



2015-2017 Industrial Plan

Becoming

BPER

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Agenda



Becoming BPER

- *Industrial plan targets and levers*
- *Final remarks*

Becoming BPER

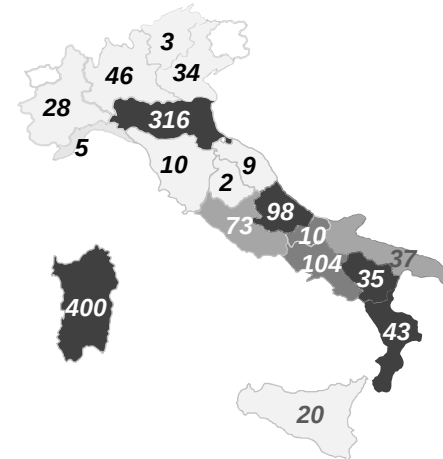
A focused Retail Bank with a Strong Multiregional Footprint

#6 in Italy by branches and total assets¹

Data as of 30.09.2014	Number of Italian Branches	Total Assets (€/bn)
Bank 1	4,533	634
Bank 2	4,067	858
Bank 3	2,328	191
Bank 4	1,951	126
Bank 5	1,670	121
BPER	1,273	61
Bank 7	668	48

BPER Group network and territorial market share

Number of Branches - Data as of 31.12.2014



Market Share

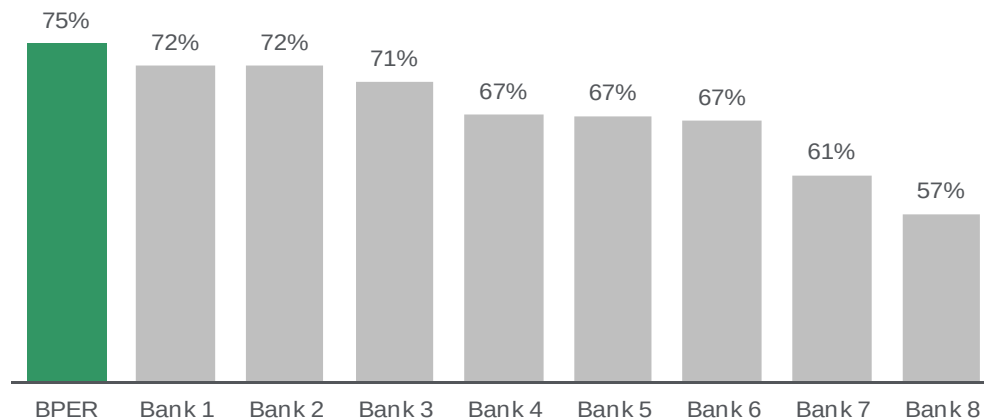
- Greater than 7.5%
- Between 5% and 7.5%
- Between 2.5% and 5%
- Lower than 2.5%

Number of Branches

North	432
Centre	192
South	229
Islands	420
Total	1,273

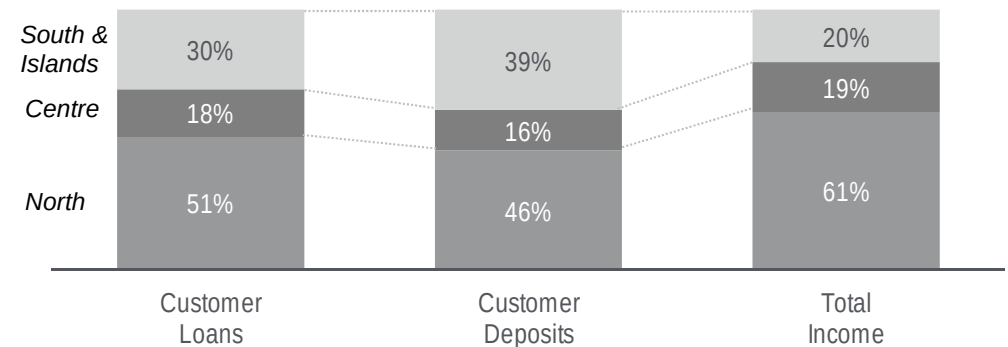
Group focused on traditional banking activity

Customer Loans / Total Assets – Data as of 30.06.2014²



Business mainly focused on Northern of Italy

Data as of 30.06.2014



1) Includes: ISP, UCG, MPS, BP, UBI and BPM

2) Includes: MPS, UBI, BP, BPM, Credem, Carige, BP Sondrio, CreVal.

