



Digital strategy

Candido Bracher | President and CEO

Ricardo Guerra | CIO

Itaú Unibanco | May 2019



Customer needs



Customers expectations have changed.

They demand high-quality experiences rather than just products and services.

The game changer: technology

Solving real customer needs through tech.



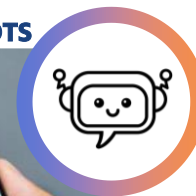
AI/ML



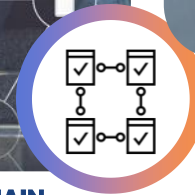
BIG DATA ANALYTICS



BIOMETRICS



CHATBOTS



BLOCKCHAIN



SMARTPHONE



SOCIAL MEDIA



WEARABLES



CLOUD

Customer ownership is the new rule



How to achieve customer ownership?



Innovators

Challenge: **scale**

X



Incumbents

Challenge: **change**

**“Incumbents must find innovation
before innovators find distribution”**

What is Itaú Unibanco doing to achieve customer ownership?

Building digital capabilities on top of major strengths.

Leverage



Develop



Lots of data



Large customer base



A full range of products and services



**The capability to
continuously transform**

+ speed to extend our digital offer

deep knowledge of customer



**value proposition
addressing
real customer needs**

What is Itaú Unibanco doing to achieve customer ownership?



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What is Itaú Unibanco doing to achieve customer ownership?



+ speed to extend our digital offer

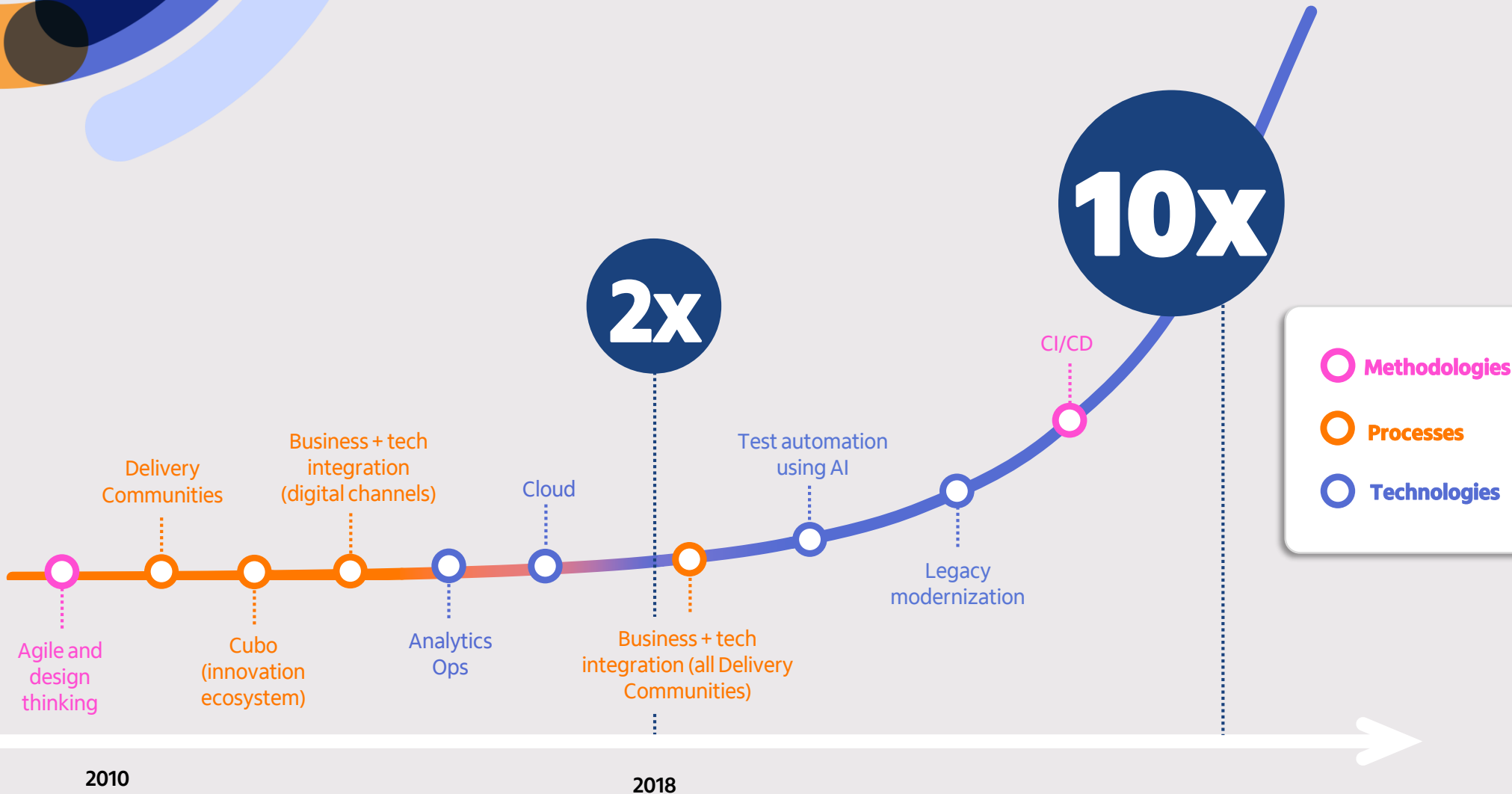
deep knowledge of customer



**value proposition
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Speed to extend our digital offer (10x)



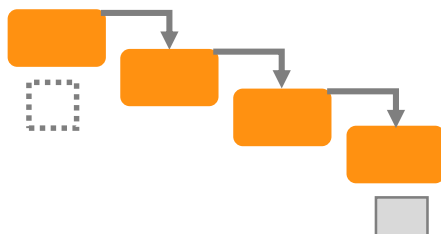
Working model | Digital-oriented organization

Customer centricity means managing the organization in a new way.



