

YELLOW ADVICE

Yellow Advice is a new concept of Robo-Advisor: Hybrid (Human+Digital), Educational, Fully flexible omni-channel, Multiobjective, Accessible. The new digitally empowered wealth management.

1. PRESENTATION

Yellow Advice is a unique digital/robo-advisor. The first of its kind in Europe. It's not only a robo-advisor, it's educational, it's human+digital and truly multichannel. And it's from a (digital) bank.

Firstly: it's open, educational and engaging: the program includes an educational website, open to everyone ([Yellowadvice.chebanca.it](https://yellowadvice.chebanca.it)), where everyone can read financial info and news, take lessons, make tests (divided in classes), play with personal finance simulators. All for free, with social log-in.

Secondly: it is a fully fledged digital advisor, that includes a behavioral economic questionnaire ("Investment test") to measure risk appetite and determine customer goals. Customers can set up to 4 investment goals, fully customized on their financial needs, in terms of duration, capital and yield goals. The asset allocation engine can produce up to 42 different mutual funds portfolio solutions, based on to customer goals and risk appetite. UX and UI are at the level of best in class FinTech international robo advisors.

Thirdly: It's hybrid, as it comes with integrated human support as it is backed by online collaboration tools, such as video/web chat, file sharing, desktop sharing. Users can get online help of a CheBanca! advisor, directly from the robo page, or can decide to stay in the "self-service" mode up to full online order execution. Moreover they can also choose to see a dedicated advisor at the CB! store/branch. Up to them to choose if and how use human assistance (full freedom, all for the same price).

Fourthly: transparent and accessible: it comes with online visualization of daily performance vs benchmark, periodical monitoring and rebalancing by CheBanca! asset allocation HQ team. Moreover, customers have the right to have at least one quarterly face-to-face or remote meeting with an assigned CheBanca! personal financial advisor. All at an all-inclusive price: only 0,3% of advisor fees, other revenues come from rebates, no performance fees, no entry or exit fees. Customer investments can start from €20k.

The birth of this service is rooted in CheBanca! innovation team, which then was followed by the involvement of all departments of CB!. The team has scouted the best solutions in the investment world, benchmarks came from CBA - MyWealth, Wealthfront, Betterment, Money Farm and an evaluation of 30+ software providers. The Yellow advice platform has been developed also with the partnership with two Italian FinTech startups (Advice Only and Deus Technology) and one technology vendor (ObjectWay).

2. THE REASON BEHIND

CheBanca! is among the most innovative digital banks in Europe (with 54 stores/branches).

We have gathered over €10bn in deposits and €4bln in AUM/AUA.

We do want to make wealth management much more accessible and client-oriented.

We truly believe that, in this market, hybrid models that combine the best of digital technologies and UX with human interaction are the best fit to consumer advisory demand, and the most competitive one, as Vanguard success in US is showing.

Traditional physical-only distribution networks are not transparent, they are expensive and not accessible to most of mass-affluent customers.

New direct-to-consumer digital-only players are showing everywhere a limit in attracting enough customers and in building sufficient critical mass.

Wealth management is based on consumers' trust, but this so far has been exploited by traditional "physical" models with greed and lack of accessibility, while now digital platforms/tools and UX take entry barriers down and allow much greater accessibility and transparency, making ground for a totally new competitive scenario.

Finally we believe that a bank like ours with a very strong brand, digital DNA, a 42% NPS and about 200 financial advisors, is best positioned to play a leading role in the market, attracting new customers (left behind by traditional players) and building the new advisory model of the future.

3. UNIQUENESS

This concept is a strong incremental innovative proposition vs CheBanca! standards, and it's very disruptive vs the market. Before the launch, there was no service like this in Italy and Europe as well (see part 1 for more details).

- No one mates an advisory investment service to an educational proposition that does the good of the customer. An empowered user is a better one for CheBanca!
- Hybrid/fully flexible: No advisory service leaves you free to choose whether to do it all by yourself (pure on line direct-to-consumer) or get help from a human advisor, where and when you need it: online, over the web with web collaboration or at the branch/store. All at the same price. You choose. And you get best of our portfolios any way.
- Your portfolio is monitored constantly and you'll get the chance to rebalance according to indications that CheBanca! It will provide you regularly. You have a full report on your investments and you can consult the financial information prepared by CheBanca! with investment views for the month and the following quarter.
- 42 portfolio solutions based on your profile and needs.

4. IMPLEMENTATION

- Kick-off (RFP and vendor selection): Fall 2014
- Start development: From J-F 2015
- First beta release Fall 2015
- Pilot with clients: fm December 2015
- Commercial launch: February 2016
 - Engagement/Investment Test (behavioral economic questionnaire)
 - Goal Setting (first 2 goals released: capital growth, income support)
 - Back-end products developed
 - Online collaboration tools
 - Yellow Advise dedicated open mini-site, lessons, tests, simulator social login
- Start marketing campaign: April 2016
- Next developments - fm fall 2016
 - Yellow Channel new gamification tools
 - Yellow Advice Investment comparison tool (account aggregation and switching)
 - New goals (4/5)

5. PROJECT ORGANIZATION

- Dedicated FTEs : 10+ full dedicated FTEs from Upstreams, Commercial, Marketing, IT, Asset mgmt, Compliance dept. The first phase of the project was intended with internal IT contributions at the lowest possible level, due to other CheBanca! strategic initiatives running.
- We built 4 strategic partnerships with:
 - **AdviseOnly** (educational content, behavioral tests, quizzes, lessons)
 - **Deus Technology** (Advisory Desk tools and investment comparison)
 - **Med-Use** (UX/UI design and production)
 - **ObjectWay** (asset allocation engines and front-end apis)

6. INVESTMENTS

Specify the investment size (\$ 0-250K; \$ 250-500K; \$ 500K-1MLN; >\$ 1MLN) for the different areas involved, such as:

- Overall: > €1.5 MLN
- Marketing & Communication: > €300k
- IT & Operation: € >800k
- Other: €500K

7. RESULTS

Quick facts:

- In the first two months since the commercial launch **we've gathered > €30M (90% net AUM) from over 1000 clients.**
- **More than 10k articles views on YellowAdvice.it**
- **YellowAdvice.it registered users (on Yellow Advice.it): 11k (before any marketing campaign).**
- More than 2k lessons and tests taken on YellowAdvice.it (less than 50% of them were passed)
- More than 5k unique visitors monthly average.

Key findings:

- Most clients from commercial launch selected "human assisted" modality (about 80%-85%).
- Capital distribution (initial investment size)
 - o 3% Small (1-20K €)
 - o 81% Medium (20-100K €)
 - o 16% Large (100K+ €)
- Investment funding:
 - o 90% new cash
 - o 6% invested with already owned assets
 - o 4% available cash