INTESA SANPAOLO

PRESS RELEASE

INTESA SANPAOLO: 2014-2017 BUSINESS PLAN

THE NEW BUSINESS PLAN OF INTESA SANPAOLO ENVISAGES SOLID AND SUSTAINABLE VALUE CREATION AND DISTRIBUTION DRIVEN BY: 11.8% ROTE, 10% ROE AND €4.5BN NET INCOME IN 2017, ABOUT €10BN OF TOTAL 2014-2017 CASH DIVIDENDS, 12.2% COMMON EQUITY RATIO IN 2017.

IN 2017, THE RETURN ON EQUITY WILL BE ABOVE THE COST OF CAPITAL FOR THE GROUP AND FOR EACH BUSINESS UNIT.

THE PLAN REFLECTS CONTRIBUTIONS FROM THE WHOLE BANK AND ADDRESSES ALL BUSINESS DRIVERS (REVENUES, COSTS, RISK, CAPITAL AND LIQUIDITY).

THE PLAN PRIORITISES MORE FEE-INTENSIVE BUSINESSES, READY FOR A POTENTIALLY PROLONGED PERIOD OF LOW INTEREST RATES.

PROFITABILITY INCREASE WILL BE ENSURED, PRESERVING A LOW RISK PROFILE, THROUGH NEW GROWTH ENGINES (“NEW GROWTH BANK”) AND FULL VALUE EXTRACTION FROM EXISTING BUSINESS (“CORE GROWTH BANK”).

THE PLAN ENVISAGES EFFICIENT USE OF CAPITAL AND LIQUIDITY (“CAPITAL LIGHT BANK”).

PEOPLE AND INVESTMENTS ARE KEY ENABLERS.

SIGNIFICANT EXCESS CAPITAL AND HIGH GROWTH / HIGH VALUE BUSINESSES WITH A EUROPEAN SCALE ALLOW AMPLE STRATEGIC FLEXIBILITY.

- **SHARP INCREASE IN PROFITABILITY, SOLID AND SUSTAINABLE SHAREHOLDER VALUE CREATION AND DISTRIBUTION*:***
  - **ROTE[(1)] UP TO 11.8% IN 2017 FROM 3.4% IN 2013**
  - **ROE[(2)] UP TO 10% IN 2017 FROM 2.9% IN 2013**
  - **NET INCOME UP TO €4.5BN IN 2017 FROM €1.2BN IN 2013[(3)]**
  - **ABOUT €10BN TOTAL CASH DIVIDENDS FOR 2014-2017[(4)]:**
    €1BN FOR 2014, €2BN FOR 2015, €3BN FOR 2016, €4BN FOR 2017
  - **12.2% COMMON EQUITY RATIO[(5)] IN 2017**
  - **EXCESS CAPITAL AVAILABLE FOR ADDITIONAL DISTRIBUTION FROM 2016-2017: ABOUT €8BN WITH A 9.5% COMMON EQUITY RATIO[(6)]**
- **SOLID REVENUE CREATION:**
  - **OPERATING INCOME UP TO €19.2BN IN 2017 FROM €16.3BN IN 2013 (+4.1% CAGR[(7)])**
  - **NET INTEREST INCOME UP TO €9BN IN 2017 FROM €8.1BN IN 2013 (+2.6% CAGR)**
  - **NET FEE AND COMMISSION INCOME UP TO €8.2BN IN 2017 FROM €6.1BN IN 2013 (+7.4% CAGR)**
- **CONTINUOUS COST MANAGEMENT:**
  - **COST/INCOME IMPROVING TO 46.1% IN 2017 FROM 51.3% IN 2013 (-5.2pp)**
  - **AROUND €800M COST SAVINGS**
  - **+1.4% CAGR IN OPERATING COSTS, INCREASE DUE TO COSTS TO SUPPORT GROWTH**
- **DYNAMIC CREDIT AND RISK MANAGEMENT:**
  - **NET ADJUSTMENTS TO LOANS DOWN TO €3BN IN 2017 FROM €7.1BN IN 2013 (-€4.1BN)**
  - **COST OF RISK DOWN TO 80bps IN 2017 FROM 207bps IN 2013 (-127bps)**
  - **GROSS INFLOW OF NEW NON-PERFORMING LOANS FROM PERFORMING LOANS DOWN TO €8.2BN IN 2017 FROM €15.6BN IN 2013 (-47%)**
  - **LOANS TO CUSTOMERS[(8)] UP TO €369BN IN 2017 FR0M €322BN IN 2013 (+3.5% CAGR)**
- **SIGNIFICANT INVESTMENTS:**
  - **€5BN INVESTMENTS, CUMULATIVE FOR THE 2014-2017 PERIOD:**
    - **€2.9BN FOR GROWTH**
    - **€1.2BN FOR EFFICIENCY IMPROVEMENT**
    - **€0.9BN FOR CREDIT AND RISK MANAGEMENT**
  - **EXCESS CAPACITY (ABOUT 4,500 PEOPLE) ABSORBABLE THROUGH PRIORITY INITIATIVES**
  - **ABOUT 5M CUMULATIVE TRAINING DAYS IN 2014-2017**