TRADITIONAL

Project management and execution



Team organization

People move with each new project

Value capture

Months/years

Customer involvement

After solution is reached

Working method

Waterfall

MODERN

Continuous evolution of our digital solutions



BUSINESS + TECHNOLOGY

PLATFORMS IN CONTINUOUS EVOLUTION

Stable teams working in collaboration

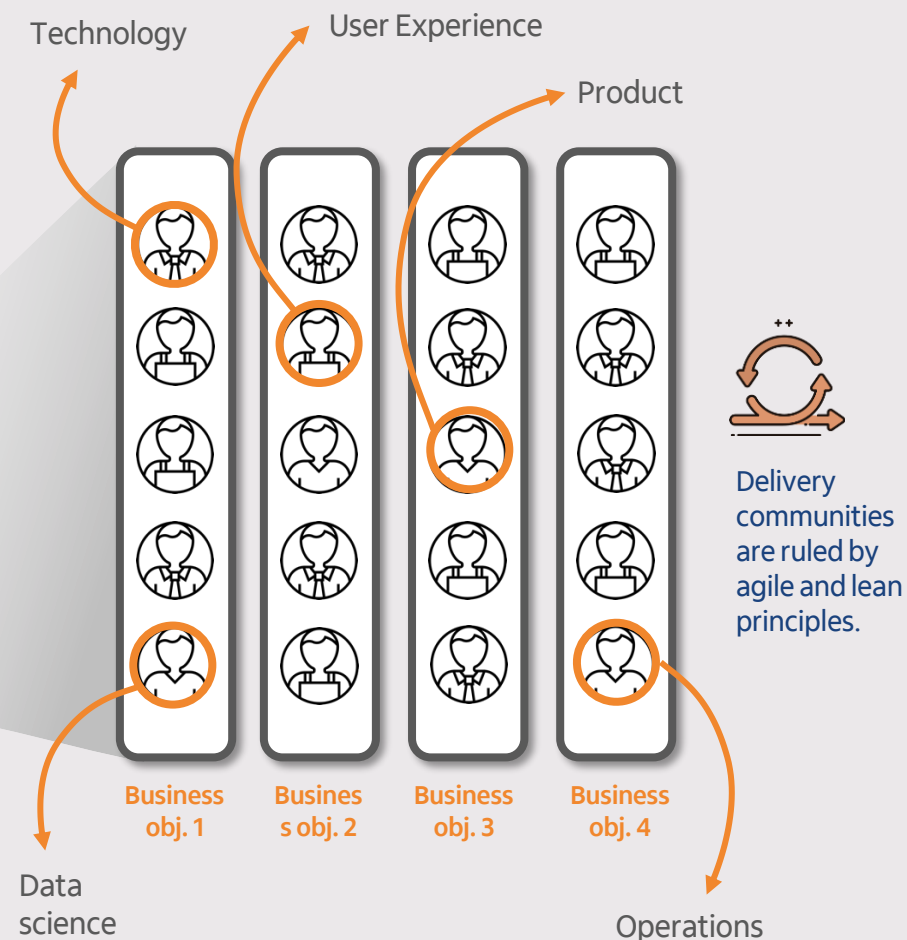
Weeks

Constant iterations and continuous feedback

Agile, lean and design thinking

DELIVERY COMMUNITIES

Moving from command and control to autonomy



Benefits of modernization

- Time-to-money reduction
- Cost and lock-in reduction
- Digital, customer-centric technology
- Operational risk reduction
- Enabling open banking

We are also employing external platforms to speed up the delivery of new solutions (products and services)

- Payments
- Credit card
- Current account

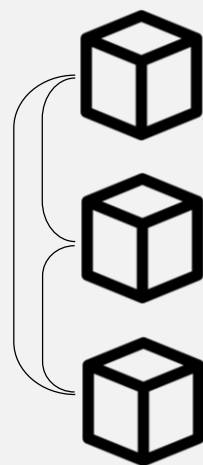


Microservices advantages:

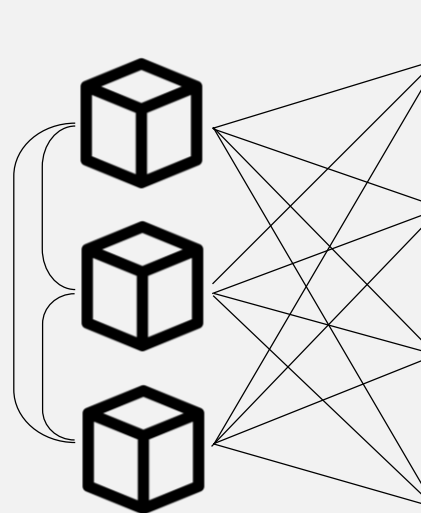
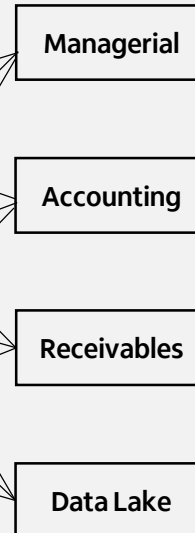
- Scalability and flexibility
- More frequent deliveries
- Availability

Batch processing architecture

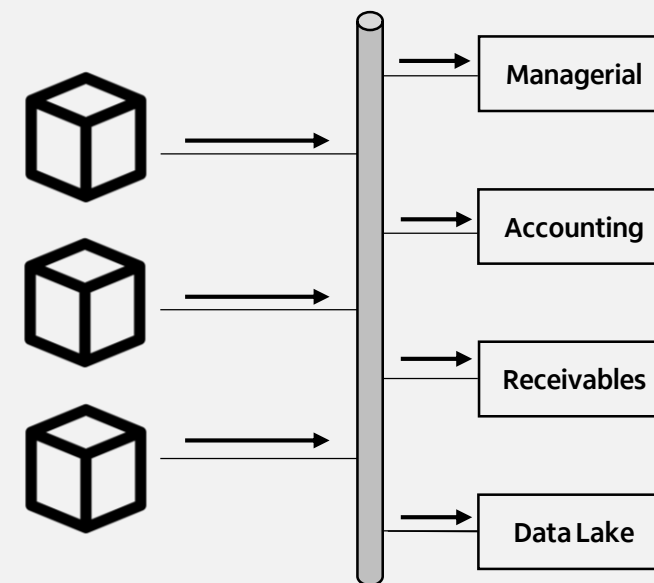
ONLINE SYSTEMS



BATCH SYSTEMS



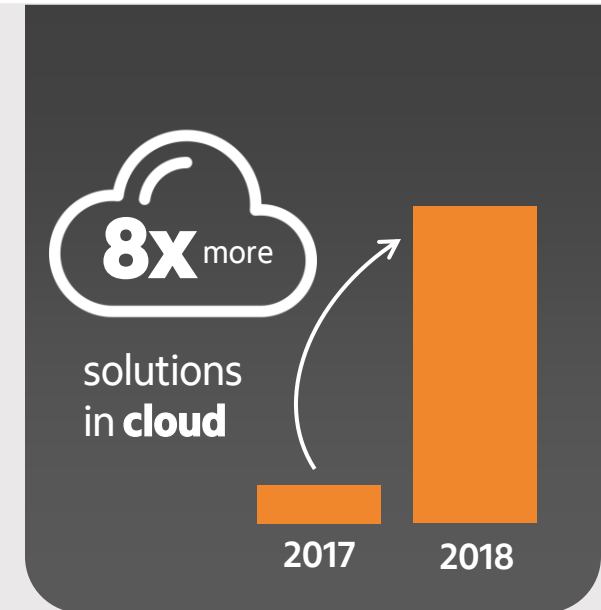
Event-driven



Cloud

Why is cloud computing important to us?

- Time-to-money reduction
- Application modernization
- Cost efficiency
- Operational risk reduction
- Access to public cloud tools



2018

50% of financial benefit projects
used cloud solutions.

2019

70% of projects
have cloud solutions.
At least one public cloud
provider used.

Until 2021

Cloud computing expected to be used in the
main interfaces with customers.
Multi-cloud in at least 3 providers.

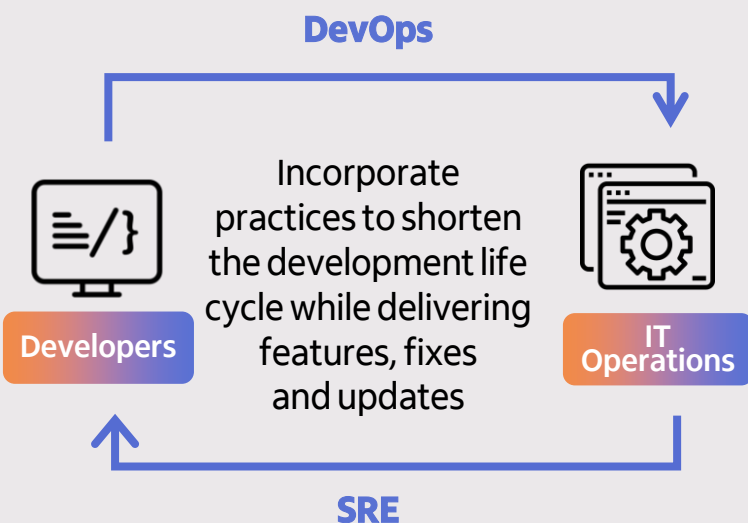
Access to tools that add value for customers

Technology platform | DevOps and SRE



Accelerate integration, continuous deployment and software delivery.