Source: Company information.

Becoming BPER: From The Past To The Future

Becoming BPER



Where do we come from?

- **Strong value creation** combining **profitability** and **growth**



What have we done during the crisis?

- **Capital strengthening**
- **Loan provisioning strengthening**
- **Group structure rationalization**



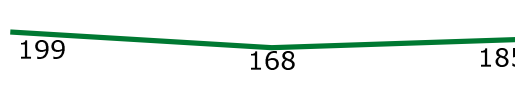
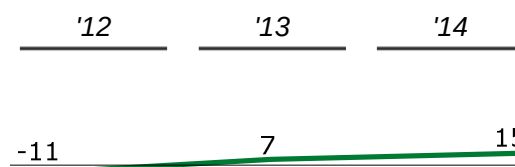
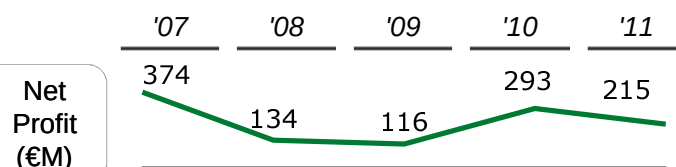
What are our goals for the future?

- **Exploit Group's full potential to enhance profitability**

- Banks: from 12 to 4
- Others subsidiaries: from 21 to 13



Create and distribute value to shareholders in a sustainable way



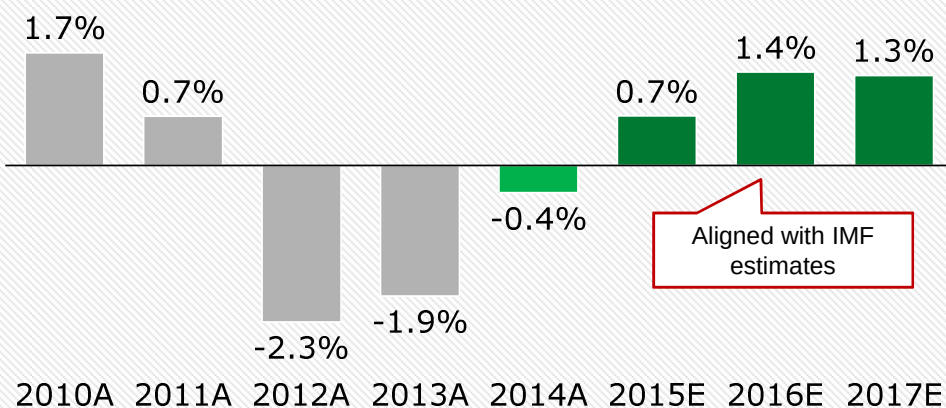
+750€M

* Revenues coherent with historical Profit & Loss representation

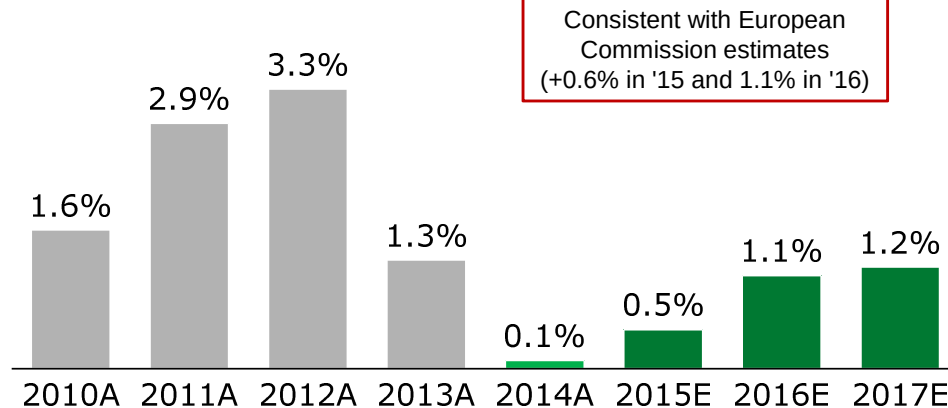
** Tangible Equity excludes minority interests

