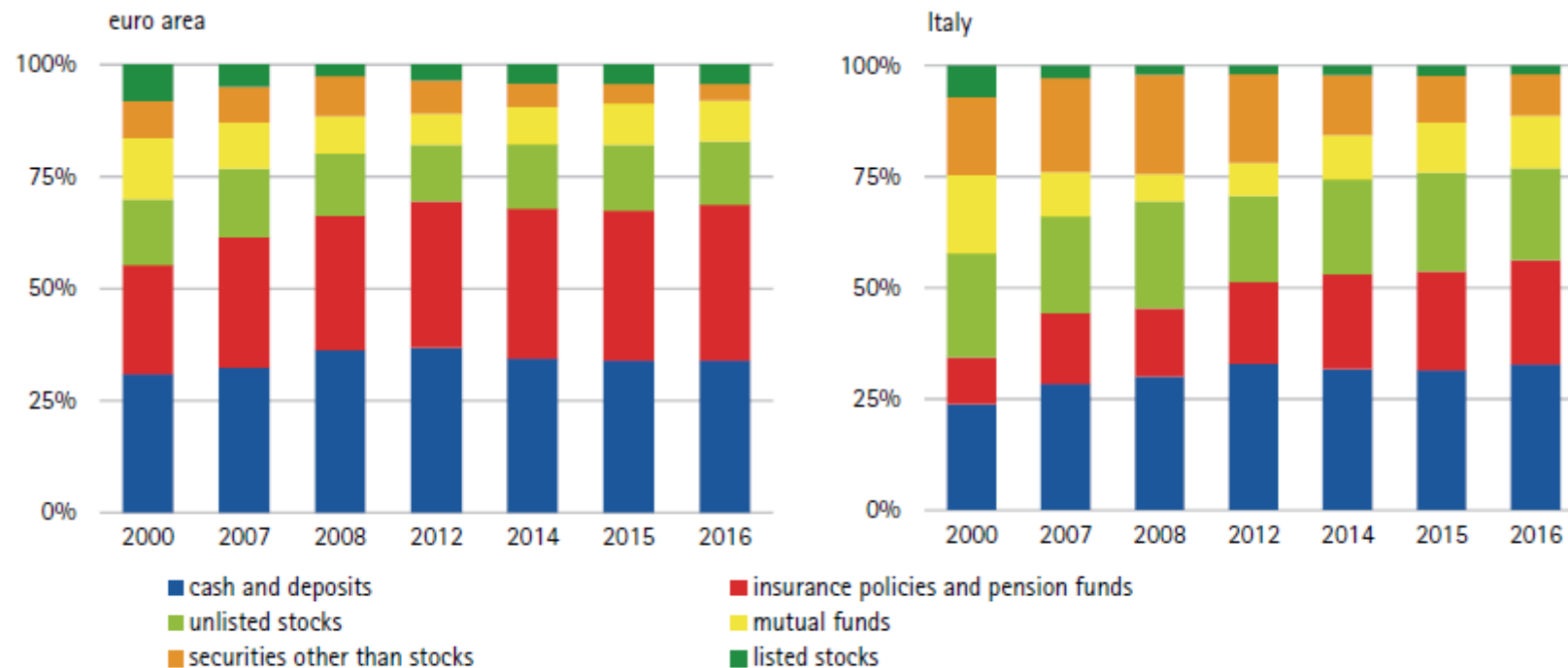
Trend in household wealth and savings

Breakdown by type of assets: european comparison



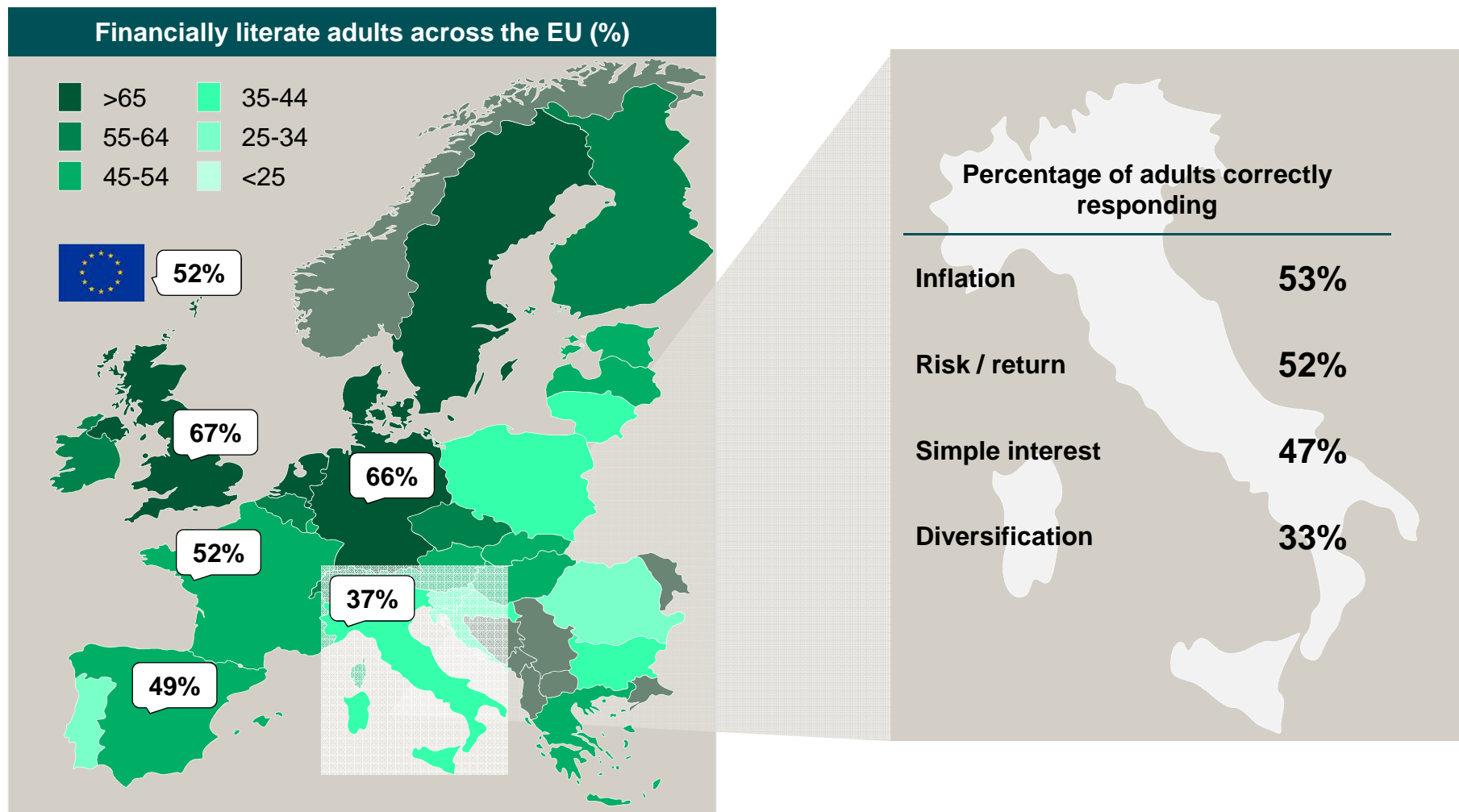
Trend in household wealth and savings

Breakdown by type of assets: european comparison



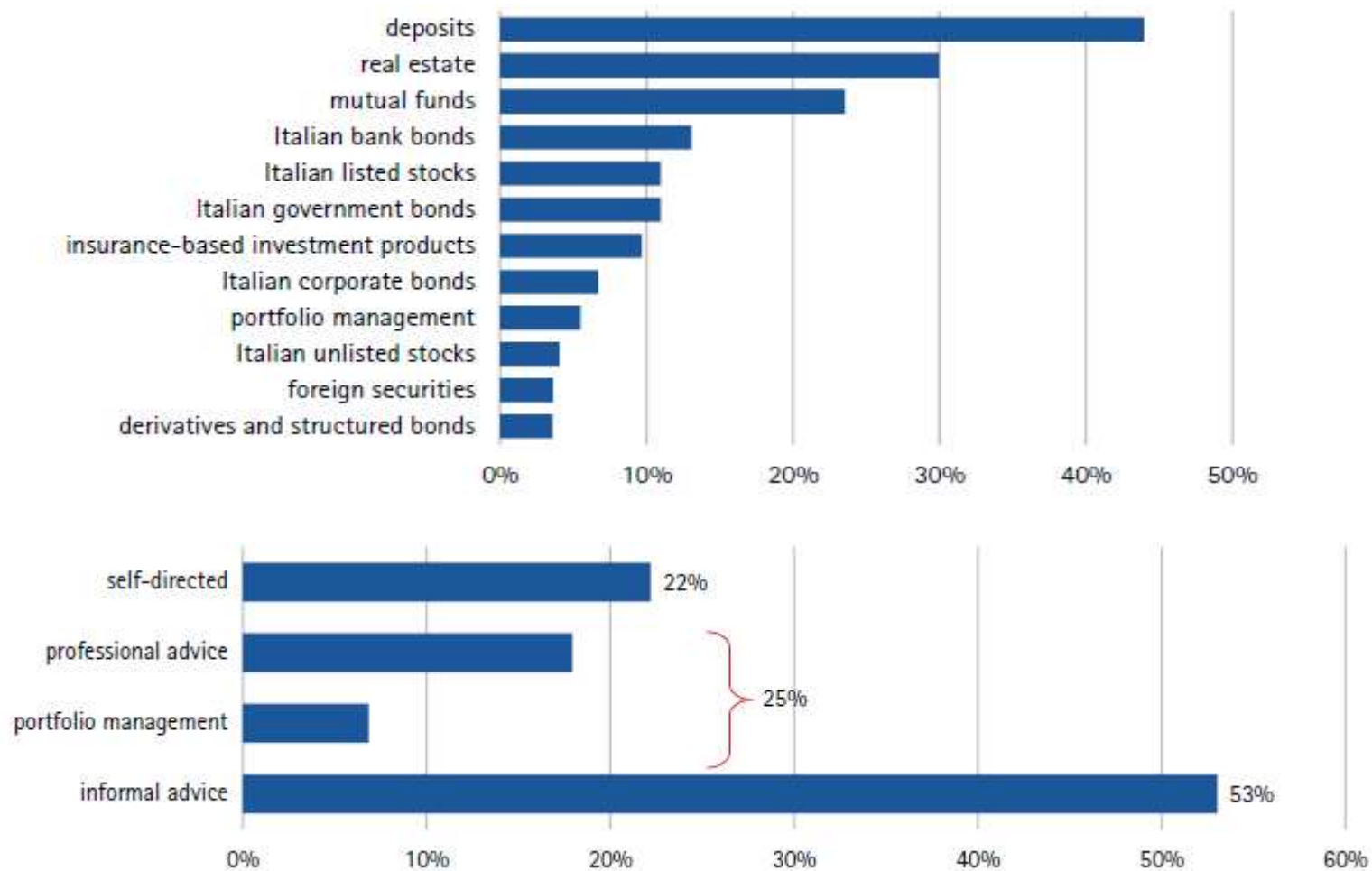
Source: Eurostat. Financial wealth data does not include some less relevant type of assets.

Despite the increase in net financial wealth, Italian adults are less financially literate than their European peers...



Trend in household wealth and savings

Breakdown by type of assets: financial and non financial



... however both the public and the private sector are launching campaigns to bridge the gap



Financial education, the offer keeps growing yet Italians still struggle

205 financial education initiatives launched between 2012 and 2014 by banks, insurance companies and pension funds