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(1) ROTE: net income (pre goodwill and other intangibles impairment) / tangible net shareholders' equity (net shareholders' equity excluding net income, goodwill and other intangibles)
(2) ROE: net income (pre goodwill and other intangibles impairment) / net shareholders' equity (excluding net income)
(3) Excluding impairment of goodwill and other intangibles
(4) Subject to regulatory requirements
(5) Pro-forma fully phased-in Basel 3 including estimated benefits from optimisation of sources and capital requirements and from sovereign risk shock absorption (one basis point), from Danish compromise (13bps) and from the stake in the Bank of Italy (86bps); after ordinary dividends
(6) Basel 3 compliance level for Global SIFIs: 9.5% (4.5% Common Equity + 2.5% conservation buffer + 2.5% current maximum Global SIFI buffer)
(7) CAGR: compounded annual growth rate
(8) Excluding loans to customers belonging to "Capital Light Bank"

HIGHLIGHTS IN 2017:

CAPITAL RATIOS:	**COMMON EQUITY RATIO AT 12.2%**[9]	
OPERATING INCOME:	**UP 4.1%**[10]	AT **€19.2BN** VS €16.3BN IN 2013
OPERATING COSTS:	**UP 1.4%**[10]	AT **€8.8BN** VS €8.4BN IN 2013
OPERATING MARGIN:	**UP 6.8%**[10]	AT **€10.3BN** VS €7.9BN IN 2013
INCOME BEFORE TAX FROM CONTINUING OPERATIONS:	**UP 29.6%**[10]	AT **€7BN** VS €2.5BN IN 2013
NET INCOME:	**UP 38.3%**[10]	AT **€4.5BN** VS €1.2BN IN 2013[11]

VALUE CREATION FOR ALL STAKEHOLDERS, MORE THAN €200BN CONTRIBUTION TO THE ECONOMY:

(TOTAL 2014-2017)

SHAREHOLDERS:	**CASH DIVIDENDS OF ABOUT €10BN** [12]	**•ABOUT €10BN AVAILABLE FOR CONSUMPTION/INVESTMENTS**
FAMILIES AND BUSINESSES:	**MEDIUM/LONG-TERM NEW LENDING TO THE REAL ECONOMY OF ABOUT €170BN**	**•ABOUT 350,000 NEW INVESTMENTS FINANCED** **•LENDING GROWTH WELL ABOVE THE GDP GROWTH**
EMPLOYEES:	**PERSONNEL EXPENSES OF ABOUT €21BN** **ABOUT €1BN INVESTED IN TRAINING**	**•MORE THAN 90,000 HOUSEHOLDS** **•ABSORBABLE EXCESS CAPACITY** **•ABOUT FIVE MILLION TRAINING DAYS**
SUPPLIERS:	**PURCHASES AND INVESTMENTS OF ABOUT €10BN**	**•MORE THAN 40,000 HOUSEHOLDS**
PUBLIC SECTOR:	**TAXES** [13] **OF ABOUT €10BN**	**•COMPARABLE TO AN ITALIAN ANNUAL BUDGET BILL ("LEGGE DI STABILITÀ")**
SOCIAL SECTOR:	**MEDIUM/LONG-TERM NEW LENDING TO SUPPORT SOCIAL VENTURES OF ABOUT €1.2BN**	**•BANCA PROSSIMA THE LARGEST SOCIAL SECTOR LENDER IN ITALY**

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(9) Pro-forma fully phased-in Basel 3 including estimated benefits from optimisation of sources and capital requirements and from sovereign risk shock absorption (one basis point), from Danish compromise (13bps) and from the stake in the Bank of Italy (86bps); after ordinary dividends

(10) 2013-2017 CAGR (compounded annual growth rate)

(11) Excluding impairment of goodwill and other intangibles

(12) Does not include additional pay-backs, which could be distributed subject to regulatory evolution

(13) Direct and indirect

Turin - Milan, March 28th 2014 – At meetings held yesterday, the Management Board and the Supervisory Board of Intesa Sanpaolo, within their respective remits, approved the Group's 2014-2017 Business Plan which envisages **solid and sustainable value creation and distribution driven by a clear, effective and shared action plan**.

The Intesa Sanpaolo Group is well positioned to benefit from both the economic recovery, after years of crisis**, and the significant upside of the Italian banking market**, leveraging its **market leader position in Italy**, its **strong growth potential in different customer segments**, both in Italy and abroad, and taking advantage of the **opportunity to soften the extremely conservative stance adopted** during the crisis.

