



EMBRACING CHANGE TO MEET THE CHALLENGES OF THE FUTURE

*This Q&A interview with **Fernando Beyruti, Head Global, at Itaú Private Bank**, he discusses the bank's results and plans to change technologically, via increased reliance on cloud computing and data analytics, and culturally via better positioning and digital tools for clients, and a new business model with five key pillars.*

Briefly provide an overview of your year and the company's status: financially and in the marketplace?

Itaú Private Bank is the largest private bank in Brazil and top three in Latin America (LatAm). We have managed the volatile market in the first half of the year well, mitigating risk and spotting opportunities for clients as we responded to economic changes wrought by the socioeconomic crisis in LatAm, the war in Ukraine and on-going Covid lockdowns in China adversely impacting supply chains and oil, gas and commodity prices, causing inflation, rising interest rates and other global impacts. Change is a constant in our industry and volatility can be a virtue if you know how to handle it and have good risk management practices in place. Embracing change can be a good thing.

Itaú Private Bank had a market share of 28 per cent in Brazil at the end of H1 2022. Our Assets under Management (AuM) have increased by 17 per cent per year since 2015.

Similarly, our revenue increased by 14 per cent per year in the same period. Net income grew by 21 per cent year-on-year (YoY) over the last six years, for an annual growth rate of 19 per cent.

Itaú PB's results testify to our strength and ability to adapt to change in the financial market, in the global economy, and to long-term wealth management trends, such as the concentration of money in ultra and high net worth (U/HNW) individuals and families.

Responding to change whether it is market or technology-driven is in our DNA, as is maintaining the quality, training and dedication of our team to deliver a good return and customer experience (CX) to clients. Culturally, we're changing too in regard to how we position ourselves geographically and in niche markets such as agro, and technology, which is important sectors in Brazil - to get the best out of them.

Tell us about your cultural & other changes that are underway at the bank?

The aim is always to get close to the customer, cooperate with Itaú specialist teams and its retail banking arm to feed the ascending value chain, corporate, trading and other units of the bank to give the most effective CX in the most efficient manner. For instance, that means using the digital self-service tools developed by Itaú in a suitably amended form to improve CX and meet customer demands for instant data and analytics that is available 24x7. This also frees up relationship manager's (RM) time to do more value-adding tasks, especially if they too have access to better, faster automated data flows.

We want to offer an integrated product with added value that will last for generations, so that means serving our core LatAm constituency locally but also globally, reflecting their propensity to travel and live abroad. Our offshore, position in major global financial centres, and private market capabilities round out Itaú PB's offering, alongside our wealth planning, succession and other such services.

We can pivot to meet national economic advances or retreats and allocate resources accordingly. The same is true as the marketplace pivots towards using sustainability metrics in its investment platforms. A nimble, mobile workforce and flexible IT infrastructure means you can meet whatever challenges are thrown your way.

That is why we are conducting detailed studies of each region we operate in, analysing the market, competition, service provision and asset growth options – which may not be the same as before, as some clients increasingly want to specify environmental, social, and governance (ESG) parameters into their portfolios. Asset growth versus quality longer-term growth is becoming a factor for some. Geopolitics are changing global economic interactions as well from Ukraine and Europe to Asia and beyond, so you need to be aware of the differing economic and investment impacts. New hiring drives will result from our research as we target growth wherever we find it.

Tell us about your business model changes?

To respond to the challenges I've already outlined, we at Itaú PB are constantly improving our business model to ensure a long-term profitable future for us and our clients, who we obviously want to keep deeply engaged with us. It is based on five pillars:

- 1. Wealth planning:** UHNW wealth concentrates the need to perpetuate clients' legacies for future generations. The wealth planning team provides holistic advice that is tailored to the needs and characteristics of each family group. They will be a key part of Itaú PB's future growth.
- 2. ESG investments:** These themes are increasingly prominent for our clients and therefore on Itaú's agenda as well. We have developed a platform with more than 145 ESG products, in various asset classes. This meets client's wishes, as well making us prepared for more climate change-induced carbon offset schemes and demands for social well-being via the UN's 17 Sustainable Development Goals (SDGs) and other such mechanisms.

- 3. Tailored solutions based on a structured investment process:** Investment processes must move through well-defined stages that are aligned with client needs and objectives. This allows our team to continuously review and update the investment strategy and tailor products to each client's need. Our renewed focus here will deepen and strengthen our relationship with clients and drive further growth.
- 4. Consistent results with a long-term vision:** To cultivate long-term relationships, one must approach investing from a long-term perspective as well. This is particularly true for family office relationships, a key growth area, so we are re-designing our reward metrics, training and cultural emphasis to emphasise a long-term focus for big consistent rewards. Succession planning, real estate, private markets and so forth are all important in sustaining wealth in volatile times as well.
- 5. A 'one-stop shop' with a wide open platform:** Flexible IT systems and a partnership approach gives clients' an open investment platform powered by application programming interfaces (API) data exchange mechanisms that provide access to a multitude of investment products from all the best houses in the market. There is also expert curation and support from advisors and Itaú PB's consolidated financial services platform – including Itaú BBA, Itaú Asset Management and other arms of the universal bank – ensure convenient, easy IT access and service provision.

Tell us about your new technology stance?

Itaú Private Bank has been given a sizable budget this year to develop a better digital platform for its clients and staff. We will be able to repurpose and reuse some of their self-service and analytic tools to help clients and RMs access more granular data instantly round the clock. These self-serve tools will also simplify our team's day-to-day responsibilities, freeing up more time for them to attend to important estate-planning work without compromising the efficiency and personal touch we are known for.

The new Ion Itaú investment app is an example of what we want to achieve. Using Ion Itaú, customers can follow market news, view their investment and profitability history, and even invest in variable income assets, as if they were at a home brokerage. To increase CX convenience, the app will also consolidate information from multiple accounts and brokers, not just Itaú PB accounts, thanks to the use of open APIs. This means clients can keep track of all their investments in one place. More features are being added all the time. Our IT platforms are currently being reconfigured for cloud computing, which is the most appropriate IT hosting infrastructure for the entrepreneurial approach that we culturally want to institute at the bank. The cloud can scale computing power up and down to meet demand efficiently and allows easier data mining, as it overcomes legacy IT siloes that could previously trap information behind departmental borders. New digital tools can be more easily and quickly added as well, especially in the open API-enabled era that we are entering where data exchange and orchestration is becoming more important.