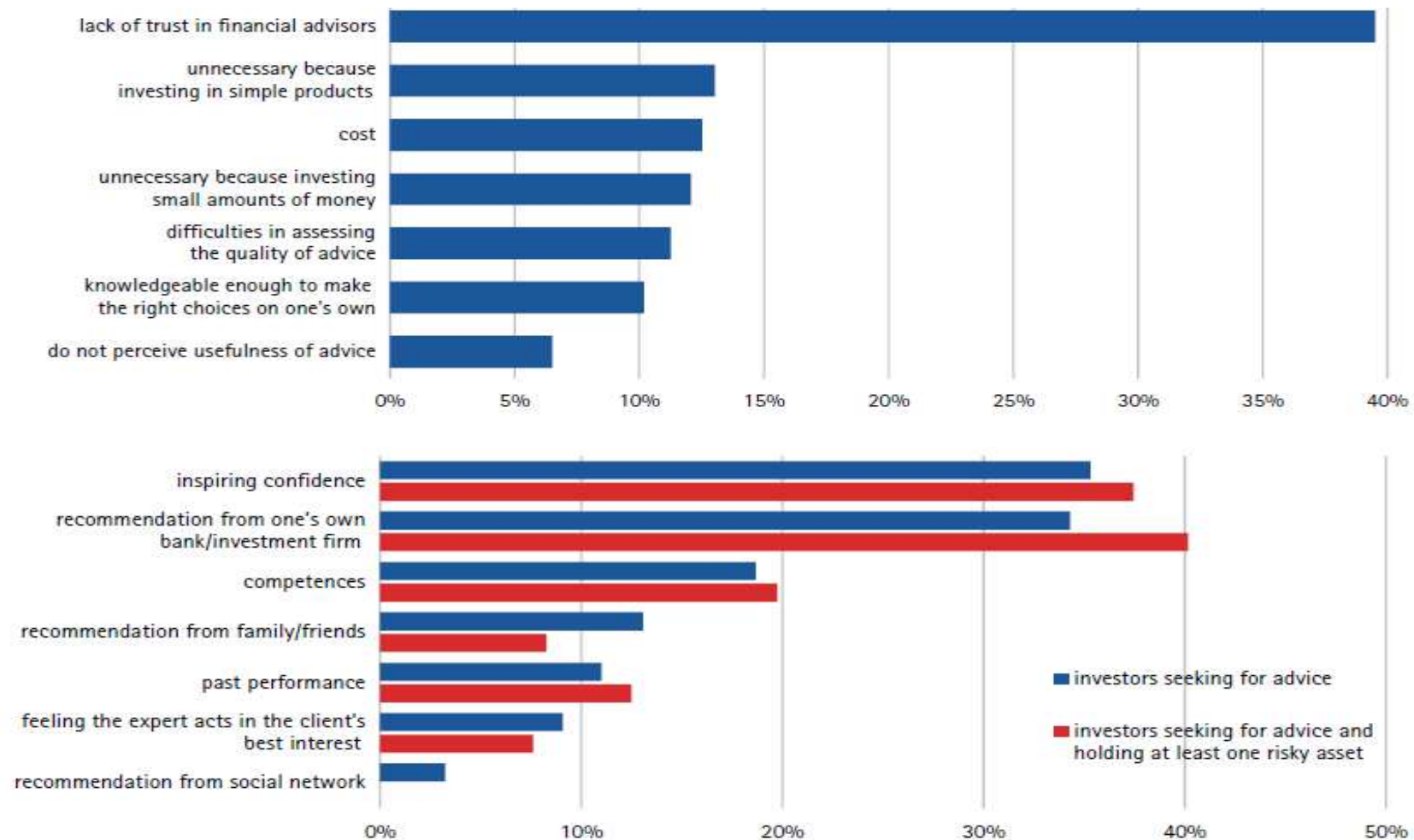


First round table of the “Committee for financial education”

The Committee examined an international review of the experiences of the countries (more than 60) that adopted a national strategy for financial education