The 2014-2017 Business Plan allows Intesa Sanpaolo **- the Bank for families and businesses** and a **strong Group ready for growth -** to **maximise value creation**:

- **macro-economic assumptions underlying the Business Plan:**
  - **GDP real growth** at 0.5% in 2014, 1.1% in 2015 , 1.3% in 2016, and 1.1% in 2017;
  - **ECB reference rate** not higher than 0.25% until 2017;
  - **average one-month euribor** at 0.40% in 2017 (0.16% in 2013)
- **the Plan addresses all business drivers** (revenues, costs, risk, capital and liquidity) and prioritises more **fee-intensive businesses**, ready for a potential **prolonged period of low interest rates**;
- **the Business Plan reflects contributions from the whole Bank** and an **experienced, cohesive and motivated management team**:
  - **survey** involving about **6,000 employees**,
  - **focus group** to **develop ideas and actions**,
  - **line managers** deeply involved in the identification of actions to accelerate the Business Plan development;
- **ISP strategic priorities**:
  - **a real-economy Bank**, that:
    - generates less than 1% of revenues from proprietary trading activities;
    - supports the real economy, leveraging a strong balance sheet to match healthy credit demand (€170bn medium/long-term new lending);
    - manages the financial wealth of clients with care;
  - **a Bank with sustainable profitability** in which operational performance, productivity, risk profile, liquidity and solidity/leverage are carefully balanced;
  - **a leader in retail and corporate banking in Italy and a few other key markets**;
  - **a European leader in a number of high growth / high value businesses** (Private banking, Asset management, Insurance);
  - **an international Bank** that acts as the **"Local Bank abroad" for Italian companies**;
  - **divisional model confirmed** with **Banca dei Territori business model** further **simplified**;
  - **a simple yet innovative Bank**, acting with a truly multi-channel model;

- **the formula for success of the Business Plan** sets **solid and sustainable value creation and distribution** as a target driven by:
  - **higher profitability while preserving a low risk profile**:
    - **"New Growth Bank"**, i.e. new growth engines,
    - **"Core Growth Bank"**, i.e. full value extraction from existing business;
  - **efficient use of capital and liquidity**:
    - **"Capital Light Bank"**, i.e. deleveraging of non-core activities;
  - **people and investments as key enablers**;
- **solid and sustainable shareholder value creation and distribution**:
  - **2017 return on equity above cost of capital for the Group and each Business Unit**, with a **Group ROTE up to 11.8%** in 2017 from 3.4% in 2013 and a **ROE up to 10%** in 2017 from 2.9% in 2013;
  - **strong and increasing distribution**(14) **of ordinary cash dividends of about €10billion** for 2014-2017 **(€1billion for 2014, €2billion for 2015, €3billion for 2016, €4billion for 2017**), with a **Common Equity ratio**(15) **of 12.2%** in 2017;
  - starting from 2016-2017**, capital in excess** of regulatory requirements **that is not needed for further growth initiatives will be distributed to shareholders**: around **€8billion** of excess capital available for additional distribution with a **9.5% Common Equity ratio**(16);
- **ample strategic flexibility**: **significant excess capital and high growth / high value businesses with a European scale** (Private Banking Hub, Asset Management Hub and Insurance Hub, contributing a total of about €1.1 billion net income(17)) **allow ample strategic flexibility for**:
  - **growth;**
  - **payback to shareholders;**
  - **virtually unlimited buffer versus any AQR exercise / other regulation**.

Sharp increase in profitability

The Business Plan envisages a sharp increase in profitability, deriving from **solid revenue creation**, **continuous cost management** and **dynamic credit and risk management**, with an **increase in the Group net income to €4.5 billion in 2017** from 1.2 billion in 2013(18).

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(14) Subject to regulatory requirements
(15) Pro-forma fully phased-in Basel 3 including estimated benefits from optimisation of sources and capital requirements and from sovereign risk shock absorption (one basis point), from Danish Compromise (13bps) and from the stake in the Bank of Italy (86bps); after ordinary dividends
(16) Basel 3 compliance level for Global SIFIs: 9.5% (4.5% Common Equity + 2.5% conservation buffer + 2.5% current maximum Global SIFI buffer)
(17) Excluding charges for integration and exit incentives, effect of purchase cost allocation, and impairment of goodwill and other intangibles
(18) Excluding impairment of goodwill and other intangibles

The **solid revenue creation** comes from 10 initiatives through the New Growth Bank and 20 initiatives through the Core Growth Bank. All this combined will lead to **a Group operating income up to €19.2 billion in** 2017 from €16.3 billion in 2013 (**+4.1% CAGR**), with a **net interest income up to €9 billion** from €8.1 billion (**+2.6% CAGR**) and a **net fee and commission income up to €8.2 billion** from €6.1 billion (**+7.4% CAGR**). The **ratio of net fees** to the operating income **increases to 43%** in 2017 from 38% in 2013.

The initiatives under the **New Growth Bank** will lead to an operating income of €3.8 billion in 2017 from €2.5 billion in 2013 (+11.2% CAGR), with a net interest income up to €0.8 billion from €0.6 billion (+9.7% CAGR) and a net fee and commission income up to €2.7 from €1.7 billion (+11.2% CAGR).

The initiatives under the **Core Growth Bank** will lead to an operating income of €15.4 billion in 2017 from €13.8 billion in 2013 (+2.7% CAGR), with a net interest income up to €8.2 billion from €7.6 billion (+2% CAGR) and a net fee and commission income up to €5.5 from €4.4 billion (+5.8% CAGR).

