

**PRESS RELEASE**

**INTESA SANPAOLO: 2018-2021 BUSINESS PLAN**

**IN ITS NEW BUSINESS PLAN, INTESA SANPAOLO WILL CONTINUE TO PRIORITISE STRONG AND SUSTAINABLE VALUE CREATION AND DISTRIBUTION, WHILE MAINTAINING A VERY SOLID CAPITAL POSITION AND SIGNIFICANTLY REDUCING THE RISK PROFILE AT NO EXTRAORDINARY COST TO SHAREHOLDERS.**

**THE PLAN CONFIRMS THAT INTESA SANPAOLO IS A REAL-ECONOMY BANK THAT CREATES VALUE TO ALL STAKEHOLDERS. THE BANK WILL SUPPORT THE ECONOMY WITH MORE THAN €300BN CONTRIBUTION IN THE PERIOD 2018-2021.**

**RETURN ON CAPITAL WELL ABOVE COST OF CAPITAL: ROTE AT 14.6%, ROE AT 12.4% AND NET INCOME OF €6BN IN 2021. PAYOUT RATIO OF 85% FOR 2018, 80% FOR 2019, 75% FOR 2020 AND 70% FOR 2021.**

**PRO-FORMA FULLY LOADED COMMON EQUITY TIER 1 RATIO OF 13.1% IN 2021 INCLUDING REGULATORY IMPACTS, EVEN THOSE FROM BASEL IV.**

**NPL TO TOTAL CUSTOMER LOAN RATIO OF 6% GROSS OF ADJUSTMENTS AND 2.9% NET IN 2021. COST OF RISK OF 41 BASIS POINTS IN 2021.**

**COST REDUCTION IN 2021 VS 2017 AND COST/INCOME OF 45.4% IN 2021.**

**REVENUE GROWTH CAPTURING NEW BUSINESS OPPORTUNITIES: A LEADERSHIP POSITION IN EUROPE IN WEALTH MANAGEMENT & PROTECTION, WITH STRONG GROWTH IN P&C INSURANCE.**

**PEOPLE AND DIGITAL AS KEY ENABLERS: THE PLAN HAS BEEN DRAWN UP INVOLVING ALL THE BANK'S PEOPLE, AND ALLOCATES €5.8BN TO INVESTMENTS, €2.8BN OF WHICH TO COMPLETE THE DIGITAL TRANSFORMATION.**

**INTESA SANPAOLO WILL MAKE ITS LEADERSHIP POSITION IN CORPORATE SOCIAL RESPONSIBILITY STRONGER, BECOMING THE FIRST IMPACT BANK WORLDWIDE, SCALING UP THE "FOOD AND SHELTER FOR PEOPLE IN NEED" INITIATIVE, SUPPORTING THE CIRCULAR ECONOMY AND SETTING UP A SPECIALISED UNIT FOCUSED ON MANAGEMENT OF ART, CULTURE AND HISTORICAL HERITAGE.**

**• SHARP INCREASE IN PROFITABILITY, STRONG AND SUSTAINABLE VALUE CREATION AND DISTRIBUTION FOR SHAREHOLDERS:**

- ROTE <sup>(1)</sup> UP TO 14.6% IN 2021 FROM 9.3% IN 2017 <sup>(2)</sup>
- ROE <sup>(3)</sup> UP TO 12.4% IN 2021 FROM 7.9% IN 2017 <sup>(2)</sup>
- NET INCOME UP TO €6BN IN 2021 FROM €3.8BN IN 2017 <sup>(2)</sup>
- PAYOUT RATIO OF 85% FOR 2018, 80% FOR 2019, 75% FOR 2020 AND 70% FOR 2021

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**• VERY SOLID CAPITAL POSITION:**

- COMMON EQUITY TIER 1 RATIO <sup>(4)</sup> OF 13.1% IN 2021

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**• SIGNIFICANT DE-RISKING AT NO EXTRAORDINARY COST TO SHAREHOLDERS:**

- NPLs TO HALVE TO €26.4BN GROSS OF ADJUSTMENTS IN 2021, FROM €52.1BN IN 2017, AND €12.1BN NET, FROM €22.5BN INCLUDING IMPACT OF IFRS 9 FIRST TIME ADOPTION
- NPL TO TOTAL CUSTOMER LOAN RATIO TO HALVE IN 2021 TO 6% GROSS OF ADJUSTMENTS, FROM 11.9% IN 2017, AND 2.9% NET, FROM 5.5% INCLUDING IMPACT OF IFRS 9 FIRST TIME ADOPTION
- NET ADJUSTMENTS TO LOANS DOWN TO €1.8BN IN 2021 FROM €3.3BN IN 2017 <sup>(5)</sup> (-14.7% CAGR <sup>(6)</sup>)
- COST OF RISK DOWN TO 41 BASIS POINTS IN 2021 FROM 81 BASIS POINTS IN 2017 <sup>(5)</sup> (-40 bps)

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**• COST REDUCTION:**

- AROUND €1.5BN IN COST SAVINGS IN THE PERIOD 2018-2021
- OPERATING COSTS DOWN TO €9.5BN IN 2021 FROM €9.8BN IN 2017 <sup>(5)</sup> (-0.9% CAGR), DESPITE COSTS OF €0.6BN TO SUPPORT GROWTH IN THE PERIOD 2018-2021
- IMPROVEMENT IN COST/INCOME, DOWN TO 45.4% IN 2021 FROM 55.1% IN 2017 <sup>(5)</sup> (-9.7 pp)