Market Conditions Expected To Improve Over The Next Few Years

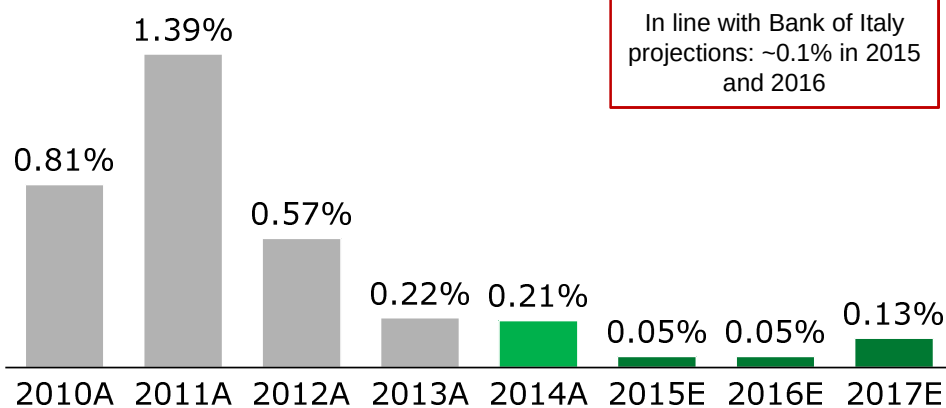
Italian GDP* (YoY change, %)



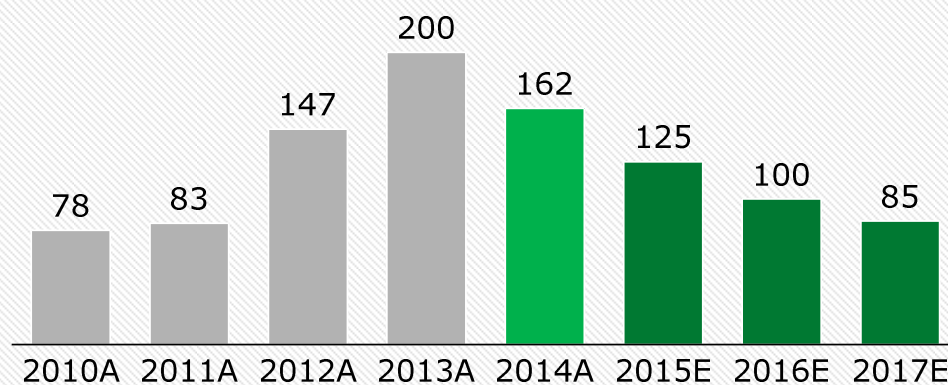
Italian Inflation (YoY % change)



3-month Euribor (annual avg., %)