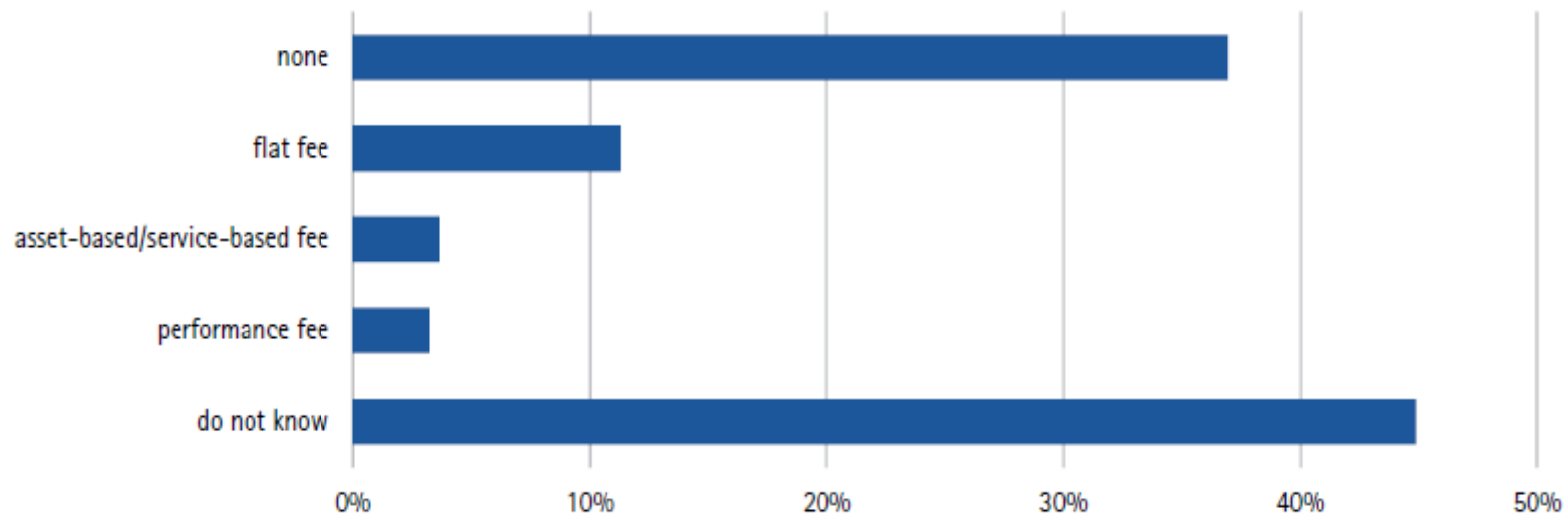
Trend in household wealth and savings

Factors Preventing seeking for financial advisory and factors influencing the choice



Trend in household wealth and savings

More than 40% think that advisory service is free !



Clients' needs, regulatory pushes and new technologies can trigger new distinctive business models



CLIENTS' NEEDS

- An ageing population requires new retirement and **wealth transfer solutions**
- Younger generations seek a more **digital** and **personalized** approach that makes **services always available**



REGULATION

- **Transparency** requirements and new rules on **inducements** may **negatively impact margins**



TECHNOLOGY

- Technology enables **new business models**, an **enhanced service quality** and the opportunity to **serve**, at a lower cost, **previously unprofitable client segments**