The initiatives acting on **continuous cost management** include the simplification of legal entities (reduction of about 15 legal entities) and organisation, the optimisation of the geographical footprint (about 800 branch closures), and the optimisation of the real estate portfolio (reduction of about 200,000 sqm). All this will drive to a **Group cost/income ratio improving to 46.1%** in 2017 from 51.3% in 2013 **(-5.2pp)** with **operating costs registering a 1.4% CAGR**, increasing to €8.8 billion from €8.4 billion.

The increase in operating costs by around €0.4 billion is due to additional costs of approximately €0.6 billion to support growth (50/50 for the New Growth Bank and the Core Growth Bank), against **cost savings of about €0.8 billion** which exceed inflation increases of about €0.7 billion.

Dynamic credit and risk management will result in **net adjustments to loans dropping to €3 billion** in 2017 from €7.1 billion in 2013 (**-€4.1bn**), with the **cost of risk down to 80 basis points** from 207 basis points (**-127bps)** and the **gross inflow of new non-performing loans from performing loans reducing to €8.2 billion** from €15.6 billion (**-47%**), while **loans to customers**[19] **will be growing to €369 billion** from €322 billion (**+3.5% CAGR**).

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(19) Excluding loans to customers belonging to the Capital Light Bank

The 2014-2017 Busines Plan pillars

Value creation will be maximised through initiatives centered around the four pillars on which the Business Plan is built: **New Growth Bank** (new growth engines), **Core Growth Bank** (full value extraction from existing business), **Capital Light Bank** (deleveraging of non-core activities) and **people and investments as key enablers**.

1. New Growth Bank

The New Growth Bank includes the **new growth engines,** with the main initiatives shown below:
- Banca 5®,
- Multi-channel Bank,
- Private Banking Hub,
- Asset Management Hub,
- Insurance Hub,
- Bank 360° for corporate clients.

1.1 Banca 5® in Banca dei Territori

Established within the Banca dei Territori division, Banca 5® will leverage **3,000 dedicated relationship managers** serving in 2017 around **five million clients**, **the fourth bank in Italy.** Banca 5® is expected to generate **revenues** up to about **€0.7 billion** in 2017 from about €0.3 billion in 2013. Its main features are:

- **customer product offering**:
  - offer of at least **five key products per customer: payment card, credit card, personal financing** (personal loans, employee loan repayment by a fifth of wage deduction, mortgage with pre approval up to €100,000), **P&C insurance, investments (saving plans and pension funds)**;
  - **"New Jobs": non-banking services** (e.g., ticketing, real estate brokerage and consultancy, travel) leveraging on dedicated resources.
- **dedicated commercial value chain:**
  - **creation of a commercial value chain fully dedicated** to revamp approximately five million low profitability clients (average revenue per customer of around €70 in 2013, increasing to around €140 in 2017);
  - **re-allocation of people** deriving from footprint optimisation to **Banca 5® for commercial activities**;
- **tailored processes and systems:**
  - "**ad-hoc" objectives and incentive schemes**;
  - **new multi-channel** integrated **platform** to exploit all contact opportunities with clients;
  - **dedicated "Delivery Unit" in Planning & Control department** within the Banca dei Territori division to accelerate the adoption of new commercial behaviour.

1.2 Multi-channel Bank

Today, Intesa Sanpaolo is **already the leading online bank in Italy**, with about **4.4 million customers** (**to increase to 7.9 million in** 2017). The initiatives dedicated to the multi-channel approach, with about **€2 billion in ICT investments** in the 2014-2017 period, will make the *New Growth Bank* a fully integrated multi-channel bank:

- **specialised role of channels**:
  - **specialisation and strengthening** of traditional (branch, Contact Unit) and online channels (home banking, tablet, mobile);
- **multi-channel purchase paths addressed**:
  - **strengthening of multi-channel paths** in line with customers' preferences **to increase service level and sales**;
- **full exploitation of client leads**:
  - usage of all the different contact points with the client in order to **trigger new commercial opportunities**;
- **empowerment of mobile commerce**:
  - increase in mobile Point of Sale usage (e.g., Move and Pay Business) through agreements with mobile operators;
  - development and implementation of **mobile payment services**;
  - offering of high value-added **co-branded credit cards** to **Expo 2015 exhibitors and customers**;
- **development of e-commerce**:
  - Intesa Sanpaolo as **aggregator** of e-commerce offerings on behalf of Small Business/SME clients;
  - launch of the new **digital proposition** in conjunction with Expo 2015.