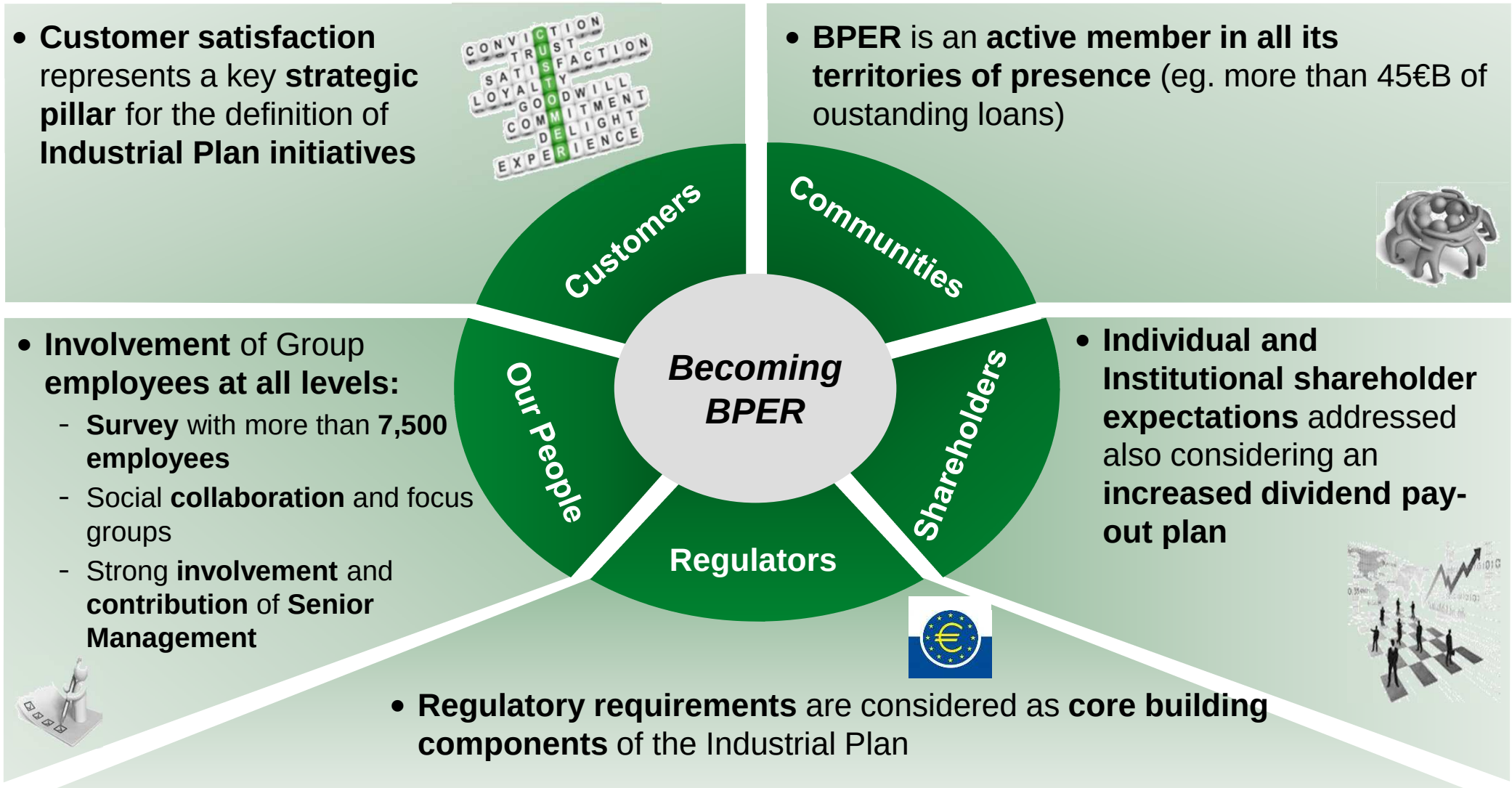
Cost of Credit - Italian Banking system (bps)



* Current prices GDP (no inflation/deflation effect).

Source: January 2015 and October 2014 Prometeia reports and International Monetary Fund, World Economic Outlook Database (October 2014)

Industrial Plan Structured Around Key Stakeholders



Agenda

- *Becoming BPER*



Industrial plan targets and levers

- *Final remarks*

Industrial Plan Key Financial Targets

BPER Holding core targets

KPI	Unit	2014	2017	Cagr/Delta
• Net profit	€M	~ 15	~ 400	
• ROTE	%	~ 0.3%	9.0%	
• Pay-out ratio	%	-	>30%	
• CET1*	%	~ 11.3%	~12%	

***Create and
distribute value
to shareholders
in a sustainable
way***

1	Top Line Improvement	 P&L	Total Revenues	€B	2.22	2.30	+1.3%
		 BS	Net Customer Loans	€B	43.9	47.2	+2.4%
		 BS	Direct Funding	€B	46.2	47.8	+1.2%
			• Indirect Funding**	€B	31.2	34.9	+3.8%
2	Greater Operating Efficiency	 P&L	Operating Costs	€M	1,261	~ 1,230***	-0.8%
		 %	Cost Income	%	57%	53.5%***	~ -3.5%
		 %	Cost Assets	%	2.1%	1.9%	~ 0.2%
3	Risk Profile Optimization	 P&L	Total provisions	€M	858	~ 400	-22%
		 %	Cost of Credit****	bps	185	~83	~ -100 bps
		 %	Credit RWA*/Loans	%	82.4%	80.1%	-2.3%