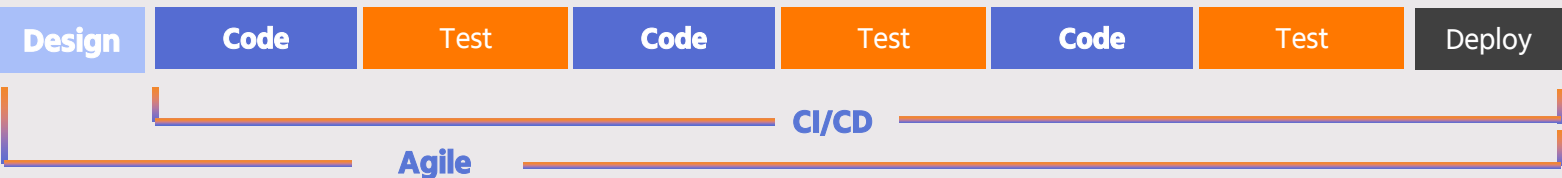
DevOps and SRE



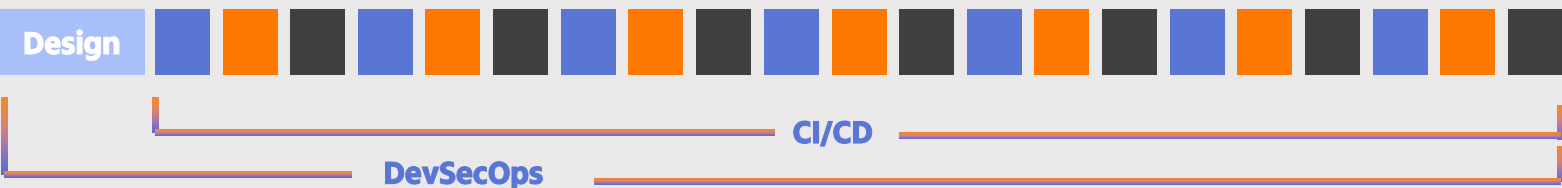
Waterfall



Agile



DevOps



CUBO | Innovation ecosystem



Cubo is the **largest hub** for technological entrepreneurship promotion in **Latin America.**



215,000+ ft²

2,000 people/day

24 sponsors

1,100 residents (120 startups)
400 startups members

70+ projects between the bank and Cubo startups

13 floors + rooftop



4 events/day
1,000 events/year

Founders:



Business verticals: Industry | Retail | Health | Education | Fintech

Partnerships: RENAULT brMalls dasa kroton cisco CIS

Schneider Electric accenture digital Sapere + others

Awards
since 2015:



- ★ Spark Awards
- ★ IF Design Award
- ★ International Visual Identity Awards
- ★ Financial Innovation Awards 2016
- ★ Startup Awards

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+ speed to extend our digital offer

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**value proposition
addressing
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Technology platform | Data analytics and AI

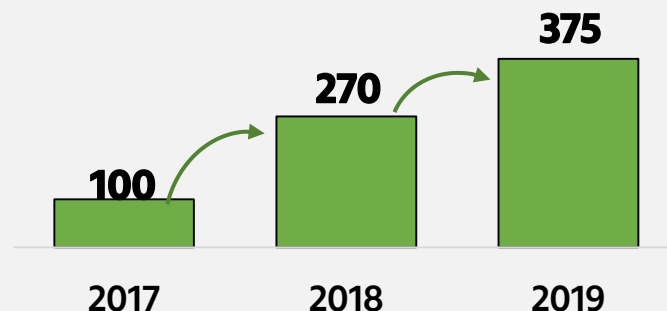
Understand customers and leverage the business.



Generated value

Value capture with AI and analytics has been increasing

(base 100)

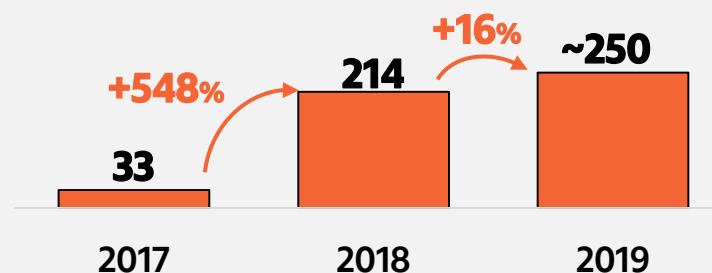


Average ROI **1500%**

Training and capacity building

Human capital training and knowledge dissemination

Number of data scientists at Itaú Unibanco:



Itaú Unibanco Analytics Training Program:

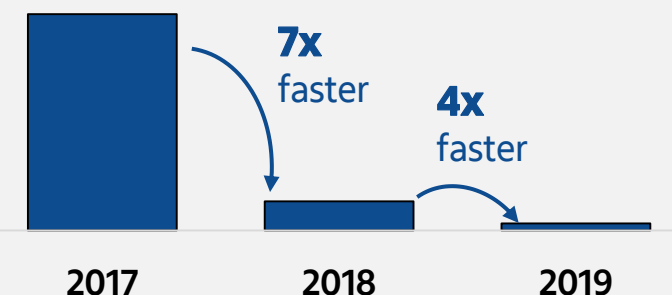
- 7 months long
- 400h training

Partnerships:



Analytics Ops

Efficient strategy for model deployment

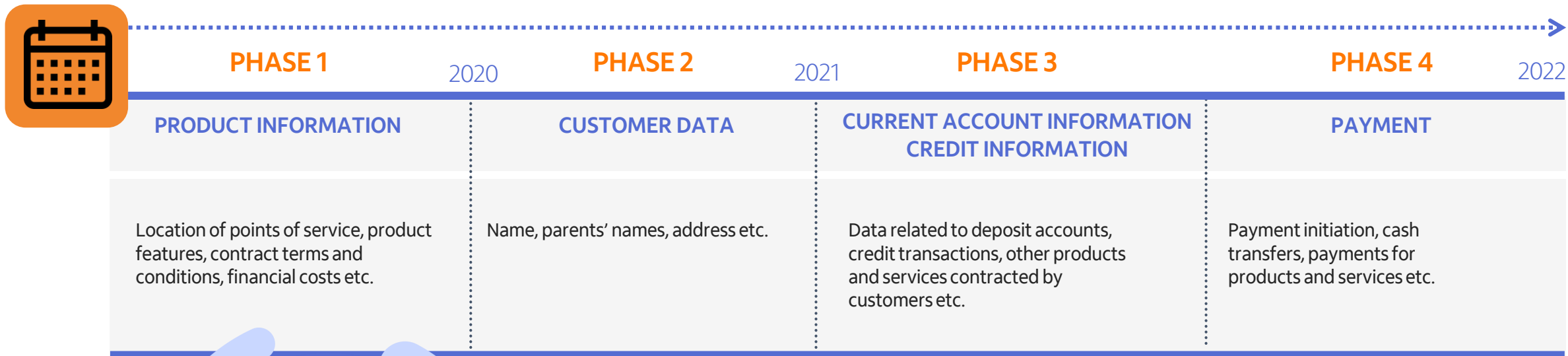


VIRTUAL ASSISTANT
Artificial intelligence
algorithm is retrained
every week

Technology platform | Open banking



More data about our customers.



Great opportunity for
customer ownership.

