

Intellectual and infrastructural capital



This capital includes intellectual assets connected with the value of knowledge and infrastructural assets such as the technology and branch networks that enable Intesa Sanpaolo to be present in all the different local areas and close to its customers. The ability to develop innovation is reflected in internal organisation methods and the ability to identify and support the value of industrial projects that stem from research and development.

SHARED VALUE GENERATED BY INTESA SANPAOLO:

- Customer retention/acquisition
- Competitive advantage
- Development of innovation
- Productivity
- Ability to attract investments
- Credit quality
- Proximity to customers
- Service model innovation

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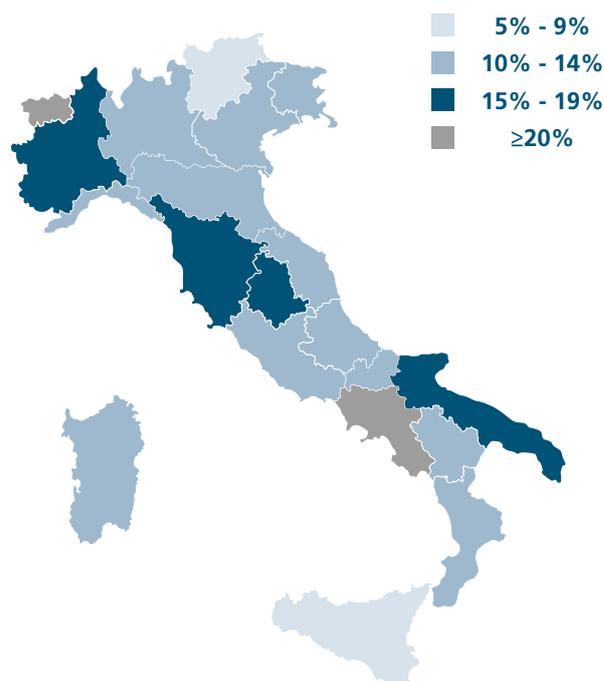
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SERVICE MODEL DEVELOPMENT

In Italy, Intesa Sanpaolo supplies its services via a network of approx. 4,500 branches distributed throughout the country, boasting a market share of at least 13% in most regions.

The Group also has a selective presence in Central-Eastern Europe, the Middle East and North Africa thanks to around 1,400 branches of its international subsidiaries operating in retail and commercial banking in 12 countries. It also has an international network specialised in providing support to corporate customers in 29 countries.

Intesa Sanpaolo is fully aware that the branches remain an important part of the distribution network, a physical place where customers can get personal support and assistance, particularly with regard to more complex transactions. Given the diversification of solutions across the various channels, local branches must provide an increasingly focused, personalised and high value-added service. To this end, a general service model review project was launched in 2014 to combine with the innovations pursued or introduced during the year and described in the "Offering a valued service to customers" [@] chapter.



Figures as at December 2014

BANCA DEI TERRITORI DIVISION: THE NEW SERVICE MODEL

The Banca dei Territori Division is Italy's biggest banking network, serving families, businesses and non-profit organisations.

The new network service and organisational model is one of the pillars of the Business Plan, described by the Managing Director and CEO of Intesa Sanpaolo as a tool for "meeting the needs of customers with increasing efficiency, improving the standard of our service and using two distinctive elements as our foundations: our capacity for "good banking" and the importance of local areas which characterises the Intesa Sanpaolo Group".

Launched at the end of 2014 and in force since January 2015, the new model is based **on three specialist "commercial areas" – Retail, Personal and Corporate** – to enable greater commercial focus and improved service levels, maximising the specific skills of employees. The Retail area is tasked with meeting the banking needs of core customers, families and small businesses, and of attracting high-potential customers.

The Personal area is highly specialised in managing the advanced savings, investment and pension requirements of Personal and Professional customers¹, also through distinctive advisory services. The Personal branches have a dedicated space in Retail branches, and each one has its own Personal branch manager.

The Corporate area guarantees commercial and credit monitoring for Small Business customers with complex needs and Corporate customers. The goal is to become the reference bank for leading Italian businesses.

