

# Intellectual Capital

We are investing in our information and communications technology (ICT) systems, our internal processes and our ability to innovate in order to transform UniCredit's operating model and provide a better customer experience.

## OUR STOCKS OF CAPITAL



## RESULTS

- ~84% of 2019 target for decommissioning of ICT systems achieved
- Groupwide *Best Practice Sharing* program in place

## COMMUNITY IMPACTS



## PRIORITIES 2018

- Further ICT optimization to support our transformation
- Increased process automation and digitization for the benefit of our customers

## Ensure secure and effective ICT systems

We remain focused on strengthening UniCredit's information and communications technology (ICT) to enable the digital transformation of the Group.

### Simplifying and upgrading our ICT

In 2017, we invested in a wide range of initiatives to support the evolution of our business and the modernization of our systems – from redesigning our ICT factory to updating our technology.

The extensive reorganization of our ICT global factory has improved its agility and enabled it to better meet the needs of our business. Over the year, we replaced the majority of the ICT factory's leadership team and these appointments have increased the diversity of its leadership in terms of gender (5 out of 17 positions are now held by females) and national origin (5 nationalities). In addition, we reduced layers of management and simplified the organization to make it more responsive.

The ICT factory's redesign also involved technological updates, which achieved cost efficiencies and increased its readiness to meet the challenges of the digital era.

• The decommissioning of systems progressed well, with more than 920 applications eliminated as of 2017, or about 84 percent of the 2019 target, with some global applications replacing previous local applications.

Moreover, we made progress in our efforts to rationalize and simplify ICT infrastructure, reducing roughly 10 percent of our mainframe technology and roughly 5 percent of our open systems technology.

### Enhancing ICT security

A substantial proportion of UniCredit's ICT investments are made to strengthen our ICT security management so that we can better protect the Group's customers and business. To that end, roughly 300 of our full-time employees are allocated to ICT security activities and operations.

Our ICT security strategy takes into account several factors - including external threat trends, internal

assessment results and regulatory requirements - in order to continuously assess our ICT security status. Based on these factors, we have developed a multi-year plan for ICT security that helps review our framework of related policies across the Group.<sup>1</sup>

In 2017, our ICT security initiatives were focused on protecting UniCredit's assets from any vulnerabilities. Despite a security breach at UniCredit in Italy, no data that could be used to gain access to customer accounts or make unauthorized transactions was affected.<sup>2</sup> We took immediate action to close the breach and put in place a crash program to address identified vulnerabilities.

At the same time, we continued to invest in ICT security awareness-raising among our employees. Videos were regularly posted on the Group intranet to promote compliant and safe behaviors, reaching roughly 48,000 page views. To make this awareness campaign more effective, in 2017 we also invested in two phishing attack simulations that involved roughly 13,000 Group colleagues each.

## Optimize processes

Thanks to increasing automation and digitization, we continue to streamline processes and improve efficiency for the benefit of our customers.

In 2017, we kicked off our first robotic process automation pilot projects in Italy and Germany. With these projects, we are beginning to automate our current account, credit and data management processes.<sup>3</sup> So far three pilot projects have been successfully completed; we intend to leverage the results to enable greater efficiency in our non-automated tasks.

We also continued to deploy tech solutions such as optical character recognition, smart workflows and digital signature to make our work more efficient Groupwide. These enabled further simplification and digitization of our commercial banking processes, delivering significant benefits in 2017. Process improvements include:

- the recognition rate in legitimation reached 94 percent (vs initial target of 80 percent) in Germany
- legal and fiscal investigation times were reduced by roughly 50 percent in Italy
- payment investigation times were reduced by 43 percent in Italy.

MATERIAL TOPICS



1. Refer to the 2016 Integrated Report for more information on our ICT security governance and framework of policies.

2. Refer to UniCredit press release from July 26, 2017 for more information.

3. Refer to the Strategic Plan section for more information on current account processes.

## Foster our ability to innovate

We continue to seek innovative solutions that make our products and services work better for our clients.