1.3 Private Banking Hub

The **combination of Intesa Sanpaolo Private Banking (ISPB), Fideuram Investimenti and Banca Fideuram** will make it possible to create **one of the leading Private Banking players in Europe** and be **ready to grow internationally, also through partnerships**, with about 5,700 private bankers and €164 billion of assets under management at year-end 2013. The Private Banking Hub, which is expected to **increase operating income to €1.7 billion** in 2017 from €1.3 billion in 2013, will develop the following initiatives:

- **improvement in ISPB customer profitability**:
  - delivery of the distinctive elements of **Banca Fideuram value proposition to ISPB clients**: state-of-the-art financial planning (fee-based*)*, "guided open architecture", innovative compensation scheme;
  - launch of **commercial initiatives** to increase **ISPB clients profitability**: remix towards high value-added product wrappers, negotiation of rebates with external providers, review of pricing/delegation mechanism;

- **focus on Private and High Net Worth (HNW) clients**:
  - **strengthening of value proposition for private clients** through the creation of a dedicated structure for HNW clients and empowerment of Private centre of competence (products, commercial offer);
- **upgrade of product offering**:
  - **evolution of product and service offering**, with main focus on value-added services (e.g., revised discretionary mandates offering, development of Private Insurance offering);
- **distribution network development**:
  - further **development of current Network** through the acquisition of new financial advisors/private bankers;
  - **external growth** by exporting current business model to **fast growing markets** (e.g., Turkey), with a "Big Cities" approach.

1.4 Asset Management Hub

The **integration of Fideuram Asset Management Ireland into the Eurizon Group** allows the creation of **one of the leading banking asset managers in Europe**, **with presence also in Central-Eastern Europe and in China,** and is an enabler for **potential partnerships with leading-edge international asset managers**. The Asset Management Hub, with **assets under management increasing to €295 billion** in 2017 from €221 billion in 2013 and mutual funds **customer penetration up to 25%** from 19%, will develop the following initiatives:

- **support Banca dei Territori growth**:
  - **increased level of service to the Banca dei Territori network** by strengthening specialist support, new advisory model and reviewing product offering;
- **support Private Banking Hub growth**:
  - **increased level of service to the Private Banking Hub** by strengthening commercial support and product offering (e.g., guided multi-manager architecture);
- **focus on extra-captive and institutional customers**:
  - support growth plan on **extra-captive Retail and Wholesale** customers, through full deployment of current service model to third party distribution networks;
  - strengthening of services provided to **captive insurance and institutional** customers, fully leveraging on internal managerial best expertise;
- **expansion in international markets**:
  - further development of **international business**, focusing on the CEE Hub (with primary focus on Croatia, Hungary and Slovakia) and in other high potential countries.

1.5 Insurance Hub

The **integration of Fideuram Vita into the Insurance Hub** allows the creation of **one of the leading insurers in Italy** and is an enabler for potential **partnerships with top international insurers**. The Hub has reserves of €93 billion and premiums of €20billion at year-end 2013. The **P&C Insurance business** is the key priority for the Insurance Hub - **with premiums increasing to around €0.8 billion** in 2017 from around €0.2 billion in 2013, **number of customers growing to 1.9 million** from 0.3 million, and **product penetration up to 19%** from 3% - and is focused on the following initiatives:

- **P&C offer review**:
  - **launch of a distinctive new offer on P&C insurance,** with: priority on **car, health and house products**; modular approach, with **a few simple and customisable products**; competitive pricing and distinctive risk underwriting capabilities, driven by the extensive knowledge of customer base;
- **processes and systems digitalisation**:
  - progressive digitalisation of systems and processes, with **single IT platform**, dedicated **front-end system**, migration to **"paper-less" management** for car products;
- **back office centralisation and simplification**:
  - centralisation of support and back-office activities at Group level;
  - **review of back-office** and workflow management processes to increase simplicity and functionality.

1.6 Bank 360° for corporate clients

The "Bank-360" model for corporate clients is based on the following offers:

- **Partner bank for Expo 2015:**
  - **leverage the Expo 2015 exhibition**, of which Intesa Sanpaolo is an **Official Global Partner**, through a dedicated offer targeting corporates, which includes advisory services, with focus on businesses operating in Expo sectors (e.g. food), and financing services to build the necessary infrastructure;
- **SME Finance Hub in Mediocredito Italiano:**
  - set-up of a SME Finance Hub (new Mediocredito Italiano) with a **comprehensive product offering** in advisory and specialised credit (e.g., leasing, factoring, specialised loans) and a **dedicated operating model**, featuring strong collaboration between relationship managers and Banca IMI and SME Finance Hub product specialists;
- **Transaction Banking**:
  - set-up of a **dedicated business unit** within C&IB division operating at Group level to further increase commercial appeal of transaction banking products through: **development of new products and coverage optimisation** (also via partnerships);
- **Banca IMI extended offer**:
  - expanding Banca IMI offer with asset-backed **trading on commodities** for Corporate clients, **new hedging products**, and a **dedicated product offer for Ultra High Net Worth Individuals** (e.g., family office) in coordination with Banca Fideuram to fully address the needs of enterprise-entrepreneur.

2. Core Growth Bank

The Core Growth Bank includes the following main initiatives:

- **capturing untapped revenue potential** in all Business Units with a focus on Banca dei Territori, Corporate and Investment Banking and foreign network ("Local Bank abroad" for Italian companies);
- **continuous cost management**, through the simplification of legal entities and operating model and the optimisation of geographic footprint;
- **dynamic credit and risk management**.