The creation of the three areas is reflected in the

organisation of the Regional Governance Centres (7): in each one, there are three commercial managers, one per area, that coordinate 400 commercial areas, reporting directly to the regional manager. Each Commercial Management Centre also includes Product Specialists who are tasked with guaranteeing technical/specialist support to the area structures. It is a simple organisational model with a streamlined hierarchy and specialist expertise that is designed to meet the needs and specific goals of different types of customers.

Alongside greater specialisation, another challenge was that of **simplifying roles**: from 12 to 4 roles in the retail area and from 20 to 9 roles in the corporate area.

A **corporate simplification** strategy has also been implemented in the Banca dei Territori Division, with the gradual reduction of the number of existing legal entities: at the end of 2014 Banca di Credito Sardo and Cassa di Risparmio di Venezia were incorporated in Intesa Sanpaolo and the merger of Banca di Trento e Bolzano was approved. The latter will come into force in 2015.

SPECIALIST HUBS

Diversified specialist hubs were developed in 2014 to offer services and products dedicated to different types of customers.

The **SME Finance Hub** was created following the merger by incorporation of the Group's lease companies (Leasint, Centro Leasing and the lease unit of Neos Finance) in Mediocredito Italiano in January 2014, a process completed in July with the factoring (Mediofactoring) and agribusiness and food management (Agriventure) activities. The Hub is designed as a centre of excellence, innovation and specialisation that supports business

¹ Retail customers with financial assets of between 100,000 and 1 million euro

investments as well as growth and change processes, and offers a wide range of consultancy and specialist credit for companies. In fact, the mid- to long-term financing solutions were supplemented with lease operations, with business finance activities dedicated to SMEs, the financing of current assets, and the factoring of receivables. The Hub has attracted and trained business professionals that are able to identify the best solutions for the most complex financial requirements of businesses, and SMEs in particular. A total of over 400 people were hired in 2014 and almost 2,000 days of specialist training provided

The **Social Economy Hub** was expanded through the concentration of the non-profit activities of Intesa Sanpaolo and Banco di Napoli in Banca Prossima. Banca Prossima offers specific products and services for social enterprises and non-profit organisations, also developed in collaboration with Third Sector associations, and operates via a network of professionals chosen not only for their expertise but also for their proximity to the Third Sector (people that carry out activities in this field in their private lives).

The **Private Banking Hub** coordinates the Group companies dedicated to high-end customers² with the aim of improving and expanding the range and the quality of the service for Private customers³ and High Net Worth Individuals. Through private bankers and dedicated branches, it provides across-the-board financial consultancy and a wide range of solutions to satisfy the financial, pension and insurance requirements of the most demanding customers.

The **Asset Management Hub** monitors the Group's asset management structures in Italy and abroad⁴, managing the savings of retail and institutional customers, and offering a wide range of specific products and investment services.

The **Insurance Hub** includes all the Group's bancassurance activities⁵ and is one of the leading insurance hubs in Italy. It proposes products in the areas of investment and savings, physical protection (damage to the person, to vehicles and the home), financial protection (protection of mortgages and loans) and supplementary pensions, as well as marketing hardware and software solutions for security and providing remote assistance services. Relations with customers are developed in the Group branches through the Intesa Sanpaolo Personal Finance network and through advisors present in all regions and in the major Italian cities.

CAPITAL LIGHT BANK

Capital Light Bank was set up at the end of 2014 with the aim of coordinating the optimisation initiatives of the Group's financial resources, such as the strengthening of

the management of doubtful loans and real estate assets in the non-performing loans portfolio, the transfer of non-core equity investments and the proactive management of other non-strategic assets.

A dedicated **Re.O.Co.** (Real Estate Owned Company) unit was set up within the Capital Light Bank with the goal of enhancing the assets that are repossessed and of protecting the Bank's assets. During the year, Re.O.Co participated in a number of auctions, encouraged the participation of other interested parties and assisted other business units in the finalisation of property management actions.

CORPORATE AND INVESTMENT BANKING DIVISION

The Corporate and Investment Banking Division is dedicated to large and medium-sized corporate companies⁶, entities involved in public expenditure and public utility services, and financial institutions in Italy and abroad, via an international network of branches, representative offices and subsidiaries that assist customers in the world's biggest financial hubs. It works with a mid to long-term view through a complete and integrated range of capital market, investment banking and structured finance activities (via Banca IMI), in addition to merchant banking solutions.