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**• SOLID REVENUE GENERATION:**

- OPERATING INCOME UP TO €20.8BN IN 2021 FROM €17.8 BN IN 2017 <sup>(5)</sup> (+4% CAGR)
- NET INTEREST INCOME UP TO €8.3BN IN 2021 FROM €7.4BN IN 2017 <sup>(5)</sup> (+2.8% CAGR), WITH ZERO-LEVEL EURIBOR IN 2021
- NET FEE AND COMMISSION INCOME UP TO €10BN IN 2021 FROM €8.1BN IN 2017 <sup>(5)</sup> (+5.5% CAGR), CONTRIBUTING 48% TO OPERATING INCOME IN 2021 FROM 45% IN 2017
- OTHER REVENUES UP TO €2.6BN IN 2021 FROM €2.3BN IN 2017 <sup>(5)</sup> (+2.2% CAGR), RECORDING A €0.5BN INCREASE IN INCOME FROM INSURANCE BUSINESS DUE TO THE STRONG GROWTH IN P&C INSURANCE

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**• PEOPLE AND DIGITAL AS KEY ENABLERS:**

- TRAINING OF AROUND 1,650 NEW HIRES AND 5,000 EMPLOYEES RESKILLED TOWARDS HIGH VALUE-ADDED JOBS
- AROUND 11.9 MILLION HOURS OF TRAINING IN 2021
- AROUND €1BN CUMULATIVE 2018-2021 INVESTMENTS IN TRAINING
- AROUND €4.8BN OTHER CUMULATIVE 2018-2021 INVESTMENTS, €2.8BN OF WHICH TO COMPLETE THE DIGITAL TRANSFORMATION

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(1) ROTE: net income / tangible net shareholders' equity (net shareholders' equity excluding net income, goodwill and other intangibles).

(2) Net income for 2017 excludes the non-taxable public cash contribution of €3.5 billion offsetting the impact on the capital ratios of the acquisition of the aggregate set of Banca Popolare di Vicenza and Veneto Banca and includes FY 2017 P&L of the aggregate set of Banca Popolare di Vicenza and Veneto Banca and the Morval Vonwiller Group.

(3) ROE: net income / net shareholders' equity (excluding net income).

(4) Pro-forma fully loaded Basel 3 considering the total absorption of DTAs related to goodwill realignment/adjustments to loans/non-taxable public cash contribution of €1,285 million covering the integration and rationalisation charges relating to the acquisition of the aggregate set of Banca Popolare di Vicenza and Veneto Banca and the expected absorption of DTAs on losses carried forward. For 2021, Business Plan assumptions regarding RWAs, retained earnings and estimated regulatory impacts over the Business Plan horizon are also included.

(5) 2017 includes full-year P&L of the aggregate set of Banca Popolare di Vicenza and Veneto Banca and the Morval Vonwiller Group.

(6) CAGR: compound annual growth rate.

## HIGHLIGHTS FOR 2021

<b>CAPITAL RATIOS:</b>	<b>13.1% COMMON EQUITY TIER 1 RATIO <sup>(7)</sup> IN 2021</b>
<b>OPERATING INCOME:</b>	<b>+4% <sup>(8)</sup> AT €20.8BN FROM €17.8BN IN 2017 <sup>(9)</sup></b>
<b>OPERATING COSTS:</b>	<b>-0.9% <sup>(8)</sup> AT €9.5BN FROM €9.8BN IN 2017 <sup>(9)</sup></b>
<b>OPERATING MARGIN:</b>	<b>+9.1% <sup>(8)</sup> AT €11.4BN FROM €8BN IN 2017 <sup>(9)</sup></b>
<b>NET ADJUSTMENTS TO LOANS:</b>	<b>-14.7% <sup>(8)</sup> AT €1.8BN FROM €3.3BN IN 2017 <sup>(9)</sup></b>
<b>GROSS INCOME:</b>	<b>+13.5% <sup>(8)</sup> AT €9.5BN FROM €5.7BN IN 2017 <sup>(10)</sup></b>
<b>NET INCOME:</b>	<b>+12.1% <sup>(8)</sup> AT €6BN FROM €3.8BN IN 2017 <sup>(10)</sup></b>

## VALUE CREATION FOR ALL STAKEHOLDERS, MORE THAN €300BN TO THE REAL ECONOMY (TOTAL 2018-2021)

<b>SHAREHOLDERS:</b>	<b>CASH DIVIDENDS: PAYOUT RATIO 85% FOR 2018, 80% FOR 2019, 75% FOR 2020 AND 70% FOR 2021</b>	<b>• SIGNIFICANT PORTION OF NET INCOME AVAILABLE FOR CONSUMPTION/INVESTMENTS</b>
<b>HOUSEHOLDS AND BUSINESSES:</b>	<b>MEDIUM/LONG-TERM NEW LENDING TO THE REAL ECONOMY OF AROUND €250BN</b>	<b>• AROUND 500,000 NEW INVESTMENTS FINANCED • LENDING GROWTH ABOVE GDP GROWTH</b>
<b>EMPLOYEES:</b>	<b>PERSONNEL EXPENSES OF AROUND €24BN INVESTMENTS IN TRAINING OF AROUND €1BN</b>	<b>• MORE THAN 90,000 HOUSEHOLDS • AROUND 46 MILLION TRAINING HOURS • AROUND 5,000 EXCESS CAPACITY REDEPLOYED TO PRIORITY INITIATIVES</b>
<b>SUPPLIERS:</b>	<b>PURCHASES AND INVESTMENTS OF AROUND €11BN</b>	<b>• MORE THAN 40,000 HOUSEHOLDS</b>
<b>PUBLIC SECTOR:</b>	<b>TAXES <sup>(11)</sup> OF AROUND €13BN</b>	<b>• COMPARABLE TO AN ITALIAN ANNUAL BUDGET LAW (“LEGGE DI STABILITÀ”)</b>
<b>SOCIAL SECTOR:</b>	<b>MEDIUM/LONG-TERM NEW LENDING OF AROUND €0.7BN TO SUPPORT SOCIAL VENTURES</b>	<b>• INTESA SANPAOLO THE LEADING SOCIAL SECTOR LENDER IN ITALY</b>
<b>CATEGORIES WITH RESTRICTED CREDIT ACCESS:</b>	<b>IMPACT LENDING OF AROUND €1.2BN</b>	<b>• INTESA SANPAOLO THE FIRST IMPACT BANK WORLDWIDE</b>