* Estimates based on Basel II standardized approach

** Including Bancassurance

*** Excluded extraordinary expenses to implement "change the bank" projects (11M€)

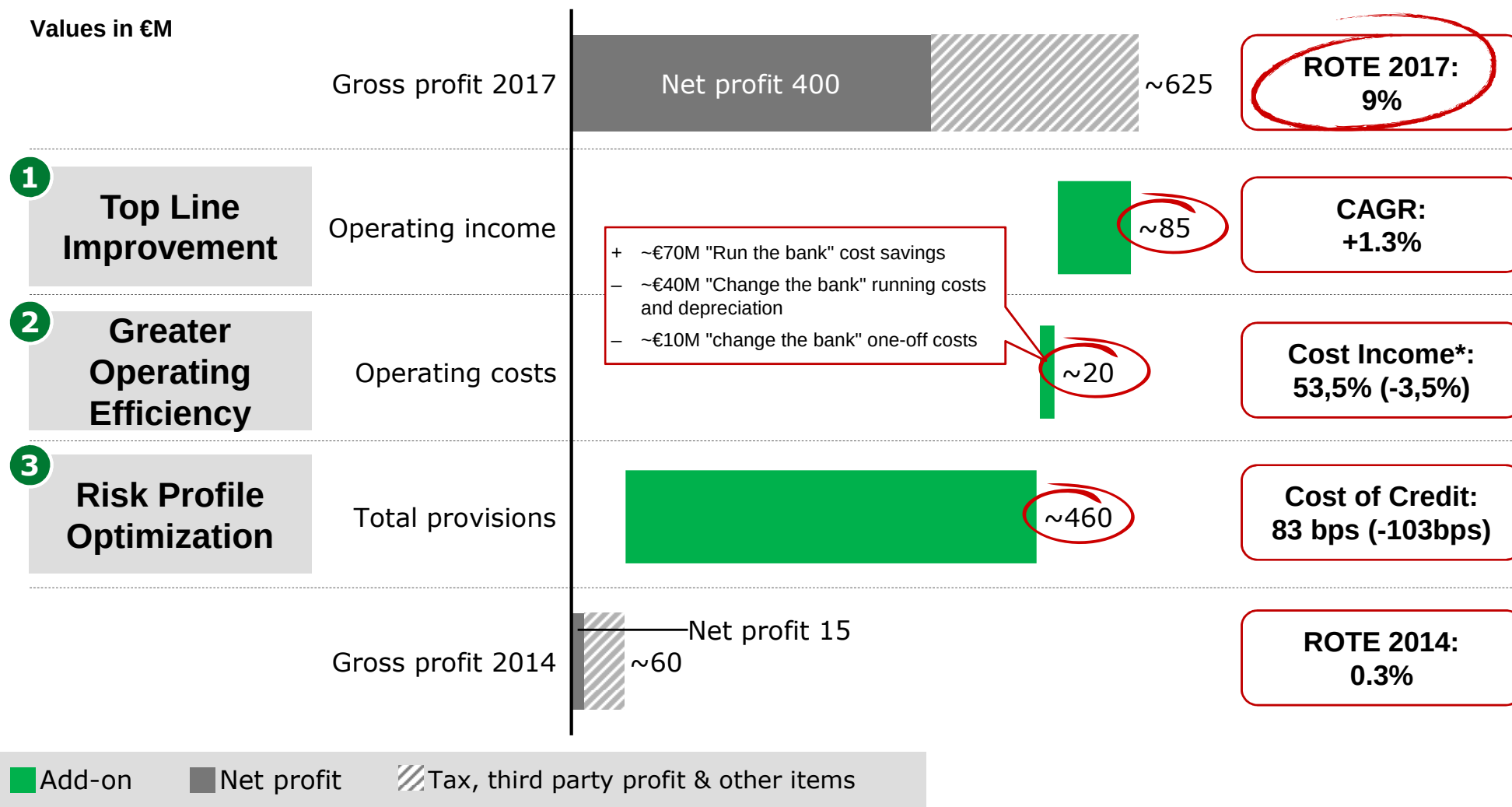
**** Cost of Credit refers impairment on Net customer loans (excludes impairments to financial assets)