Since 2014 the organisational model, previously structured according to the size of the customer, has evolved into a qualitative model firmly centred on the complexity of the customer and with a strong sector imprint through the definition of managers, teams of specialists and diversified portfolios broken down by sector. There are three new areas of action:

- International Network & Global Industries, which manages relations with Italian and international industrial groups with a high level of internationalisation that operate in eight key sectors with high growth potential (Oil & Gas, Power & Utilities, Automotive and Industrials, Infrastructures, Telecom, Media & Technology, Consumer, Retail & Luxury, Healthcare & Chemicals, Basic Resources & Diversified), is responsible for international branches, representative offices and international corporate companies⁷, and provides specialist assistance for exports and for the internationalisation of Italian companies;
- Corporate and Public Finance, which follows large and medium-sized Italian groups and the Italian public sector in specific markets and on the basis of strong sectorial and production chain specialisation (Business Solutions; Automotive, Mechanics & Electronics; Consumer Goods & Services; Large Scale Food & Beverage Retail Distribution; Healthcare; Materials; Services; Public Entities and State-owned Companies; General Contractors & Infrastructures);
- Global Banking & Transaction, which manages relations with Italian and international financial institutions and deals with transnational services relating to payment systems, trade and export finance, and the custody and settlement of Italian securities.

² Intesa Sanpaolo Private Banking, Banca Fideuram, Fideuram Investimenti, Sirefid and Intesa Sanpaolo Private Banking Suisse.

³ Retail customers with financial assets of over 1 million euro.

⁴ Eurizon Capital, Fideuram Investimenti and Fideuram Asset Management Ireland.

⁵ Fideuram Vita and Intesa Sanpaolo Vita. Intesa Sanpaolo Vita has incorporated Intesa Previdenza and controls EurizonVita, Intesa Sanpaolo Life, Intesa Sanpaolo Assicura and Intesa Sanpaolo Smart Care

⁶ With turnover of over 350 million euro.

⁷ Société Européenne de Banque and Intesa Sanpaolo Bank Ireland.

MULTI-CHANNEL BANK

Technology is revolutionising banking, calling for increasing levels of flexibility and versatility in a quickly and profoundly changing market. Today, the customer experience is created at all moments and through all points of contact with the bank. A multi-channel model makes it possible to create a continuous bank-customer dialogue to offer an excellent experience thanks to the simplification of processes, more efficient and effective communications, and the integration of all physical and virtual channels. The bank is no longer a physical place the customer enters but a series of services that can be accessed anytime, anywhere. It is the bank that goes to the customer and it is the customer that chooses the type of relationship and the level of service required.

NEW BRANCHES

The new Banca dei Territori Division service model involves the creation of new types of branches with the aim of supporting customers in the best possible way, directing them to the quickest and most suitable channel for their needs. The traditional branch, open until 1 p.m. and equipped with ATMs, still exists (at the end of 2014 around 600 branches had already been converted to this format). In addition to this type of branch there are the Hub Branches, which offer traditional counter services all day, self-service staff-assisted interactive banking and ATMs, and Consultancy Points where employees offer consultancy services to customers who can also carry out transactions using ATMs (at the end of 2014 around 70 branches were already exclusively dedicated to consultancy).

ATM TERMINALS

At the end of 2014 Intesa Sanpaolo had a network of approximately 6,600 ATM terminals in Italy, over 2,350 of which accept cheques and cash deposits.

Customers are provided with a vast range of services from withdrawals using all card types to account and card queries, mobile phone top-ups, payment of the most common utility bills, BEU (Bonifico Europeo Unico – SEPA bank transfer) and the top-up of transport season tickets issued by the main Italian transportation companies (e.g. Mimuovo, ATM Milano, Trenord, GTT Torino).

The "Donations" function is active at all branches, allowing customers to make free donations to the bank's main partner non-profit associations.