(7) Pro-forma fully loaded Basel 3 considering the total absorption of DTAs related to goodwill realignment/adjustments to loans/non-taxable public cash contribution of €1,285 million covering the integration and rationalisation charges relating to the acquisition of the aggregate set of Banca Popolare di Vicenza and Veneto Banca and the expected absorption of DTAs on losses carried forward. For 2021, Business Plan assumptions regarding RWAs, retained earnings and estimated regulatory impacts over the Business Plan horizon are also included.

(8) 2017-2021 CAGR (compound annual growth rate).

(9) 2017 includes full-year P&L of the aggregate set of Banca Popolare di Vicenza and Veneto Banca and the Morval Vonwiller Group.

(10) Gross income and net income for 2017 exclude the non-taxable public cash contribution of €3.5 billion offsetting the impact on the capital ratios of the acquisition of the aggregate set of Banca Popolare di Vicenza and Veneto Banca and include FY 2017 P&L of the aggregate set of Banca Popolare di Vicenza and Veneto Banca and the Morval Vonwiller Group.

(11) Direct and indirect.

*Turin - Milan, 6 February 2018* – The Board of Directors of Intesa Sanpaolo, at its meeting today, approved the Group’s 2018-2021 Business Plan. In its new Plan, the Group will continue to **prioritise strong and sustainable value creation and distribution, while maintaining a very solid capital position and significantly reducing the risk profile at no extraordinary cost to shareholders.**

The Plan confirms that Intesa Sanpaolo is, and will continue to be, a **real-economy bank with sustainable profitability. The Group will continue to create value for all stakeholders**, contributing over **€300 billion** to the economy in the four-year period:

- for **shareholders**: cash dividends with a payout ratio of 85% for 2018, 80% for 2019, 75% for 2020 and 70% for 2021;
- for **households and businesses**: medium/long-term new lending to the real economy of around €250 billion;
- for **the Group’s employees**: personnel expenses of around €24 billion and investments in training of around €1 billion;
- for **suppliers**: purchases and investments of around €11 billion;
- for **public sector**: taxes (direct and indirect) of around €13 billion;
- for **social sector**: medium/long-term new lending of around €0.7 billion to support social ventures;
- for **categories with restricted credit access**: impact lending of around €1.2 billion.

Through its 2018-2021 Business Plan, Intesa Sanpaolo, which is already a leading bank in Corporate Social Responsibility, aspires to become a world-class reference model on social and cultural responsibility. To do so, it will, specifically:

- become the **first Impact Bank worldwide**, allocating by 2021 **0.5% of its shareholders’ equity** (an amount estimated in the region of €250 million) to a **specific fund enabling Group lending of around €1.2 billion** to categories that would otherwise have difficulties to access credit despite their potential. These categories include **new families, university students, researchers and new entrepreneurs** (e.g., start-ups and female entrepreneurs). The fund’s focused allocation is backed by governance rules.
- **scale-up the “Food and shelter for people in need”** initiative by allocating funds for **10,000** meals a day, **6,000** dormitory beds a month and **3,000** medicines and clothes a month;
- support the **Circular Economy** through the allocation of a **dedicated plafond** to finance it and the launch of a **dedicated investment fund**;
- **set-up a specialised unit focused on enhancement and proactive management of Art, Culture and Historical Heritage** leveraging around 20,000 artworks.

**The Intesa Sanpaolo Group is well positioned to benefit from a positive economic scenario and the significant revenue growth potential for the Italian banking and insurance industries, since it is a market leader in Italy and has the opportunity to grow in different business segments, both domestically and abroad, and support real economy growth.**

The formula of the Plan encompasses for the Group:

- 1. significant de-risking at no extraordinary costs to shareholders**, building the #1 Bank in Europe for risk profile (in terms of Common Equity Tier 1/illiquid assets);
- 2. cost reduction through further simplification of the operating model**, building the #1 Bank in Europe for efficiency (in terms of cost/income);
- 3. revenue growth capturing new business opportunities**, building a European leader in wealth management & protection, with strong growth in P&C insurance;
- 4. people and digital as key enablers of the Plan**. As with the previous Plan, **the commitment of the Intesa Sanpaolo people** for the successful implementation of the new Plan is fundamental. **Around 13,500 people** of the Group **contributed to its creation** through their participation in a dedicated survey.