Human capital | Iniciativas



Performance based on cooperation

Evaluation combines collective indicators and individual efforts



Data scientist

Analytics Education Program



Dress code flexibility

Valuing and respecting people's unique personalities



Hackathons
pre-select new employees

+ 5,000 people (2018)



Delivery Communities

+ 7,000 people



29 Communities

New ways to attract talent



New technology building

Redesigned spaces to encourage cooperation, creativity and productivity

Our initiatives are reflected in numbers

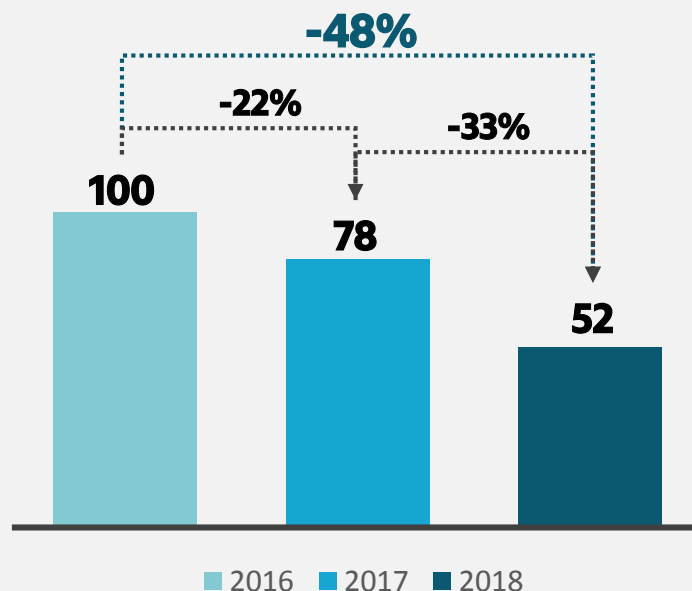


Significant improvement in indicators:



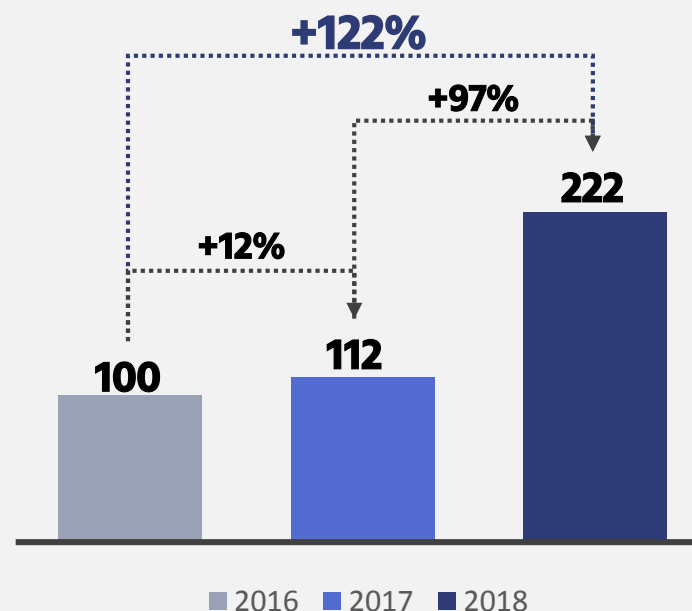
Lead time

Reduced delivery time for technology solutions
(Base 100)



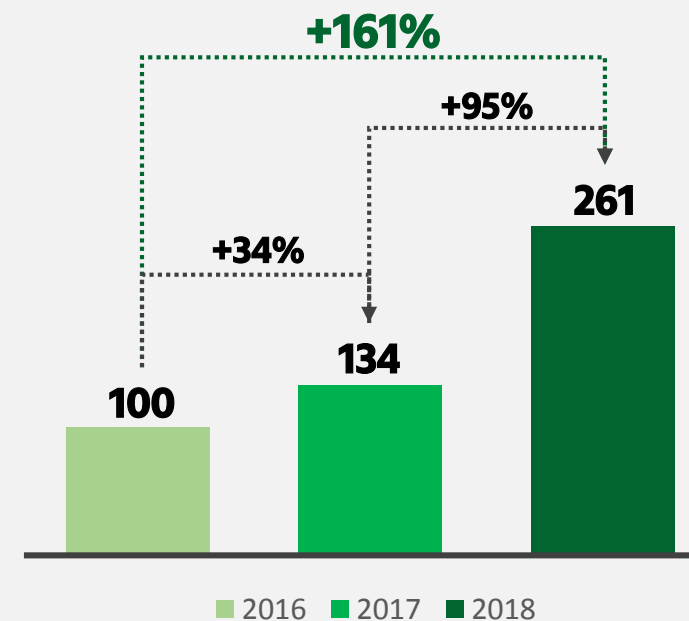
Regulatory environment

Attended more regulatory requirements using technology
(Base 100)



More value

Highest return on financial benefit projects
(Base 100)

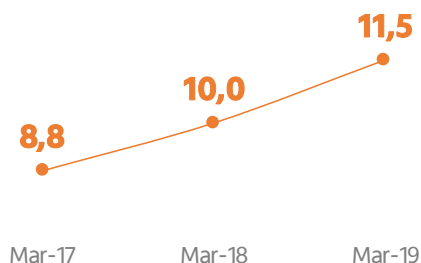


Digital experience | Itaú Unibanco customers are increasingly going digital

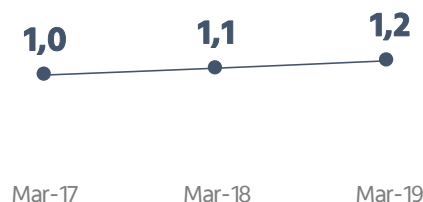


Use of digital channels ¹

Individuals (millions)



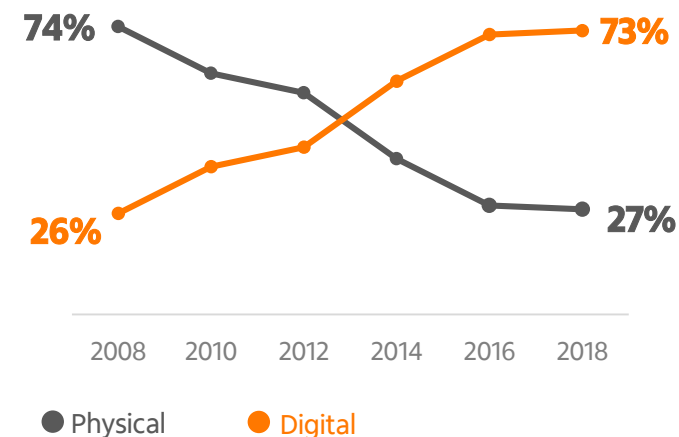
Companies (millions)



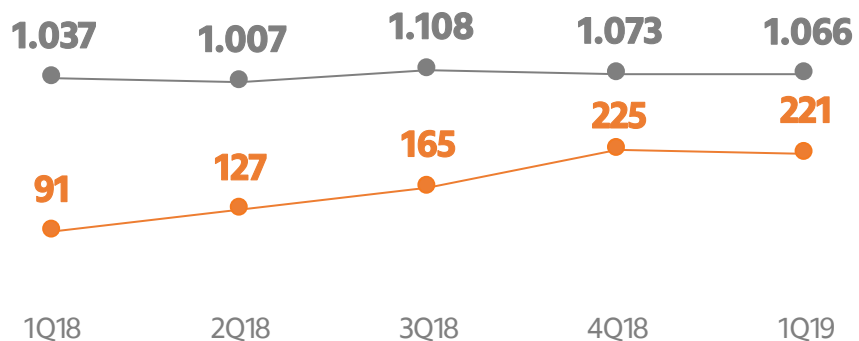
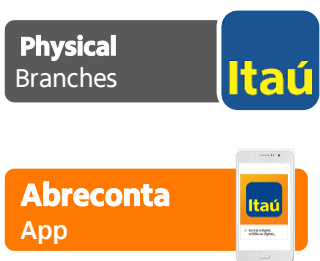
% of transactions through digital channels

	1Q17	1Q19
Credit ²	16%	18%
Investments ²	37%	46%
Payments ²	64%	80%
Transfers ³	88%	94%

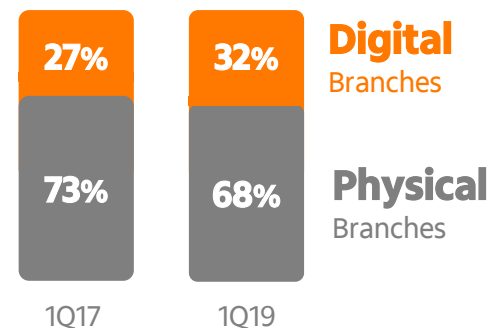
Transaction volume (%)