2.1 Capturing untapped revenue potential

2.1.1 Core Growth Bank in Banca dei Territori

- **Project Full Potential (Mass customers)**:
  - **focus on customer satisfaction** and **cross-selling of "small tickets"** (e.g., cards, accumulation plans) also through the "Extended Branch" model;
  - **development of corporate client employees**, through dedicated account managers;
- **project Investment House (Affluent customers)**:
  - switch of **customer financial assets towards a better risk/return profile mix**;
  - **initiatives dedicated to foster client retention**;
  - **"offsite" offering**, leveraging **licensed relationship managers for Personal customers (**dedicated people to **increase to 2,000** in 2017 from 850 in 2013);
- **project " Impresa-Imprenditore" (SME customers)**:
  - **"offsite" offering**;
  - review of the **service model for SME customers**;
  - **active re-pricing** through centralisation of decisions;
  - development of **synergies between enterprises and entrepreneurs**;
- **commercial excellence**:
  - **commercial focus on high value customers**, with reduction in number of clients per relationship manager;
  - **commercial activity focused on contacts with clients** and leveraging on leads generated by the integrated multi-channel platform;
  - **new commercial process,** increasing branch activities' planning with extensive coverage of clients, leveraging dedicated service models.

2.1.2 Core Growth Bank in Corporate and Investment Banking

- **Asset Light model development**:
  - **development of an "originate-to-distribute" model** to increase customer service potential, improve the division's balance sheet and leverage on existing C&IB Italian customers;
- **increase in business with foreign customers**:
  - **selective growth of high potential foreign customers** following pre-defined guidelines: sectorial excellence, focus on selected geographies, full integration of the product value chain, and strengthening of the London Hub;
- **new offer for Financial Institutions**:
  - optimisation of coverage and product offering to act as a "solution provider" with a focus on three client segments: Italian Banks, Foreign Banks, Asset Management/Insurance companies;
- **selective growth of Corporate clients in Italy**:
  - **selective growth strategy** for **Corporate Italian customers** through the optimisation of asset allocation (e.g., share of wallet) and further alignment of pricing to risk;
- **strengthening of advisory services in Italy and abroad**:
  - creation of a **dedicated team** to support the SME Finance Hub in Banca dei Territori on M&A initiatives, improve the coverage of Italian tier 2 banks and cover cross-border deals;
- **Banca IMI as a key growth engine for Corporate, Institutional and Retail customers**:
  - **client focus**, with **extensive coverage of the Group C&IB clients** (Corporate and Institutional), **further development of synergies with other Group units** (Asset Management Hub, Banca dei Territori, Private Banking Hub) and a further focus on **client-driven activities** (with **client-driven capital markets revenues**/total capital markets revenues **increasing to 76%** from 73%);
  - **effective placement and execution within the "Originate to Distribute" model**, with a focus on institutional investors, in charge of distribution and execution in the "Originate to Distribute" business model, increasing fee-driven revenues;
  - **leadership in selected products**: DCM, Capital Markets – Flows and Solution, advisory, structured and Project Finance.

2.1.3 Core Growth Bank in the foreign Network, the "Local Bank abroad" for Italian companies

- **Support to Italian companies abroad**:
  - support to Italian "champions" in their internationalisation strategy through **new products** and a dedicated service model leveraging the **international network** and **experience**;
- **international C&IB foreign network expansion**:
  - **selective growth**, starting from **"high potential" countries** (e.g., Brazil, Turkey, Abu Dhabi, Qatar, Indonesia) through: new branch openings; a global and tailored product offer (e.g., Trade Export Finance, Capital Markets as global products, DCM and factoring as pan-European products); a strengthened service model;
- **C&IB Hub within the International Subsidiary Banks division**:
  - creation in the key countries of presence of the International Subsidiary Banks division of a C&IB Hub **dedicated to Corporate and Financial Institution clients**, fostering a distinctive product offer in cooperation with Banca IMI.

2.1.4 Core Growth Bank in International Subsidiary Banks

- **Strengthen presence**:
  - **strengthening** of **presence** in key and/or high potential markets such as **Slovakia, Serbia, Croatia and Egypt**(20) through **volume growth** above the market, **optimisation** of **segment** and **sector** coverage, **optimisation** of traditional and online **channels**;
  - **launch of cross-country initiatives** with particular focus on high potential markets (e.g., consumer finance international expansion, launch of insurance products for SMEs);
- **review/re-think presence**:
  - **review/re-position presence** in the countries without adequate scale or in a turnaround situation, like **Albania**, **Bosnia, Slovenia, Hungary**, **Russia** and **Romania** by **maintaining presence** with **full extraction** of synergies and improvement of efficacy/efficiency, evaluating scale-up option in the most attractive countries, and **agreements** with other international players;
- **review of the operating model:**
  - **optimisation** of the **operating** model to enjoy tighter control and increased guidance over the subsidiaries, along **five key dimensions**: (i) governance, (ii) control/support, (iii) commercial strategy, (iv) product offer, (v) IT and operations.