MULTI-CHANNEL RETAIL CUSTOMERS

At the end of December 2014, Intesa Sanpaolo had over 5.3¹ million customers with multi-channel contracts (services via the Internet, mobile phone and telephone), 4.2 million of whom are active² and 2.4 million of whom carry out at least one transaction a month, i.e. around 48% of all retail customers. During the year, the

number of customers that had requested the activation of online reporting reached almost 89% (around 4.7 million) of all multi-channel customers, an additional increase compared with last year. In the first half year Internet Banking activities rose by 36% compared with the previous year, with peaks of 51% in online tax payments and 20% in securities trading.

In 2014 Intesa Sanpaolo promoted the "**Integrated Multi-channel Platform**" project, one of the pillars of the Business Plan. The aim is to supplement the skills of branch employees with the potential offered by advanced technology to provide customers with a better service and experience in their relations with the bank. The novelty lies in the fact that both customers and the bank manager can use all of the channels currently available - branches, ATMs, Internet and Contact Unit - in an integrated manner. As such, the innovation does not lie in the tool but in developing an all-around approach for customers. In fact, with the "Integrated Multi-channel Platform" project, customers can decide which channel to use to dialogue with the bank: from their first expression of interest to the analysis of the offer and through to the commercial proposal, the purchase and post-sales activities, operating where and when they want in a comprehensive, simple and convenient way.

The initial development of the project regarded "Proximity", which enables the customer and the bank manager to communicate via the Internet Banking service: the customer can begin a chat or make an appointment with their manager through the Internet Banking service, without having contact by phone.

The project continued with the development of the "Remote Offering system", through which managers can promote products to customers via the Internet. Customers receive the offer and, if they are interested, can accept it using the digital signature service, without having to go to a branch. More specifically, September saw the launch of the remote offer for debit and pre-paid cards, which can also be acquired autonomously via the Internet Banking service. Moreover, December saw the launch of the remote investments offer (primary market bank bonds and certificates, secondary market instruments, government bonds available through subscription and auction and mutual investment funds managed by Eurizon Capital Sgr, Epsilon and Eurizon Capital SA).

MOBILE BANKING

In Italy, banking/insurance applications for smartphones represent 36% of most downloaded apps and are used at least once a week by 68% of users³. Intesa Sanpaolo offers mobile banking services through the "**La tua banca**" app and an optimised mobile site. At the end of 2014, the app totalled 1.9 million downloads and 1.2 million single users had logged in (app and mobile site). The interest in this type of interaction with the bank

1 In Italy, excluding Banca Fideuram.

2 Who have accessed the multi-channel platform at least once

3 Source: "Mobile in my mind, Osservatorio Mobile Banking and ABI Lab, July 2014"

therefore continues to grow and the phenomenon is particularly important if you consider that 32 million Italians have a smartphone, i.e. over 50% of the entire population⁴, and that almost 21 million of them access the Internet from a mobile phone/smartphone (around 48% of the adult population) and 6.8 million from tablets (approx. 16% of the adult population)⁵.

In 2014 the Intesa Sanpaolo App, already available on iPad, iPhone and Android, was upgraded and made available also on Android tablets. The new version includes the functions relating to Proximity and the Remote debit and pre-paid card offer: customers can make appointments and contact their manager with ease (also using the chat function), receive and subscribe to commercial proposals, and block debit cards directly from their smartphone or tablet.

Through the **Move & Pay** service, Intesa Sanpaolo also makes NFC ("Near Field Communication") technology available, making it possible to associate a payment card with a mobile phone and pay for products at the check-out simply by placing the mobile phone close to the contactless POS. This service is integrated in the App "La tua banca" and is currently available to all customers with a Tim Smart Pay Card and Android smartphone. It will soon be extended to all of the Bank's payment cards.

Intesa Sanpaolo also launched **Masterpass** in association with MasterCard. By creating a free account directly via the Internet Banking service, personalised in total security with their payment card data and delivery addresses, customers can make online purchases in just a few clicks using their computer, tablet or smartphone.

MULTI-CHANNEL CORPORATE CUSTOMERS

INBIZ is the name of the tool available to corporate customers for managing their financial, accounting and administrative activities online. Through a single online platform, customers can access the bank's entire range of services, interfacing with the Intesa Sanpaolo Group's national and international network, and, in Italy only, also make use of the interbank Corporate Banking services.