New Individuals accounts (thousands)



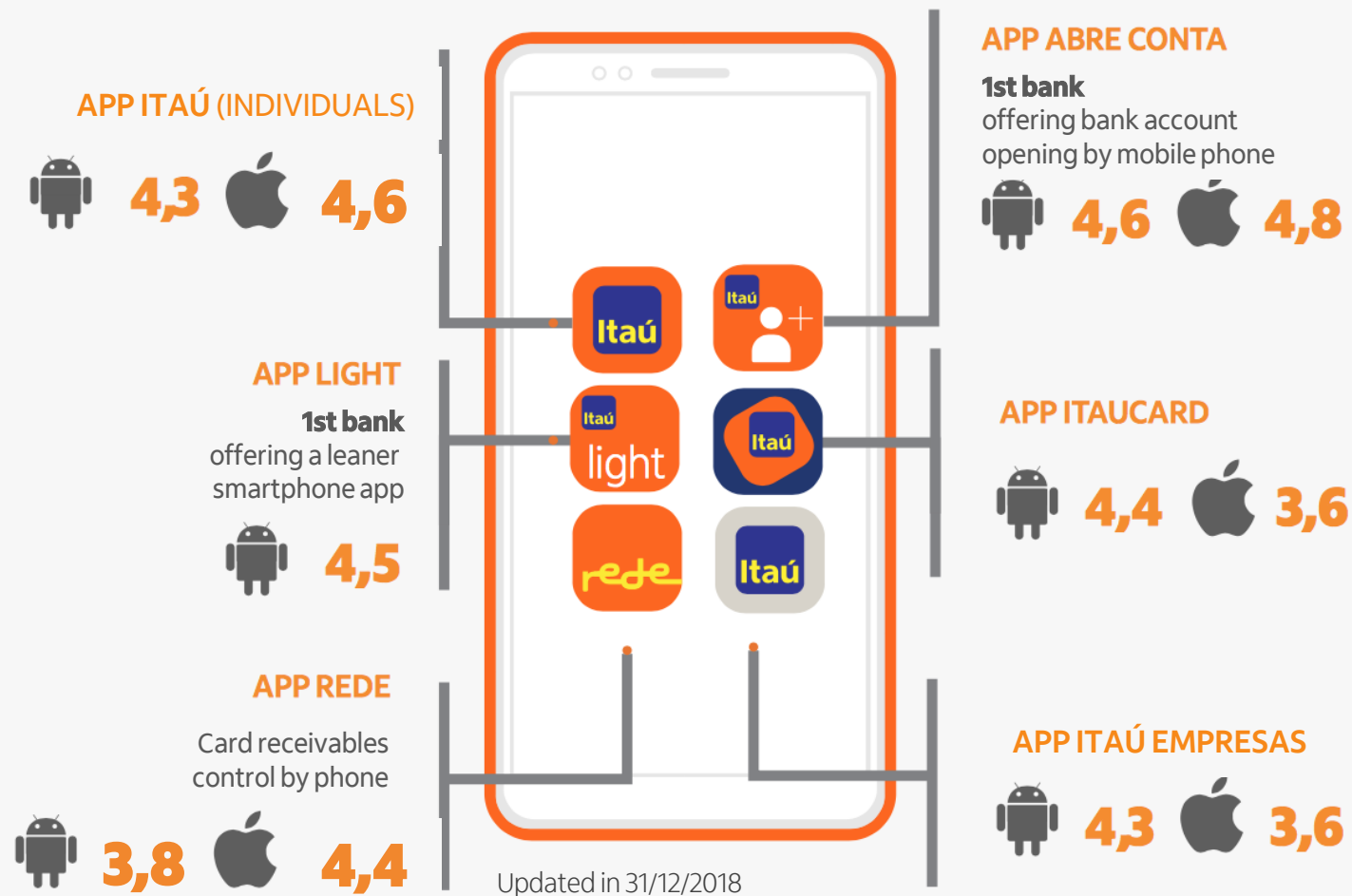
% digital operations on the retail operating revenues



Efficiency ratio of branches in 1Q19

27% Digital
70% Physical

(1) Internet, mobile and SMS on Retail Bank; (2) Share of digital channels in the volume (R\$) of transactions in the Retail Bank segment; and (3) Share of digital channels in quantity of transfers between different banks in the Retail Bank segment.



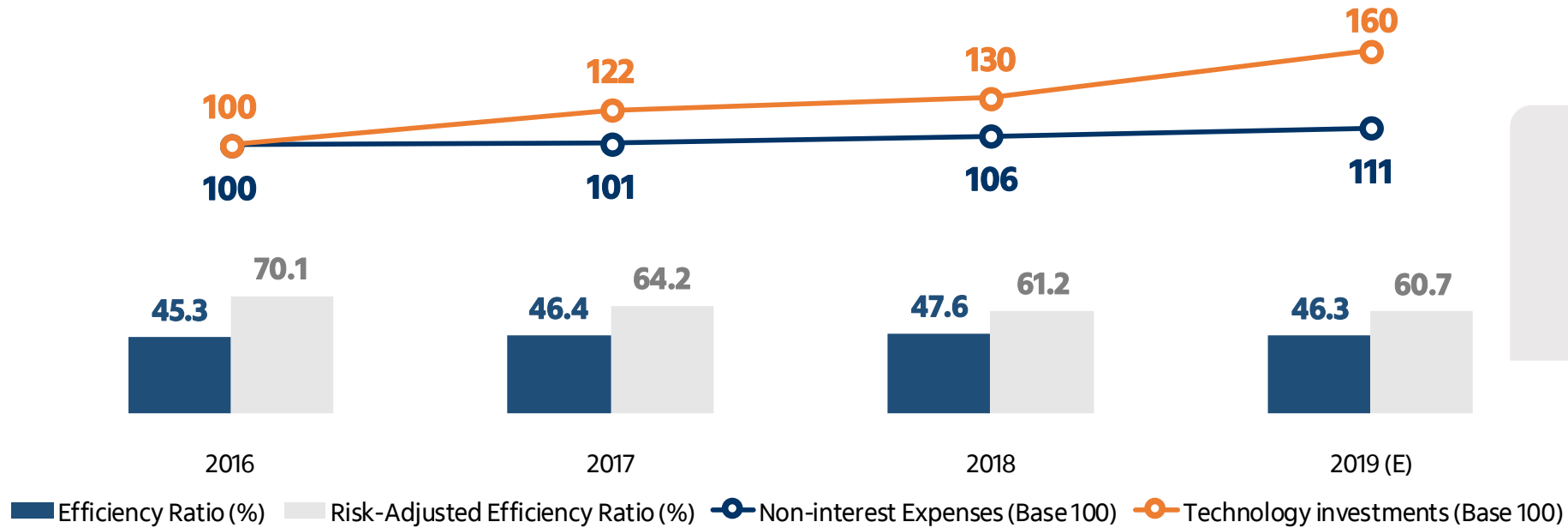
+ 11 MM individual clients
using digital channels

+ 40 new features on the
mobile channel

318 updates in our apps in 2018
Average: **2 updates a month** per app



Technology investments



18%

Inflation (IPCA)
accumulated in the
period

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real customer needs**



Come to Rede.



Rede eliminated the prepayment rate on credit card transactions without installments.

- Use of any Rede's point of sale machine with a bank domicile in **Itaú Unibanco**
- Annual sales up to **R\$30 million**

We want:



Stimulate the development of entrepreneurs, micro and small companies

Pursue even higher levels of **customer satisfaction**

Influence other moves in the industry

Offers | Credicard ZERO

Paperless, zero
fee credit card.



Zero annuity and distinguished
loyalty program that converts
into miles of any company

Available on:



 credicard

Por que escolher
entre zero anuidade
ou benefícios?

Com o **Credicard ZERO**
você tem os dois!