Our research and development efforts focus on creating cutting-edge solutions for our business, in collaboration with academic and industrial partners. In 2017, these efforts resulted in the creation of a single borderless liquidity pool which our clients will be able to access through a novel internal currency trading platform. This service will be progressively available across a number of Central and Eastern European (CEE) countries where we operate, starting from Russia.

Our Group also continues to scout and invest in fintech companies to obtain more innovative solutions. Since its inception, *UniCredit EVO*<sup>4</sup> has thoroughly reviewed roughly 300 fintech startups, identifying roughly 40 promising companies, and investing in two of them in 2017. These two companies offer solutions that will improve cash flow management for our SME clients and use artificial intelligence and data analysis to reduce cyber risk in various areas.

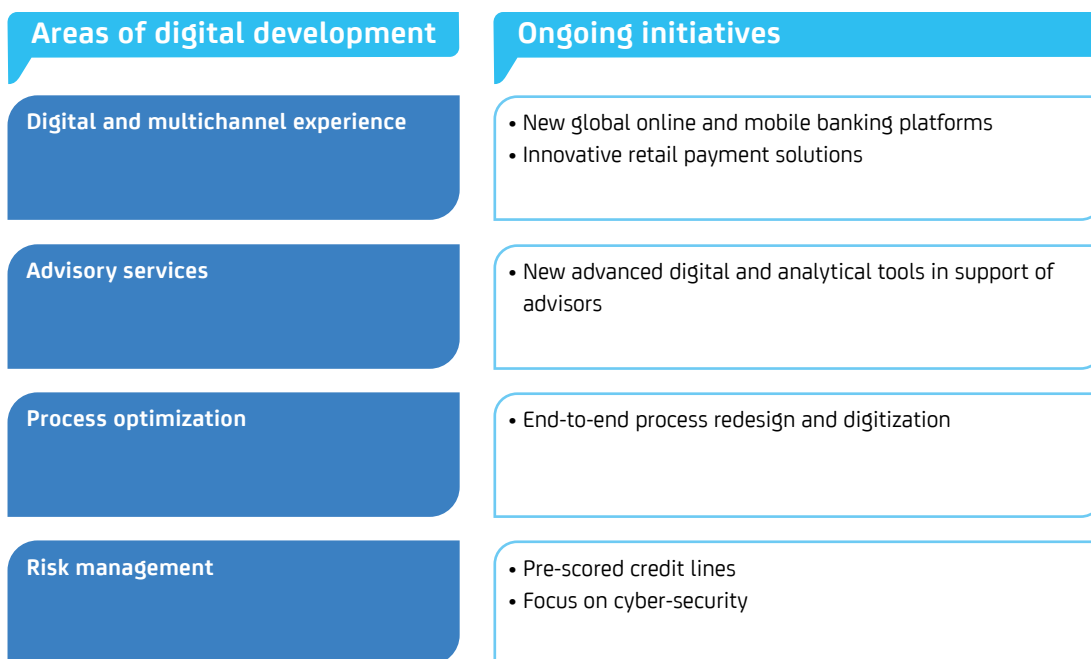
### FOCUS Best Practice Sharing program

Our *Best Practice Sharing* program facilitates the spread of successful innovative solutions for products and processes across our Group's different markets. This program is enabling us to maximize synergies across the Group and better serve customers.

Based on positive results from the launch of the *Best Practice Sharing* program in CEE countries in 2016, its was subsequently extended to Italy, Germany and Austria. In 2017, we also established a Group best practice forum, where representatives of every division and country present their best solutions to roll out across UniCredit.

*BEST (Boost Every Single Talent)* is an example of the best practices that are being shared across the Group. This new program, which aims to drive sustainable business performance in commercial banking, provides incentives and training to improve knowledge and technical and managerial skills among network colleagues. After it achieved positive results in Bulgaria, *BEST* was successfully rolled out in Italy in 2017.

## Digital initiatives supporting our transformation<sup>A</sup>



A. Refer to the Strategic Plan section for more information.

4. Refer to the 2016 Integrated Report for more information.