In 2014, the number of documents available through the online reporting service was extended (see the "Paper" chapter in Natural Capital p. 130). A new interbank payment service called CBILL was also launched, which will make it possible to view and make payments to public or private creditors that register with the banks of the CBI (Customer to Business Interaction) consortium⁶.

Since 2014 a new version of the M-site portal is available, designed to offer a set of mobile functions to customers that use the INBIZ service. Completely free of charge, the service makes it possible to manage the authorisation and delivery of flows, to view account transactions and

the results of submitted orders, and provides an overview of liquidity. It also makes it possible to find the nearest branch or ATM.

As part of the initiatives connected with Expo Milano 2015, the "Created in Italia" and "Created in Italia Business" e-commerce portals have been launched. The former is a digital showcase for top Italian businesses featuring the direct offer of non-banking products in the tourism and catering, food, design and fashion sectors to Group retail customers. The latter provides the Bank's corporate customers with a new channel for increasing their visibility and promoting themselves on the domestic and international digital markets, and support when meeting Italian or foreign businesses interested in the sectors of Italian-made excellence.

INTERNATIONAL SUBSIDIARY BANKS

The range of products and services available via the Internet banking and mobile banking services was extended throughout the international subsidiary banks network in 2014: the electronic platforms are already widely used by the majority of the banks but are still being developed in some areas (Egypt, Albania). In Serbia, 15% of retail customers use Internet banking and 5% mobile banking. In 2014 the number of new registered customers that actively use Internet banking services fell, while the number of transactions rose by around 15%. As for mobile banking, the number of new registered customers grew by 21% and the number of transactions almost doubled, whilst the number of customers enabled during the year fell. Almost 19% of businesses use online services. The number of new registered users that activated the service rose by 11% and the number of payment orders made via e-banking grew by 9% in relation to the total number of orders made.

In Russia, retail customers with an e-banking contract represent around 9% of all private customers; this percentage rises considerably with regard to small businesses and corporate customers with around 50% of SMEs and almost 70% of corporate customers under such contracts. In 2014 the number of online transactions carried out by retail customers rose by 46%. Among SMEs and corporate customers this figure was almost 1.5%.

In Slovenia, almost 43,000 customers actively use Internet banking services, around 40% of all customers, while around 7% of all customers actively use mobile banking services.

In Hungary, e-banking services are used by over 230,000 retail customers (55% of the segment) and enabled for almost 48,000 SMEs and corporate customers (73% of the segment).

In Romania, 18% of customers have activated Internet banking services. Having recorded the biggest growth in active customers per quarter, the biggest increase in transactions and the highest average number of transactions per customer during the year, in 2014 the Romanian bank was awarded a prize for its Internet

4 Source: "Mobile in my mind, Osservatorio Mobile Banking and ABI Lab, July 2014"

5 Source: "Audiweb Database, AudiWeb, July 2014".

6 The CBI Consortium defines, in a cooperative way, the rules and technical and regulatory standards of the "CBI Service", the "CBILL Service" and Access Point services, and manages the technical infrastructure linking consortium members so they can connect and speak with customers electronically, with the goal of achieving interoperability at national and international level, for the supply of the same services. The Italian Banking Association (ABI) and the banks, financial intermediaries and other subjects authorised to operate, on the basis of their national law and European regulations, in the payment services area in Italy and the EU can participate in the Consortium.

banking services at the Online Banking Gala organised by local financial magazine FinMedia eFinance.

In Bosnia and Herzegovina, 3% of the bank's active customers use Internet banking and 2% mobile banking. In 2014, the number of e-banking customers grew by over five times and the number of m-banking customers increased by over 35% compared with 2013.

In Croatia, almost 270,000 customers have begun using Internet banking services, over 30,000 of whom in 2014. The local bank has launched new functions, introducing special online offers diversified according to customer segment, and new communication methods (chat/video chat). Mobile banking has been active since 2009 and covers almost all of the Internet banking services; in 2014 an application for mobile phones with the Windows OS was launched. Almost 140,000 customers use this service, over 50,000 of whom since 2014.