- 100% digital sale: **691k new customers**
- **45% lower** operational costs and **69% lower** acquisition costs



Customer
recognition

Global
NPS 74



Digital
Experience



Paperless



Value for money
(+expense
– churn)



Digital
benefit



A customized selection of investment products by Itaú or other companies.



THE BEST OF A BANK AND A
BROKER **IN THE SAME PLACE**



+ **knowledge** and
understanding
of customer.



Transparent
recommendations, respecting
investor profile
and goals.

Main products
and services



Offers | insurance open platform



Expansion of insurance portfolio with complementary products offered by partner insurance companies.

2017

07 categories
02 insurers
05 channels
29 products

2018

11
08
07
39



Prudential

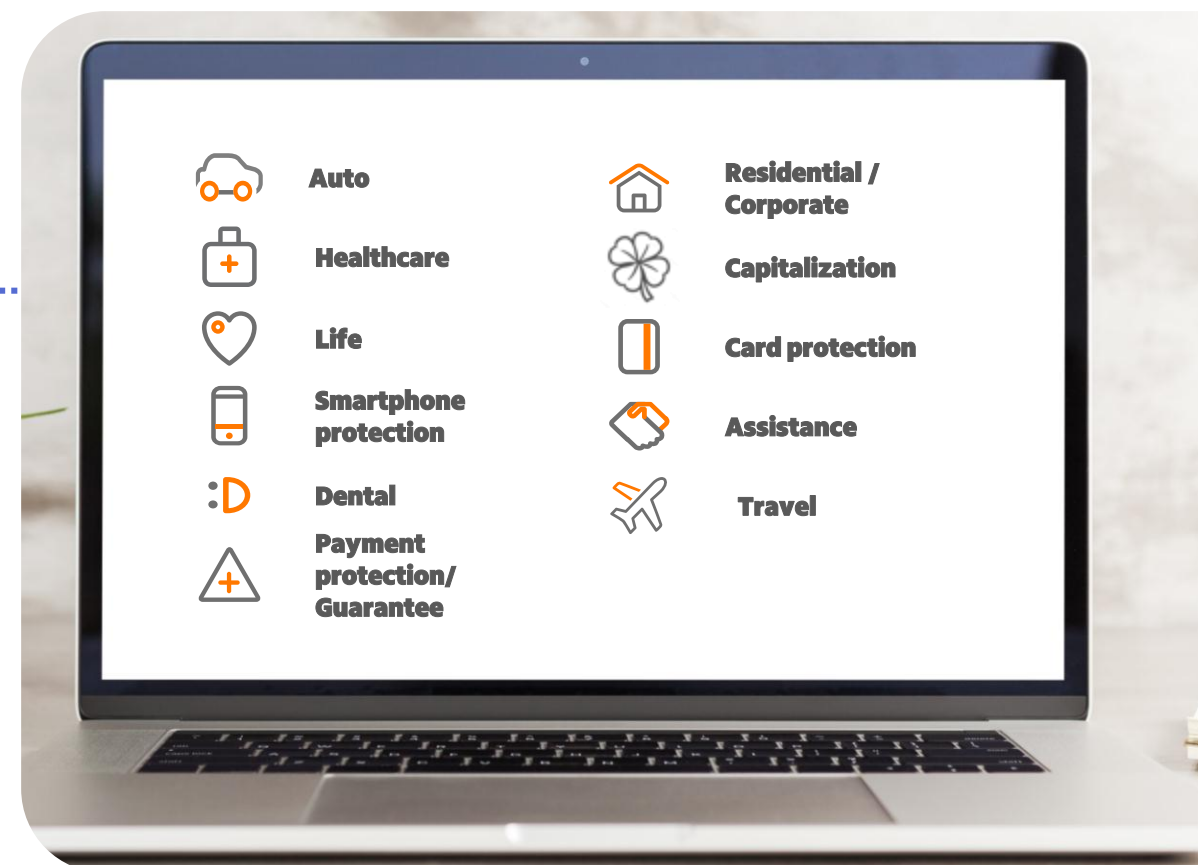
CHUBB



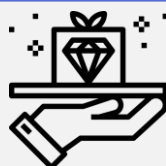
Icatu



ASSURANT



Benefits:



Multi-channel distribution
focused on fee business

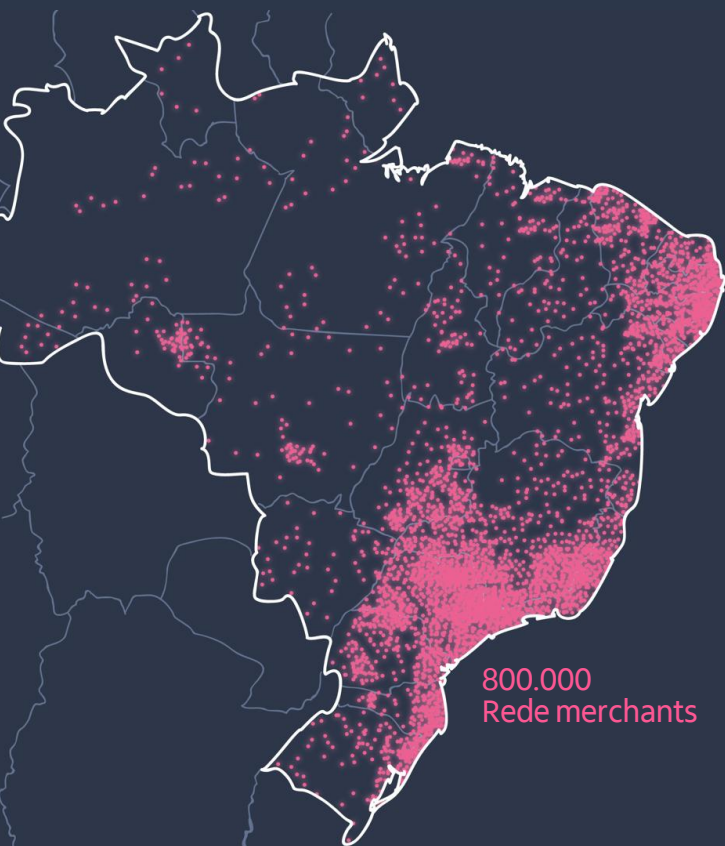
Specialized
salesforce

Post-sale
excellence

Easy **access** and **convenience**
for customers

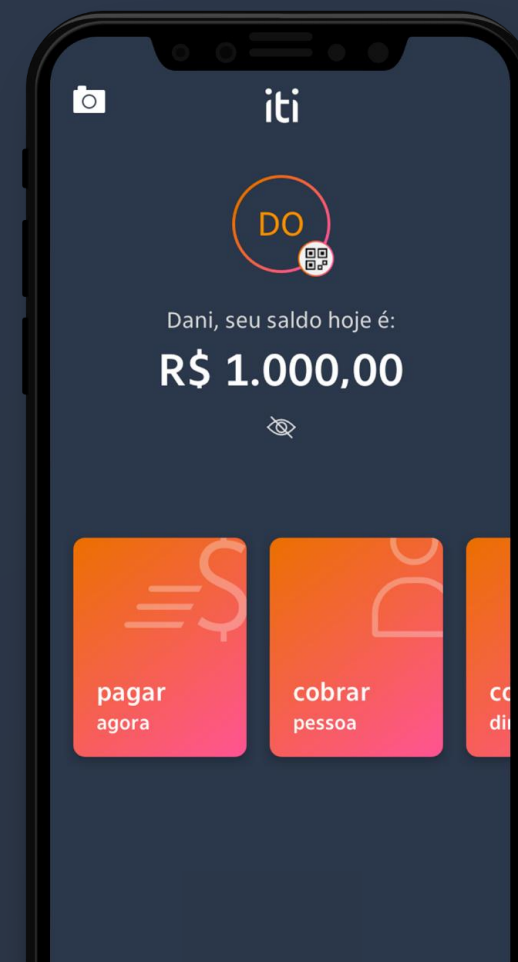


iti is a **multi-purpose platform** that allows clients and non-clients to **pay, buy, transfer and receive money instantaneously** peer-to-peer or through a QR code.