In its 2018-2021 Business Plan, Intesa Sanpaolo will continue to strengthen **its unique business model – built around revenue generation enhanced by fee growth, and high efficiency** – and will combine it with a **unique risk profile**:

- **macroeconomic scenario:**
  - **1.2%-1.3% Italian GDP growth in 2018-2021;**
  - **average 1-month Euribor at zero in 2021** (-0.4% in 2017);
- **sharp increase in profitability, strong and sustainable value creation and distribution for shareholders:**
  - **ROTE<sup>(12)</sup> up to 14.6% in 2021** from 9.3% in 2017<sup>(13)</sup>;
  - **ROE<sup>(14)</sup> up to 12.4% in 2021** from 7.9% in 2017<sup>(13)</sup>;
  - **net income up to €6 billion in 2021** from €3.8 billion in 2017<sup>(13)</sup> (+12.1% CAGR<sup>(15)</sup>);
  - **cash dividend payout ratio of 85% for 2018, 80% for 2019, 75% for 2020 and 70% for 2021;**
  - **gross income up to €9.5 billion in 2021** from €5.7 billion in 2017<sup>(13)</sup> (+13.5% CAGR);
  - **operating margin up to €11.4 billion in 2021** from €8 billion in 2017<sup>(16)</sup> (+9.1% CAGR);

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(12) ROTE: net income / tangible net shareholders' equity (net shareholders' equity excluding net income, goodwill and other intangibles).

(13) Gross income and net income for 2017 exclude the non-taxable public cash contribution of €3.5 billion offsetting the impact on the capital ratios of the acquisition of the aggregate set of Banca Popolare di Vicenza and Veneto Banca and include FY 2017 P&L of the aggregate set of Banca Popolare di Vicenza and Veneto Banca and the Morval Vonwiller Group.

(14) ROE: net income / net shareholders' equity (excluding net income).

(15) CAGR: compound annual growth rate.

(16) 2017 includes full-year P&L of the aggregate set of Banca Popolare di Vicenza and Veneto Banca and the Morval Vonwiller Group.

- **strong capital position** even in a challenging regulatory environment:
  - **Common Equity Tier 1 ratio** <sup>(17)</sup> **of 13.1% in 2021**, including the negative impacts of around 1% deriving from the first time adoption of IFRS 9 effective from 1 January 2018, and around 0.9% deriving from the EBA guidelines;
  - the Basel IV impact beyond 2021 will be offset by business evolution;
- **prudent liquidity profile:**
  - **Liquidity Coverage Ratio and Net Stable Funding Ratio well above 100% in the period 2018-2021;**
  - the Group, not subject to TLAC, **comfortably exceeds MREL requirements;**
  - an effective funding plan enabling the Group to remain a **frequent issuer in the international markets**, and identifying **covered bonds, senior unsecured bonds and short-term paper** as the Group's main funding sources, with the issuance of **senior non-preferred bonds** as a possible option to optimise the cost of funding;
- **significant de-risking at no extraordinary cost to shareholders:**
  - **NPLs to halve in 2021 to €26.4 billion gross of adjustments**, from €52.1 billion in 2017, and **€12.1 billion net**, from €22.5 billion including the impact of the IFRS 9 first time adoption;
  - **NPL to total customer loan ratio to halve in 2021 to 6% gross of adjustments**, from 11.9% in 2017, and **2.9% net**, from 5.5% including the impact of the IFRS 9 first time adoption;
  - **net adjustments to loans down to €1.8 billion in 2021** from €3.3 billion in 2017 <sup>(18)</sup> **(-14.7% CAGR);**
  - **cost of risk down to 41 basis points in 2021** from 81 basis points in 2017 <sup>(18)</sup> **(-40 basis points);**

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(17) Pro-forma fully loaded Basel 3 considering the total absorption of DTAs related to goodwill realignment/adjustments to loans/non-taxable public cash contribution of €1,285 million covering the integration and rationalisation charges relating to the acquisition of the aggregate set of Banca Popolare di Vicenza and Veneto Banca and the expected absorption of DTAs on losses carried forward. For 2021, Business Plan assumptions regarding RWAs, retained earnings and estimated regulatory impacts over the Business Plan horizon are also included.

- **strong cost reduction and best-in-class cost/income:**
  - **around €1.5 billion in cost savings in the period 2018-2021;**
  - **operating costs down to €9.5 billion in 2021** from €9.8 billion in 2017 <sup>(18)</sup> **(-0.9% CAGR), despite costs of €0.6 billion to support growth in the period 2018-2021;**
  - **improving cost/income - reaching a level of excellence - to 45.4% in 2021** from 55.1% in 2017 <sup>(18)</sup> **(-9.7 percentage points);**
- **solid revenue generation:**
  - **operating income up to €20.8 billion in 2021** from €17.8 billion in 2017 <sup>(18)</sup> **(+4% CAGR);**
  - **net interest income up to €8.3 billion in 2021** from €7.4 billion in 2017 <sup>(18)</sup> **(+2.8% CAGR), with loans to customers up 1.6% CAGR, and sensitivity of around €1.6 billion for 100 bps of market interest rate increase, compared with zero-level euribor assumed in 2021;**
  - **net fee and commission income up to €10 billion in 2021** from €8.1 billion in 2017 <sup>(18)</sup> **(+5.5% CAGR), a 48% contribution to operating income in 2021** from 45% in 2017 and **assets under management increasing to €444 billion** from €338 billion **(+7% CAGR);**
  - **other revenues up to €2.6 billion in 2021** from €2.3 billion in 2017 <sup>(18)</sup> **(+2.2% CAGR), with an increase of €0.5 billion in income from insurance business entirely due to the strong growth in P&C insurance.**

The formula of the Plan identifies targeted initiatives aimed at:

1. **significant de-risking at no extraordinary costs to shareholders;**
2. **cost reduction through further simplification of the operating model;**
3. **revenue growth capturing new business opportunities;**
4. **people and digital as key enablers.**

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(18) 2017 includes full-year P&L of the aggregate set of Banca Popolare di Vicenza and Veneto Banca and the Morval Vonwiller Group.