As global population ages, new retirement and wealth transfer solutions will need to be developed...



~\$4.000 bln

Wealth transfer over
the next 30 years

50%

of Italian SME with
an entrepreneur aged
60 or above

53%

HNW clients¹ over 55
years old

-15 percentage points

Retirement income
coverage of last
wage (by 2050)

Sources: RBC - Wealth Transfer Report (2017); AIPB - Segmentazione della clientela e consulenza finanziaria (2018); Osservatorio AUB sulle aziende familiari italiane (2016);

Repubblica Pensioni, entro il 2050 a rischio povertà quasi 6 milioni di lavoratori (2018)

1. Head of family

... as well as strategies to keep new generations engaged



DISAFFECTED

40%

Millennials that have changed bank at least once in their lives

INNOVATORS

42%

Millennials that have used alternative financial services (financial services non provided by banks)

MOBILE

90%

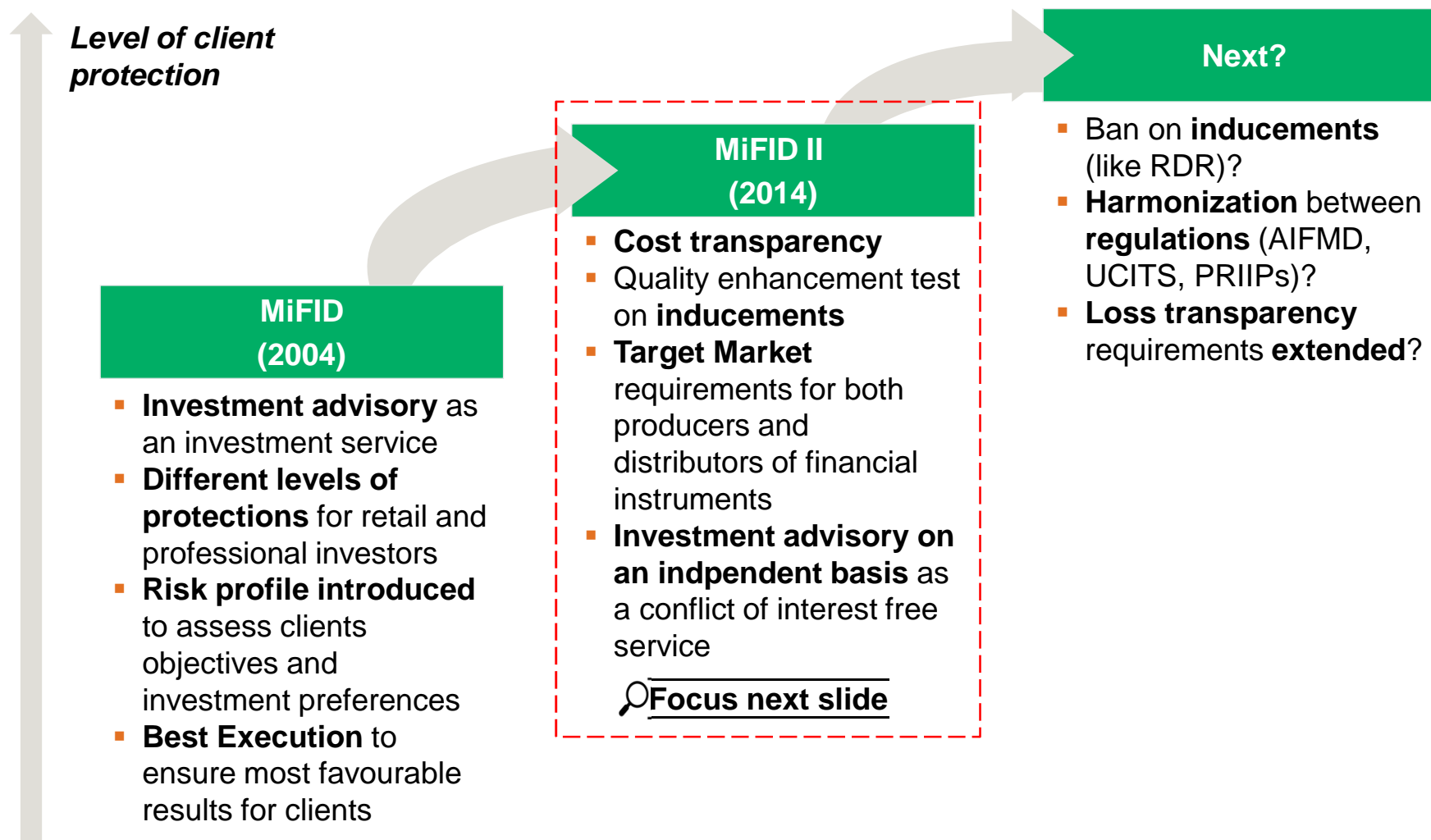
Millennial that access their bank account via mobile