Individuals

- No minimum income or bank account requirements
- Pay, buy, transfer and receive money easily and instantly, using just a smartphone
- Virtual wallet: credit cards (of any bank) to make payments
- Discounts and benefits in partner retailers
- Zero fee offer (freemium)






Product evolution hypothesis






(to be determined by customers)

iti

layer 0

-  Digital prepaid account
-  Payments
-  Human chat service

layer 1

-  Lending
-  Investments
-  Credit card
-  Personal financial management
-  Conversational interface

layer 2

-  Open banking platform

layer 3

-  Beyond banking
-  Marketplace

goal

Scale and engage

Monetize

Monetize

Monetize

rent.

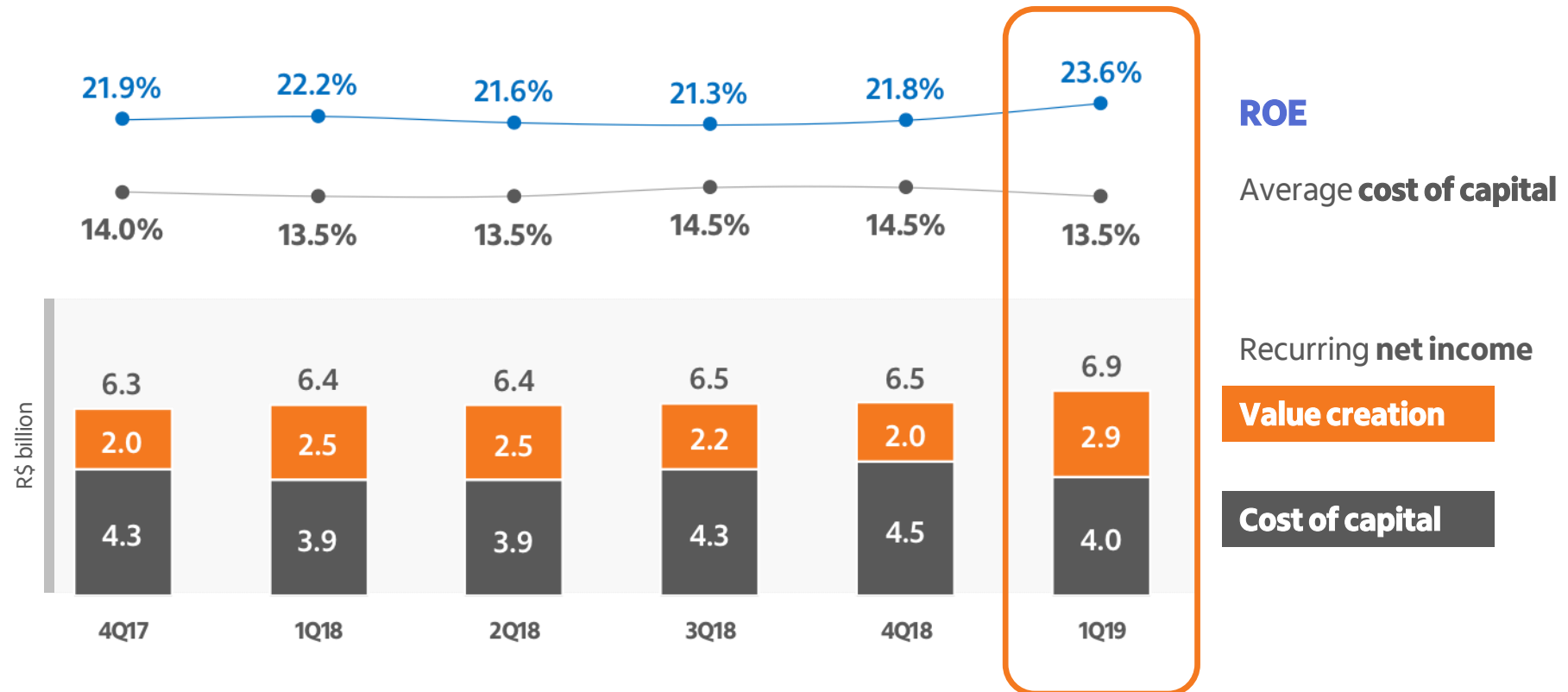
Deficit operation

Bank services with no fees

Commission

Commission and data monetization

Digital experience | Recurring net income and value creation





Digital strategy

Candido Bracher | President and CEO

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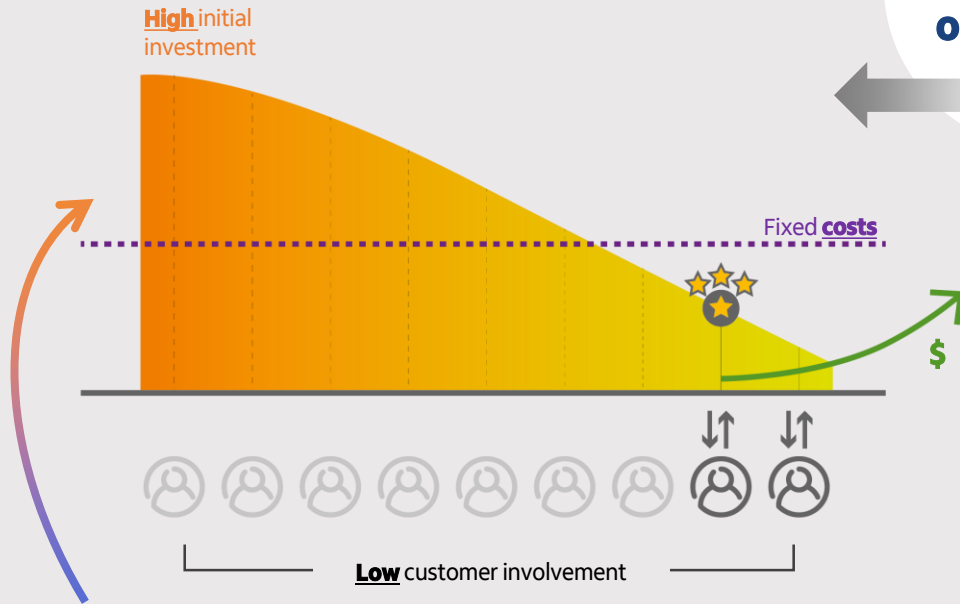
Itaú Unibanco | May 2019



Attachments

Economic models

Traditional



Marketing research

Valuation

Investment in assets

Distribution centers (branches)