## **1. Significant de-risking at no extraordinary cost to shareholders**

- **Carve-out of a state-of-the-art loan recovery platform:**
  - **state-of-the-art loan recovery platform:**
    - **further strengthening of the servicing platform** through **investments in data quality** and **IT systems** (€30 million IT investments) and **additional people**;
    - **the transfer of the servicing platform to a NewCo**, including recovery activities (ordinary credit and leasing) and **Re.O.Co. (Real Estate Owned Company)**;
    - **a possible partnership with an industrial player** in order to increase the **recovery performance** through the adoption of international best practices;
  - **diversification of services:**
    - extension of core activities targeting **financial investors, small/mid-sized banks** and **industrial clients** for SME and corporate portfolios and leveraging **Capital Light Bank's settlement and real estate capabilities**;
    - introduction of **real estate/industrial turnaround** advisory services.
- **Significant increase in the NPL coverage ratio achieved at year-end 2017** and including the impact of the **IFRS 9 first time adoption** (effective from 1 January 2018) **to around 57% (bad loan coverage ratio to around 69%)**. Increased coverage allows the Group **ample flexibility in de-risking strategy, through both disposals and more aggressive internal management. The target is halving NPLs to around €26.4 billion gross of adjustments in 2021**, from around €52.1 billion in 2017, and **around €12.1 billion net**, from around €22.5 billion after the impact of IFRS 9.
- **“Pulse”, a game changer on retail early delinquency:**
  - **creation of a central hub, setting up an internal unit** dedicated to **early delinquency management for retail portfolios**, centralising all activities currently carried out by the branches, with around 100 people employed in the unit in 2018 and 1,000 in 2021:
    - **multi-channel contact strategy** with clients (e.g., call centres, digital channels);
    - **focus on both soliciting and rescheduling/restructuring**;
    - **empowerment of people** through digital learning and dedicated incentives;

- **extension of core activities to extra-captive:**
  - targeting **small/mid-sized banks and non-banks** (e.g., utilities);
  - leveraging extensive know-how in **renegotiating payment terms**;
  - entering into a possible **partnership** with an **industrial player** in order to **increase** the “Pulse” **appeal** when other banks select their outsourcer;
- **Scale-up of proactive credit portfolio management:**
  - **credit management 2.0:**
    - expansion of **proactive credit management** under the guidance of the Chief Lending Officer for SMEs by strengthening **dedicated units** (an additional 200 people) and adapting the process to deal also with **performing loans** (classified under IFRS 9 Stage 1 and Stage 2 portfolios);
    - implementation of a **full suite of rescheduling/restructuring products for SMEs**;
  - **Restructuring Farm 2.0:**
    - scale-up of the **Restructuring Farm** (internally branded Credit Transformation Solutions team) within the Chief Lending Officer area, with a focus on **mid and large corporates**, with an additional 100 people and gradually expanding from large-scale distressed cases to **mid-size distressed** and **pre-distressed situations**;
    - active coverage of **new categories of distressed investors** who can invest in the Italian market more than **€3 billion of new money in critical situations**;
  - **Active Credit Portfolio Steering:**
    - set-up of a **dedicated unit** within the CFO Area acting as a catalyst for the **Active Credit Portfolio Management** supporting the Business Units to actively manage their **portfolio** towards a better **risk/return profile** through more targeted **credit origination** and more dynamic **management** of performing and non-performing **credit portfolio**.

## 2. Cost reduction through further simplification of the operating model

- **Voluntary exits and employee reskilling:**
  - agreement with trade unions reached at year-end 2017 concerning a total of **9,000 voluntary exits** to be achieved by 30 June 2020, of which around 1,500 departures as at year-end 2017 and 3,300 by year-end 2018, leading to **savings in personnel expenses of around €675 million** per year on a fully operational basis (from 2021);
  - **hiring of at least 1,650 professionals** to support growth in core businesses and enable generational change;
  - launch of a **dedicated initiative** (proactive HR “*in-placement*”) to **reskill at least 5,000 people towards high value-added jobs**;
  - **gradual deployment of the new flexible banking contract “lavoro misto”**: two parallel contracts in place for the same person (one part-time contract as a bank employee and one as a financial advisor).
- **Branch strategy:**
  - **optimisation of the branch network in Italy**, through around an additional **1,100 closures**, leveraging **Banca 5** and the **new multi-channel platform** to preserve proximity to clients;
  - use of the Group’s **proprietary advanced tools** (e.g., Advanced Analytics) to optimise the trade-off between churn and proximity;
  - implementation of a “**multi-format retail model**” tailoring branch formats depending on local customer needs:
    - branch **opening hours** based on **specificities of different micro-markets** (“Banca Estesa”);
    - scale-up of **branch-based events** to target **Millennials**;
    - new client-centric layout, with **welcome areas** and **co-working spaces**;
    - **partnerships with retailers** to satisfy **non-banking needs** of clients in dedicated branch corners;
  - **targeted territorial coverage in relation to potential:**
    - richest/largest cities (1,340, with around 63% of the population covered) 2,200 branches with a specialised service model, 13,300 Banca 5 operating points and 7,100 self-banking points (ATMs, cash and deposit machines, and self cash machines);
    - cities with moderate wealth/size (720, with around 10% of the population covered) 750 branches without a specialised service model, 2,400 Banca 5 operating points and 1,000 self-banking points;
    - cities with lowest wealth/size (2,350, with around 17% of the population covered) no branches, 4,300 Banca 5 operating points or 300 self-banking points;
    - online branch, out-of-the branch services and relationship managers with mixed banking contract (two parallel contracts in place for the same person, one part-time contract as a bank employee and one as a financial advisor) deployed across the board.