LOW COST

Low cost strategies as a way to access new clients



Regulatory changes aim to increase investor protection and limit conflicts of interests...



... pushing players to reassess their service offering and develop high value added advisory models



MiFID II impacts

Greater opportunities for price comparison of players with a possible decrease in the **number of banking accounts**

New rules on inducements pose potential **threats to revenues**



Competitive strategies

IMPROVE VALUE OF OFFERING

Improve, in **differentiating** terms, client's perceived value of offering (from product placement to advisory)

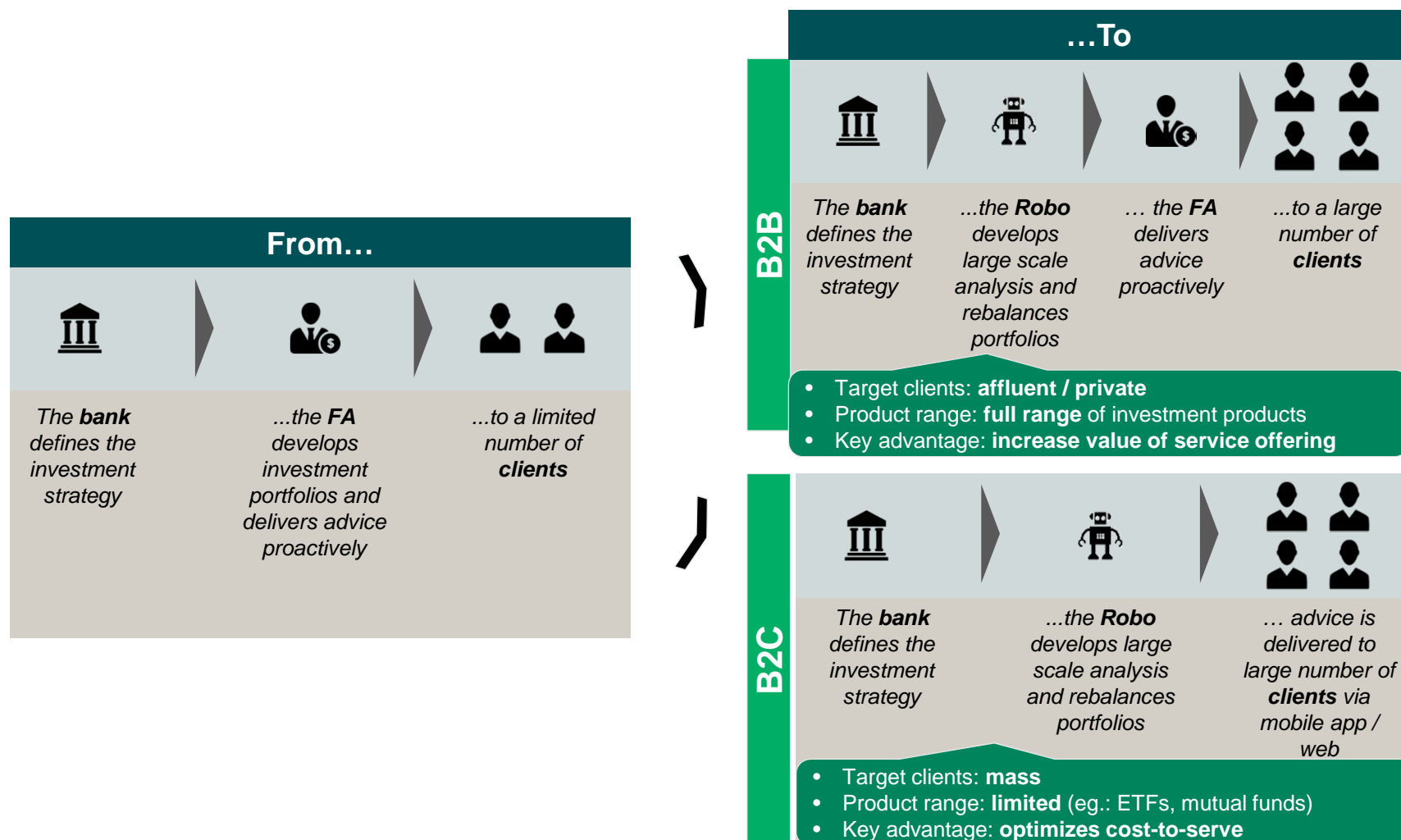
INCREASE OPERATING SPACE

Develop an **holistic advisory model** that also encompasses non financial needs (Global Advisory)

INCREASE VOLUMES

Focus on **acquisition** and **development** of clients to offset the decrease in marginality

With the advent of technology, the traditional advisory service is evolving into two separate models based on the end target client...



... offering banks the opportunity to push for a market consolidation and fulfill client's heightened expectations



Competitive strategies

IMPROVE VALUE OF OFFERING

New players that can offer “**digitally native**” **products / services** at a very **competitive** price for the **end costumer** (thanks to automation / do-it-yourself logic)

INCREASE OPERATING SPACE

Partner / provider that can develop **services and / or specialized technologies**, that increase the potential of a human FA

INCREASE VOLUMES

Simple and friendly user experience in line with other services user for personal reasons (eg.: Amazon, Facebook)

Some further consideration on the Robo- Advisory: what is it?



Robo-advisors are a class of financial advisers that provide financial advice or Investment Management online with moderate to minimal human intervention:

They provide digital financial advice based on mathematical rules or algorithms. These algorithms are executed by software and thus financial advice do not require a human advisor.

Investment management robo-advice is considered a breakthrough in formerly exclusive wealth management services, bringing services to a broader audience with lower cost compared to traditional human advice.

Robo-advisors typically allocate a client's assets on the basis of risk preferences and desired target return

Some further consideration on the Robo- Advisory: is it really new?



In 2015, **Paul Tudor Jones** (of Tudor Investment) tried to motivate his team for the new era of quant investing by telling them, "No man is better than a machine, and no machine is better than a man with a machine."

In a new book titled *The End of Theory* (Princeton University Press), author Richard Bookstaber echoes the argument in favor of a hybrid, man-with-a-machine approach.

In 2013 **Tower Watson** wrote "Quantitative equity managers ('quants') have experienced a roller-coaster ride in the past 10 years. Throughout the middle of the last decade, life was good for quants: performance was strong, asset inflows were significant, and even fundamental managers were embracing the merits of quantitative tools in screening and portfolio construction. Today, however, investors often exclude quants from their agenda."

Messages from an italian perspective



As is	To be
Investors needs: To increase financial knowledge and trust in financial community and to think about the future	Less wealth creation and using financial wealth providing pension and insurance protection
MIFID II is acting towards more transparency and awarness by investors	Adding value through better solutions and services
Personal trust is key	Trust is embedded, service is critical: Increase support to clients and bankers through processes and presence, using “new technologies for both interaction and analysis”

Thank You!

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