Data center

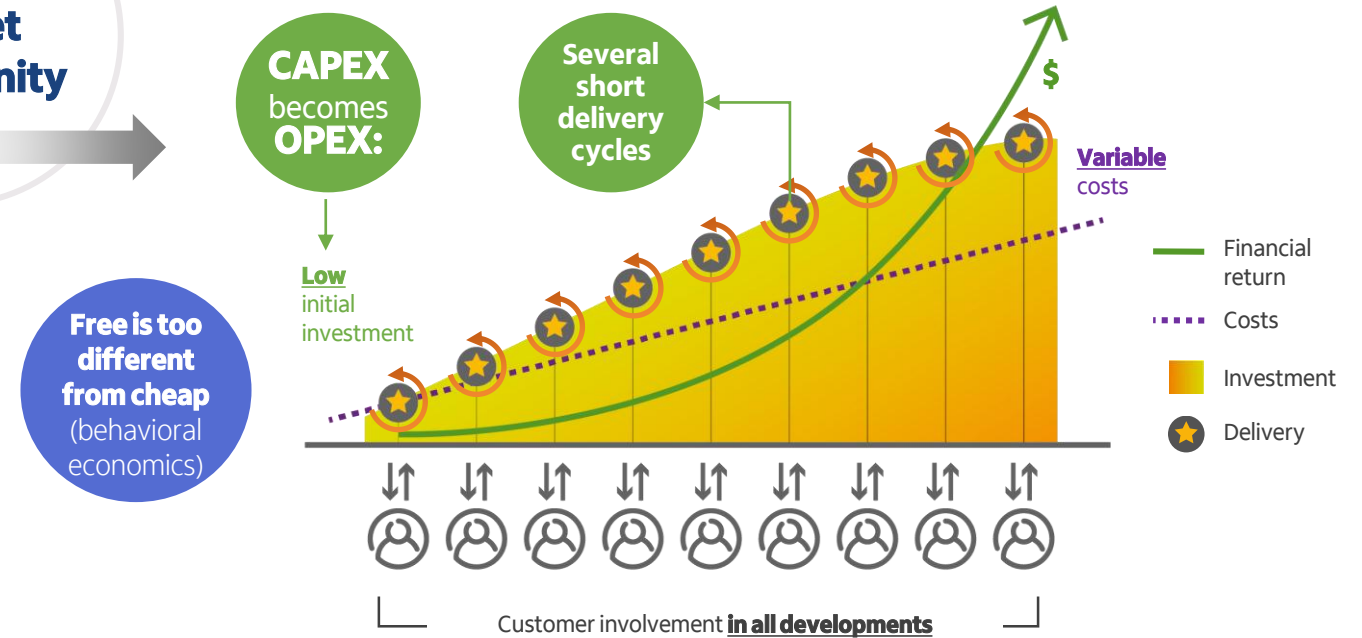
Softwares

OUTCOMES

- **High** capex;
- **Very long lead time;**
- **Higher** expectation of short-term return;
- Need for early **revenue**.

market opportunity

Digital products



Free is too different from cheap (behavioral economics)

OUTCOMES

- **Low** capex;
- + **experimentation;**
- First **scale** the customer base, then **monetize;**
- **Lower** expectation of short-term return (venture capital).

WHAT DO WE NEED TO PURSUE?

- 1 Customer obsession
- 2 Speed
- 3 Low capex
- 4 Freemium

Technology as business enabler



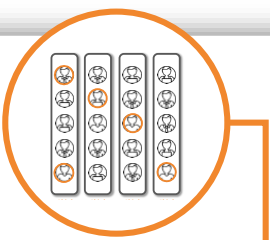
WHAT DO WE NEED TO PURSUE?

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Agile working model | Delivery communities and continuous delivery

Evolution of working model

+6000 employees
in this model



Technology

Technology +
other areas of the bank

Delivery communities
2017

Integrated communities
2018-2021

2015/2016 (operational improvements)

Lead time

100
(2016)

78
(2017)

52
(2018)

46
(2019 - forecast)

Focus on technology investments to have **continuous deliveries** | **+ speed**



Run the bank

Mandatory for the business

Ensure the
continuous operation
of the bank

56%
of technology
investment



Change the bank

Evolve the business

Investments in growth
and **business
transformation**

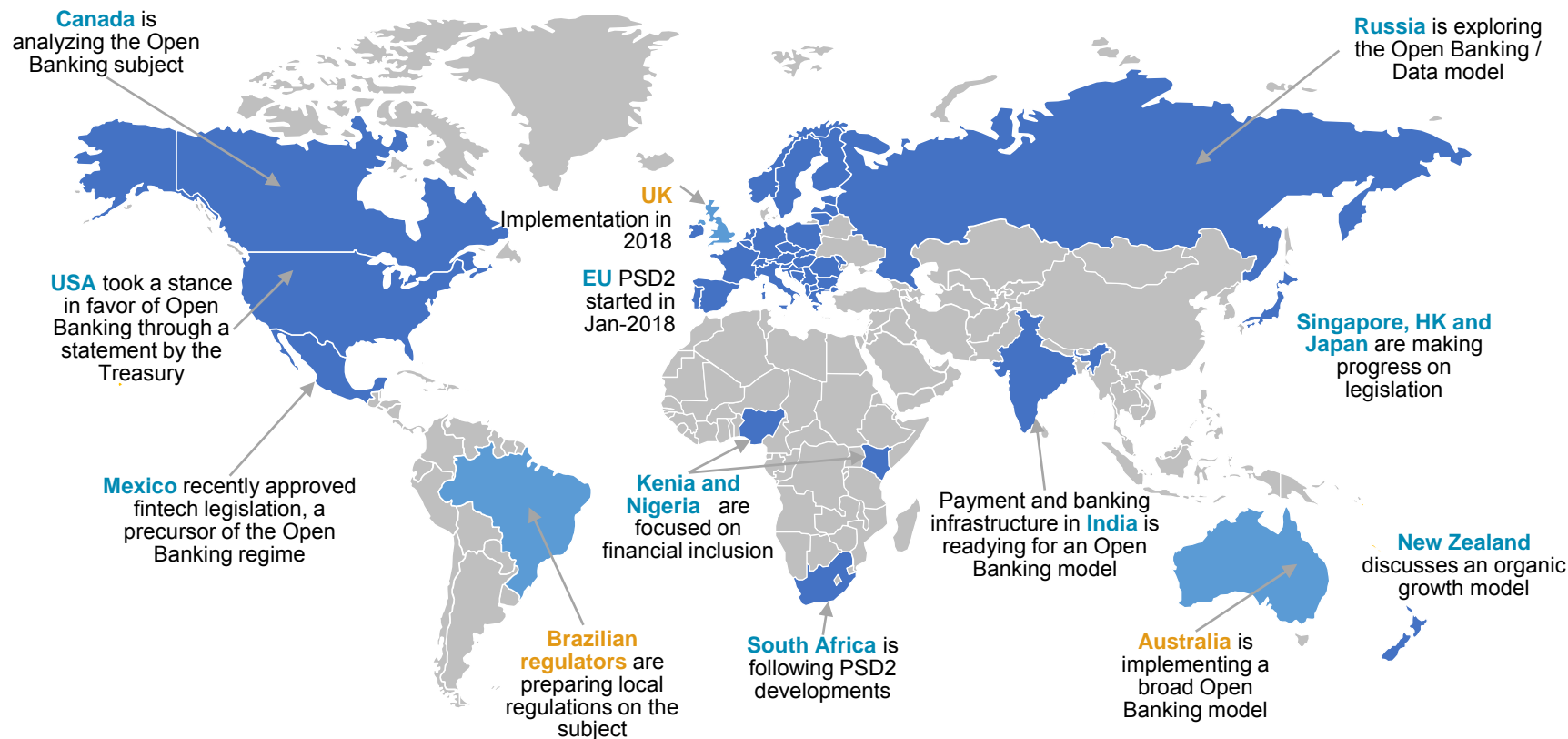
44%
of technology
investment

**Low initial investment with
benefits continuously
captured**

Technology platform | Open banking regulation



Open Banking is moving in many countries and each one is creating models to fit local specifications.



Implementation is more advanced in the UK, European Union and Australia

Fonte: Oliver Wyman.

Technology platform | Open banking regulation

Itaú Unibanco is closely following the regulation evolution of open banking.



- 1 Aggregates data and analytics decisions**
Access and aggregation of transactions from different IFs in a single data environment to offer several analysis and solutions to support the customer's financial decisions.
- 2 Credit evaluation**
Enhancement/improvement of credit score analysis, for instance, using the customer's bank transaction history to facilitate access to financial products.
- 3 Product comparison**
Comparison of prices and product/service offerings from different providers in a single platform using public information about products and services.
- 4 Identity verification**
Providers share registration data, facilitating the customer onboarding process.
- 5 Payments and transfers**
Payment initiation by third-party suppliers with no need to go through the entire current payment chain (acquirers and labels).