- **Proactive management of real estate portfolio:**
  - **creation of a new headquarters in Milan (“ISP City”)** aimed at optimising productivity through centralisation of headquarters into a single location and optimisation of commuting time with the Directional Centre in Turin;
  - **optimisation of real estate presence in Italy** through the disposal of redundant spaces;
  - **space optimisation:**
    - total reduction of 534,000 square metres (-15%) by 2021 from optimisation of the branch network and the headquarters;
    - cost savings of €98 million (-19%) by 2021 from optimisation of the branch network and the headquarters;
- **Reduction of legal entities**, preserving brands with significant client traction, with 12 legal entities to be merged into the Parent Company: Banco di Napoli, CR Firenze, CR Pistoia e Lucca, CR Veneto, Carisbo, Cariromagna, CR Friuli Venezia Giulia, Banca Nuova, Banca Apulia, Banca IMI, Banca Prossima, Mediocredito Italiano.
- **Creation of the Chief Cost Management Officer**, setting up a **centre of excellence** (dedicated unit) at Group level for full centralisation of procurement, rationalisation of relationships with suppliers and focus on Group investments towards Business Plan priorities, leveraging **best practices** on cost management, real estate and procurement, with administrative expense savings of around €0.6 billion in the period 2018-2021 against around €0.2 billion in costs to support growth and €0.2 billion increase due to inflation.

### 3. Revenue growth capturing new business opportunities

- **P&C Insurance (Protection) (Banca dei Territori Division and Insurance Division):**
  - **distribution strategy:**
    - **enhanced commercial reach and effectiveness in Banca dei Territori branches** through the introduction of around **220 P&C specialists** to support branches (increasing sales/day per branch from 0.3 to around 3 in branches where a pilot was launched, in line with the 2021 target), **a dedicated training plan** for around **30,000 people**, of which around **5,000 in 2018**, the introduction of a **dedicated incentive program** and around **€300 million investments** in the period 2018-2021 to rebrand retail branches as **Bancassurance branches**;
    - development of an **open market digital platform** to target **Group non-captive clients**;
  - **product strategy:**
    - **strong focus on retail/SME non-motor offer** exploiting the Italian market potential;
    - **broadening of product offering** through the set-up of an **insurance digital wallet** to enable cross-upselling activities for non-motor products, the launch of the “**Health and Welfare**” products, the enhancement of the **SME offering** (e.g., advisory on business risks, partnership with brokers) and the introduction of **specialised products for high-income customers**;
  - **post-sales and claim management:**
    - reduction of **settlement time** increasing process efficiency (e.g., remote appraisal, machine learning tools for claim valuations);
    - strengthening of **post-sales** to cope with incremental volumes by a capacity increase of around **500 FTEs** and **technological and process innovations**;
  - **becoming one of the top four Italian P&C insurance companies and the first in retail non-motor**, with P&C gross premiums growing to around €2.5 billion in 2021 from around €0.4 billion in 2017.
- **Private banking (Private Banking Division):**
  - **leadership in Italy:**
    - **dedicated service models:**
      - **Intesa Sanpaolo Private Banking network:** development of **dedicated service models for Lower Private** through Private Banking branches and **High Net Worth Individuals** through the seven dedicated HNWI centres;
      - **Fideuram network:** introduction of **dedicated service models to cover specific needs of both the network and the customer base** (e.g., generational change, new advisors);
    - **recruiting scale-up:**
      - **establishment of the Intesa Sanpaolo Private Banking Campus**;
      - **development of the Learning Factory** to create the “Private bankers of tomorrow”;
      - strengthening of the distribution through around an **additional 1,400 people** (financial advisors, private bankers and support staff);

- **expansion in new areas:**
- **international expansion:**
  - strengthening of the **Swiss hub** leveraging the recently acquired **Morval Vonwiller Group**;
  - strengthening of the **London branch** and development of a presence in **Luxembourg**;
  - expansion of activities in **China** through **Yi Tsai**;
  - strengthening of **governance and control systems** to support **international expansion**;
- **digital client direct targeting:**
  - **launch of a new digital channel** to acquire “self-directed” digital prospect customers and **application of the successful Fideuram service model to new clients**;
  - strengthening of the **digital platform of private bankers** (i.e. Alfabeto) allowing **end-to-end remote advisory** to clients (around €40m investments);
- **becoming one of the top five private banks in Europe and number 2 in the Eurozone** by assets under management, with **AuM net inflows of Fideuram - Intesa Sanpaolo Private Banking of €55 billion in the period 2018-2021**.
- **Scale-up of the Asset Management factory (Asset Management Division):**
  - **product offering:**
    - development of a **distinctive offering on alternatives** (e.g., leveraged loan funds, real estate funds) in partnership with the Insurance Division;
    - **continuous innovation** of products and services targeted at **distributors and investors** in Italy and abroad;
    - implementation of a “**Quant approach**” to enrich the **quantitative multi-assets strategy**;
  - **international expansion:**
    - **empowerment of the London branch** to create a **centre of excellence within the Group**;
    - further enhancement of the **international business** with a focus on **selected European markets and China** through Penghua;
  - **operating model:**
    - creation of a “**talent garden**” to test in-house **product innovations** to foster focus on Advanced Analytics;
    - **digitalisation/automation of processes** with FTE absorption to support expected growth and maintain a best-in-class position on costs;
  - **assets managed by Eurizon increasing to around €400 billion in 2021** from €314 billion in 2017 (gross of duplications and excluding Penghua);
  - **partnership with a global industrial player as a possible accelerator of the Asset Management strategy**.