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(20) In case the political situation stabilises

2.2 Continuous cost control

2.2.1 Simplification of the organisation

For example, the simplification of the operating model in Banca dei Territori, with about **2,300 people "freed-up" and reallocated to commercial activities,** involves:

- the **Headquarters**, with **reduction** in the number of **direct reports from 22 to six**;
- the **seven Regions**, with the Regional Managers, previously with limited power to steer the network, now at the head of **empowered governance & control centres** and **acting as general managers "on the ground"**;
- the **Areas** (two to six for Region), previously fully-fledges **local headquarters** creating duplication and fragmentation, are:
  - **100% focused on commercial activities and client servicing**, with credit support functions consolidated in the Regions;
  - serving all **main client segments** in Italy, including about **2,600 Mid Corporate clients** with turnover up to €350 million, transferred to Banca dei Territori **to foster proximity;**

2.2.2 Simplification of legal entities

Some **300 people will be freed-up and reallocated to commercial activities** as a result of the implementation of the following initiatives:

- as for **product factories**, seven legal entities operating in specialised finance and advisory, leasing and factoring have converged into just one legal entity, namely **new Mediocredito Italiano**, the SME Finance Hub focused on **advisory services** (new offer); medium/long term **specialised finance** and **leasing; factoring**;
- as for **banks**, a progressive significant **reduction** in the **number of legal entities** with respect to the 17 banks at year-end 2013, with 11 banks integrated in 2014-2015;
- as for **wealth management activities**,
  - in the Private Banking, the combination of **Intesa Sanpaolo Private Banking, Fideuram Investimenti and Banca Fideuram** with the set-up of the **Private Banking Hub**;
  - in the Asset Management, the integration of **Fideuram Asset Management Ireland into Eurizon Capital Group** and the set-up of the **Asset Management Hub**;
  - in Bancassurance, the integration of **Fideuram Vita into the Insurance Hub**.

2.2.3 Optimising geographical footprint

The on-going **optimisation of geographical footprint** along with the **Bank's digitalisation process** will free up, respectively, some **1,000** and **400 people** through the following steps:

- **Branch Network**:
  - **some 800 branch closures, of which some 300 by 2014**, reducing the retail branches in Italy to **3,300** in 2017;
  - **creation of** highly automated **self-service areas** in strategic high-traffic zones;
  - **rationalisation of other distribution networks** of the Group: SME/Mid-corporate network and network of product companies;
- **Branch operating model**:
  - adoption of differentiated branch models (e.g., **"full-fledge" branch vs "basic" branch**);
  - **free-up of commercial time in "basic" branches** leveraging digitalisation, with **centralisation of administrative and control activities; increase of automation levels** and reduction of cashier desk utilisation (e.g., cashier-free branches); "offsite" relationship managers (e.g., for Personal clients);
  - **extended opening hours for branches** (until 8pm, during lunch time, Saturday morning).

2.3 Dynamic credit and risk management

The main features of dynamic credit and risk management are:

- **reduction of underwriting time**:
  - **redesign of** underwriting **practices** (e.g., Electronic Credit Application Corporate, credit limit for creditworthy counterparts);
  - **shortening of the decision-making chain**;
  - **introduction of pre-approval** for "small ticket" loans to high rating clients;
- **proactive credit management**:
  - **dedicated team**, by creating a **value chain dedicated to manage borrowers** showing first signs of an anomaly, that is separated from value chains dedicated to underwriting and NPL management respectively and is applied across all divisions (some 300 people are already active in Banca dei Territori), and rolling out **dedicated training modules** of over 1,000 training days;
  - **new tools**, by developing a **new tool to support proactive credit management** for the preparation of the Action Plan;
  - **differentiated processes**, introducing **proactive credit management processes, differentiated by customer segment**;
  - the new process of proactive credit management was tested in Lombardy where it led **-** in the first two months of 2014 versus 2013 **-** to a **31% reduction in inflows from performing loans to past due**, compared with an 11% decrease recorded by Banca dei Territori as a whole. The new process is already operational in all Regions;

- **integrated management of substandard and restructured loans**:
  - evolution of the **Substandard Loans unit** applying a business-unit-model to proactively manage the significant portfolio of **high value substandard and restructured loans** through: dedicated P&L, additional people, closer relationship with the front-line and partnerships with specialised operators on restructured loans;
- **strengthening of credit structure and capabilities**:
  - **reorganisation of the Chief Lending Officer Area** to foster closer cooperation with the Business Units and integrated management of the full credit value chain, and **launch of a capability building programme dedicated to credit**, involving some 13,000 network people;
- **optimisation of risks, credit monitoring and controls**:
  - strengthening of "**control system"** driven by the re-design of the first and second "lines of defense";
  - implementation of a consistent and high frequency "**Risk Data and Reporting"** framework for the Group;
  - strengthening of **credit monitoring** teams and tools.