In 2014, Privredna Banka Zagreb in Croatia and VÚB Banka in Slovakia and the Czech Republic tested an innovative payment method that makes it possible to make purchases directly from a mobile phone by downloading a special application. In addition, both banks launched another contactless payment method, "Wave 2 Pay Sticker" (a label that contains a chip and an antenna that can be attached to mobile phones), and its application "Wave 2 Pay App" - developed by product company Intesa Sanpaolo Card -, which enable POS terminals to read credit cards just by holding a mobile phone nearby.

INNOVATION FOR GROWTH

The Business Plan seeks to transform the Bank's business model via a significant investment plan that focuses in particular on innovation.

To this end, in the second half of 2014 the new Chief Innovation Officer (CIO) Governance Area was set up; this Area, reporting directly to the CEO, is tasked with identifying, analysing and developing innovation activities together with the other Group functions. The Chief Innovation Officer Area is based in the new Intesa Sanpaolo tower in Turin, which was also conceived as the physical centre of innovation within the Group.

This structure proposes and coordinates the **Innovation Portfolio**, i.e. the main series of initiatives (projects and studies) that the Group plans to support, in relation to the main emerging trends in the area of innovation, identifying the action plan, schedule, dedicated investments and expected returns for each one. The consistency of the initiatives in the Portfolio is guaranteed and the performances and economic and qualitative return for the Group are monitored. New innovation initiatives to add to the Portfolio are periodically verified, together with the competent structures (Business Units, Group Functions, Technology Hub etc.). The Innovation Portfolio for 2015 was confirmed in 2014 and is made up of around 55 initiatives proposed by the business units and 28 proposed directly by the Chief Innovation Officer Area. The monitoring of the Portfolio initiatives is extremely important, not only for checking that the results are achieved in accordance with the schedule, but also for assessing the Group's financial and image return. The details gathered during the monitoring phase are therefore used for the periodic drafting of suitable reports for the company's Top Management.

Another important action area deals with the support and acceleration of the Group's business innovation capacity through the analysis, conception and promotion of initiatives and solutions that can lead to new commercial opportunities and the development of the local areas and economy. Cornerstone of this activity is the **"Innovation Monitor"**, which analyses and carries out research on the main trends and ideas, and assesses the areas of applicability of the innovative solutions. The Monitor carries out its role through collaboration with the other Group structures and through relationships and partnerships with research centres, universities, and start-up and innovation incubators.

The initiatives promoted in 2014 included:

- the projects connected with Expo 2015, which involve collaboration with Expo 2015 in 8 key areas of highly innovative content (e.g. the mass distribution of contactless payment cards and Mobility Proximity Payment solutions). Of particular importance is the "Innovative branch" area, which plans to identify and implement solutions aimed at ensuring that Italian and international visitors' experience of the bank's products at the EXPO is unforgettable.
- The "Created in Italia" e-commerce portal for promoting Italian excellence in the food, fashion, design and tourism sectors all over the world.
- the 3-year Integrated Multi-channel Platform project, launched in 2014, whose goals include improving customer satisfaction thanks to a distinctive and cutting-edge experience when accessing the bank's services.
- the design of a new customer experience concept and branch layouts based on a programme of experience design workshops, with the aim of maximising commercial effectiveness and customer satisfaction.

In addition, the Chief Innovation Officer Area develops **innovation projects** on behalf of businesses, start-ups and new social enterprises. For further details see chapter "Support to the business system" p. 74).

Finally, the structure guarantees the spread of a **culture of innovation** and develops innovation solutions through workshops (**Experience Design Lab**) aimed at conceiving and designing prototype products, services and solutions. For further details see chapter "Culture and development of innovation" p. 112).

In 2015, the Area plans to launch a specific project called "Circular Economy Initiative", which aims to make economic, environmental and social sustainability the competitive lever of a new paradigm of economic development. Planned activities include actions to raise awareness on the issue and dedicated training so that the Intesa Sanpaolo Group, as sponsor of EXPO 2015, is able to lead its business customers towards a new frontier for innovation that will redefine 21st century development.