- **Scale-up of the Asset Management distribution network for retail and personal segments (Banca dei Territori Division):**
  - **advisory model:**
    - extension of services offered through the advisory platform “**Valore Insieme**” (real estate, expense management);
    - **introduction of additional services and functionalities:** advanced online trading platform, Robo-4-Advisor and Robo-Advisory;
  - **new digital services:**
    - introduction of new digital services (Smart Save, Smart Invest, Smart Future, Smart Insurance) available both **online** and on **App**, to increase customer acquisition and facilitate access to services;
  - **service model:**
    - introduction of the **Remote Relationship Manager for affluent multi-channel customers;**
    - Relationship Manager with the **new flexible banking contract** (two parallel contracts in place for the same person, one part-time contract as a bank employee and one as a financial advisor) for under-penetrated affluent and personal customers;
    - **AuM net inflows of the Banca dei Territori Division of €48 billion in the period 2018-2021.**
- **A distinctive offering to SMEs and mid-corporates (Banca dei Territori Division and Corporate and Investment Banking Division):**
  - development of a **distinctive offering** supporting **Italian SMEs** to grow in size and profitability:
    - scaling-up **dedicated coverage teams**, including Relationship Managers and Product Specialists (the latter increasing to 600 in 2021 from 400 in 2017);
    - strengthening **structured finance and advisory services;**
    - developing a **digital platform** to optimise the SME **asset/liability structure** (“**Industrial dialogue**”);
    - providing a **full suite of non-financial services** (e.g., recruiting, training and capability building, employee welfare platform);
  - deployment of a **distinctive offering** to support **mid-corporate Italian champions** in becoming successful internationally thanks to:
    - **Global Transaction Banking International platform** in the Corporate and Investment Banking Division;
    - **Structured Finance and Corporate Finance** at Group level leveraging best practices within the Corporate and Investment Banking Division;
    - reinforced **supply chain finance offer;**
    - distinctive **service model** leveraging the **international footprint** of the Corporate and Investment Banking Division in 25 countries;

- **Increased focus on global corporates and international investors (Corporate and Investment Banking Division):**
  - for **foreign Global Corporates:**
    - significant expansion of the **Debt Capital Market** and **syndicated loans business** to become a Top-10 Corporate Debt House in EMEA;
    - further growth in **Project Finance** and **Structured Export Finance** businesses in EMEA and other selected countries;
    - selective **entry/scale-up in fast-growing emerging markets** (e.g., Turkey, UAE, Brazil);
    - significant strengthening of **international coverage** and **international teams** (an additional 150 professionals);
  - development of an **originate-to-share business model** to become a market leader in distributing Italian Corporate and SME risk to international financial institutions (cumulated distributed volumes up to €10 billion) through:
    - strengthening of the **distribution platform of the Corporate and Investment Banking Division;**
    - activation of **strategic partnerships with investors;**
    - enforcement of the **proper credit, risk and commercial mechanisms.**
  
- **A new focused strategy on International Banks (International Subsidiary Banks Division):**
  - **evolution of the network:**
    - **extension of the hub approach** to Croatia, Bosnia and Slovenia in South East Europe and to Hungary, Slovakia and, for the consumer finance business, to the Czech Republic in Central Europe;
    - **dedicated independent platforms at scale** in Egypt and Serbia;
    - **transfer** of the subsidiary in Russia to the Corporate and Investment Banking Division;
    - **refocus** in respect of Albania, Moldova, Romania and Ukraine (the Ukrainian subsidiary is in a reporting line to the Capital Light Bank);
  - **operating platform:** convergence of the **IT system** and **operations** of the Banks that are part of the **main hubs** into a **single platform;**
  - **service model enhancement:**
    - development of an **efficient multi-channel model** through leveraging the Group's best practices, with the **branch network redesign** by micro-markets, the introduction of a **new client segmentation** and **new dedicated branch roles**, the revamp of **ATM network** on cash-in functionalities;
    - extension of the Wealth Management Advisory Service model and distribution of life insurance policies;
    - **evolution of corporate coverage** through the introduction of Senior Corporate Bankers;

- **digital evolution:**
  - boosting of **digital customer penetration** by offering a new set of state-of-the-art products and services (e.g., multi-channel advisory);
  - development of **new digital processes** to push **online sales** and launch **new products**;
  - introduction of the “**Digital Identity**” to enhance sales capabilities through **virtual branches**.
  