3. Capital Light Bank

The Capital Light Bank is a newly created Business Unit set up to reduce non-core assets. The Capital Light Bank:

- is **in charge of a closed portfolio amounting to around €46 billion** gross at year-end 2013, which is expected to **decrease by 50% to around €23 billion** in 2017 - with the **impact of additional value-accretive NPL disposals not included in the Plan -** through:
  - recovery of doubtful loans for around €8 billion versus around €27 billion (initial stock);
  - disposal of repossessed assets for around €2 billion versus around €3 billion (initial stock);
  - full disposal of the initial stock of equity stakes amounting to around €2 billion;
  - wind-down of other non-strategic assets for about €11billion versus around €14 billion (initial stock);
- relies on **dedicated reporting and incentive systems,** with the objective of maximising portfolio wind-down and creating economic value;
- will have **around 700 dedicated people of which around 300 additional**;

- with **main benefits in terms of**:
  - **transparency**, providing transparency to all **stakeholders** on Group performance;
  - **effective recovery**, ensuring **higher accountability, investments, managerial focus and flexibility** in managing dedicated resources;
  - **optimisation of funding**, creating schemes to optimise the cost of funding;
  - **synergies of scope**, creating a **single centre of excellence** with expertise in both **assets** and **financial market players**, useful for asset disposals;

The Capital Light Bank includes the following initiatives:

- **empowerment of doubtful loans units:**
  - **dedicated systems of performance and incentives measurement**;
  - **strengthening of the operating model**;
  - **portfolio segmentation to ease deconsolidation and optimise funding** (involving external investors);

- **creation of a Re.o.Co.** (Real Estate Owned Company) **for repossessed assets:**
  - creation of a **unit dedicated to repossess real estate collateral** underlying NPLs where value is penalised by market illiquidity;
  - strong focus on **asset value increase and sale** in more favourable market conditions;
  - full exploitation of **synergies with the Group's units** to maximise value of repossessed assets;

- **disposal of equity stakes through both direct disposals and structured deals:**
  - **the entire portfolio of non-core equity stakes** amounting to around €1.9 billion of book value at year-end 2013(21) **will be fully disposed** of by 2017;
  - in the last quarter of 2013, the **equity stake** in **Generali was sold** (book value of around €360 million) and in the first quarter of the current year, the **equity stakes in Pirelli, SIA and Union Life were sold** (book value of around €35 million, €80 million and €145 million, respectively). These stakes had a **total book value of approximately €620 million** and their disposal generated a **total capital gain of about €320 million**;

- **proactive management of other non-strategic assets**, with the strengthening of **dedicated teams** and the **proactive wind down** of portfolios by accelerating value recovery.

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(21) Excluding Merchant Banking

4. People and investments as key enablers

Initiatives concerning the key enablers of the Business Plan will be supported by **significant investments** in technology and innovation, with a **€5 billion** 2014-2017 cumulative investment (€2.9 billion for growth, €1.2 billion for efficiency improvement, and €0.9 billion for credit and risk management), and **empowered and motivated people** through training (some **five million training days** in 2014-2017), job re-allocation, acknowledgment of individual merit in career development and upgrade of long-term incentives.

4.1 Significant investments in technology and innovation

- **ICT system strengthening**:
  - **digital Banking** and Group integrated **multi-channel offering**;
  - **integrated management of customer data/leads**;
  - simplification and homogenisation of **International Subsidiary Banks' platforms**;
- **lean process re-design**:
  - **simplification of processes** with strong emphasis on **lean orientation** (e.g., automation of controls, shared elements centralisation);
- **innovation**:
  - usage of the new **Intesa Sanpaolo Tower** in Turin to foster innovation (development of new products, processes and the "ideal branch", training centre).

4.2 Empowered and motivated people

- **Long-term incentives**:
  - **upgrade of the incentive systems**, linked to productivity and results;
- **human capital development**:
  - **strong effort on training**, with a focus on technical and managerial capabilities (more than **€1bn invested** in training);
  - career development based on **merit**;
  - development of **international and inter-functional career paths**;
  - **identification of future leaders** ("scuola dei Capi");
  - **people re-allocation** from non-client facing/low value-added activities to commercial and other value-added activities;
  - **fostering of Intesa Sanpaolo values and culture through dedicated initiatives**;
  - **improvement of working flexibility** (e.g., part-time, telecommuting);
- **sense of belonging and pride:**
  - **internal policies and communication** aimed at fostering the Bank's culture of **outstanding service** and **support to families and businesses**;
  - **upgrade** of company **welfare** mechanisms (e.g., pension fund, nursery schools, *etc*);

- **major empowerment project aimed at reallocating excess people capacity to priority initiatives:**
  - **excess capacity involving about 4,500 people**, **most of them already active in the field**: about 2,300 people freed-up from the simplification of the organisation, about 300 from the simplification of legal entities, about 1,000 from the optimisation of the geographical footprint, about 400 from the Bank digitalisation, and about 500 from the reduction of credit underwriting time;
  - **reallocation of all excess capacity**, involving about 4,500 people, **to the Group's priority activities**.

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