- **China as a growth option in wealth management (International Subsidiary Banks, Division, Private Banking Division and Asset Management Division):**
  - **Yi Tsai** (a 100% Group company): **launch** and **expansion** of the company, one of the first wealth management enterprises to be fully owned by foreign investors, servicing in **China** by:
    - starting operations in the **Qingdao pilot zone** and then expanding into **seven provinces** through dedicated branches by 2021;
    - developing an **attractive product offering** for the Chinese market, leveraging Penghua and selected third parties;
    - starting distribution of **insurance products**;
  - **Penghua** (a company 49% owned by the Group):
    - strengthening of the **distribution capacity** through **direct platforms** and **selected partnerships**;
    - strengthening of **product and distribution synergies** with **Eurizon** and **other Group companies** in the segment of High Net Worth Individuals;
  - **Bank of Qingdao** (a company 15% owned by the Group): development of a **strategic cooperation** with Yi Tsai in order to offer a full range of products and services to clients;
  - openness to explore a **potential partnership with a leading local industrial player as a strategic accelerator of the Group’s wealth management in China**.

#### 4. People and digital as key enablers

- **People, who continue to be the most important assets:**
  - **strengthening of employee commitment:**
    - **new long-term incentive programs** linked to **main Business Plan KPIs** with the participation of all Group employees to Intesa Sanpaolo's capital, fostering alignment with long-term value creation for all stakeholders;
    - **continuous open listening** to the Group people to support their **well-being and contribution** to organisational improvements, in line with Intesa Sanpaolo's values and culture ("Process and People Care");
    - launch of dedicated initiatives to fully value **diversity and inclusion** (e.g., gender, age, nationality, religion);
  - **international talent program** for around **500 people** enhancing the international **middle management community** through **tailored training programs and career paths**;
  - **training and learning:**
    - development of **innovative best-in-class training programs** to foster a **distinctive leadership identity** for today's and tomorrow's managers of the Group ("International Management Academy", involving around **7,000 managers**);
    - scale-up of the **digital learning platform** granting all Group employees easy access to **Intesa Sanpaolo's learning programs** to boost **skills** by providing a multi-device and tailor-made **learning experience**, with around **3,000 digital learning modules** by 2021 from 700 in 2017;
    - **training of around 1,650 new hires and 5,000 employees reskilled towards high value-added jobs**;
    - **around 11.9 million training hours** in 2021 from 6.6 million hours in 2017;
    - **around €1 billion cumulative 2018-2021 investment**;
  - **flexibility programs:**
    - **significant increase in smart working adoption involving around 24,000 employees** by 2021 from 8,000 in 2017, to improve employee **productivity and satisfaction** and optimise **space usage**;
    - continuous increase in **flexibility initiatives** (e.g., part-time and "lavoro misto" contract, namely two parallel contracts in place for the same person, one part-time contract as a bank employee and one as a financial advisor);
  - **organisational empowerment:**
    - **new Human Resources platform**, implementing the "**International Global Banding**" aimed at maximising internal **fairness**, external **competitiveness** and **meritocracy** (involving around 2,400 roles), and developing a new **digital HR multi-device experience** based on enriched data and smart processes;
    - **management succession plan**: extension of the current "Succession Plan" to **all the roles mapped by "International Global Banding"**.

- **completion of the digital transformation:**
  - **multi-channel client platform:**
    - extension of the multi-channel platform to the full suite of **retail/personal client products** (e.g., insurance wallet);
    - **strengthening of digitalisation** in payment ecosystem by the launch of a **digital wallet**, also enabling P2P transactions, and the scale-up of **instant payments** revamping **Bancomat** through **contactless** technology;
    - development of a multi-channel platform for **SMEs** with a **new digital Customer Journey** (App access and dedicated website);
    - launch of a **digital transformation for the clients of the Corporate and Investment Banking Division**, through a new digital platform, processes and tools;
    - **strong digitalisation** of the salesforce through an **upgrade to the equipment and client-interfacing tools**;
    - **progressive upgrade of the back-end platform**;
  - **digital processes:**
    - full digitalisation of **high-impact processes** with focus on corporate credit and NPLs;
    - launch of new **digital products and services** (e.g., wealth management) to reduce **time to market**;
    - full application of digital **HR** to streamline **administrative activities** and enable “smart working”;
    - **progressive use of robotics and artificial intelligence** to optimise processes;
    - **70% share of activities digitalised in 2021**, compared with 10% in 2017;
  - **data management and cyber security:**
    - evolution of a **cutting-edge data infrastructure/platform** enabling the implementation of regulatory and business projects;
    - scale-up of a **robust data governance and new data quality** processes;
    - **full digitalisation** of all core **finance and operational reports**;
    - strengthening of **cyber security practices**, with focus on **high impact areas** (e.g., advanced identity, predictive cyber security);
    - roll-out of **technological, regulatory and organisational upgrades** to comply with the **new European regulation on Data protection (GDPR)**;
    - **100% usable data in Data Lake in 2021, from 50% in 2017.**

- **advanced analytics:**
  - scale-up of the **Data Scientist team to over 100 people by 2021** from 15 in 2017, and spread of the “**data culture**” across the Group via learning, on the job training and communities;
  - **partnership with start-ups** on Machine Learning and Artificial Intelligence;
  - full roll-out of the **use cases already developed** and activation of around **10 new use cases per year**;
- **innovation:**
  - **focus on the Group’s priorities** (e.g., P&C Insurance in cooperation with InsureTechs);
  - scale-up of **venture investment** managed through Neva Finventures;
  - **open dialogue** with industry leaders and FinTechs to learn emerging **technologies** and continuously incubate new ideas;
- **total cumulative 2018-2021 investments** (other than training investments) **of around €4.8 billion, €2.8 billion of which to complete the digital transformation.**

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