 P&L Profit & Loss item
 BS Balance Sheet item
 % Ratio

ROTE Target: 9% Re-Iterated

BPER profitability evolution (2014 – 2017)

Values in €M



* Excluded extraordinary expenses to implement "change the bank" projects (11M€)
Note: calculations rounded

Top-line Improvement: Key Objectives and Actions

Key objectives

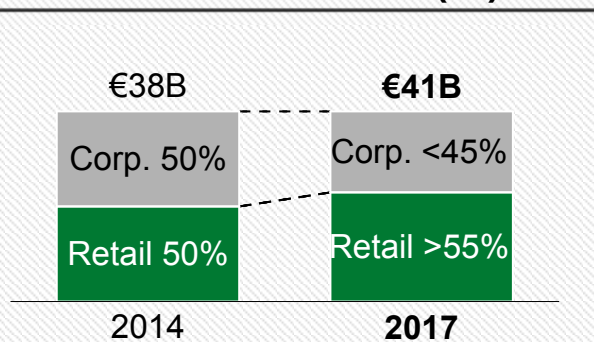
- **Strengthening BPER's competitive positioning to enhance profitability** in the medium term by:
 - Increase exposure to retail business to counterbalance pressures on lending spreads and to reduce loan book risk profile
 - Grow commission income by expanding asset management, consumer finance and other highly value added services (e.g. factoring, specialized credit, ...)

Actions

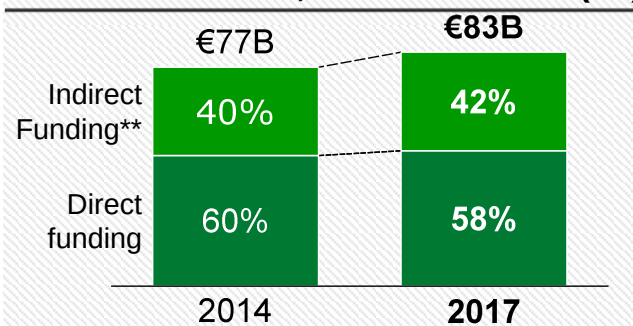
- **Distribution model optimization and increase service model specialization** (e.g. dedicated relationship managers)
- **Asset Management** development
- **Consumer finance** development
- **Digital and Omnichannel** investments

Projected Impacts

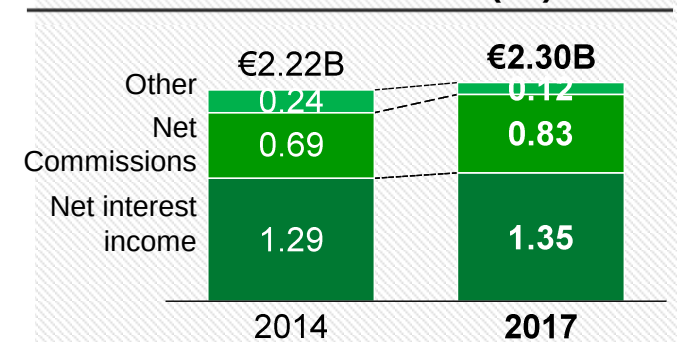
PERFORMING LOANS* (€B)



DIRECT FUNDING, AUC & AUM MIX (€B)



OPERATING INCOME (€B)



~€85M operating income increase with a ~1.3% 2014-2017 CAGR

* Considering gross performing loans

** Including Bancassurance

Top-line Improvement: Distribution Model Optimization

Initiatives

Network Rationalization

- Further reduction in number of branches (by -10%)
- Introduction of Hub & Spoke model (on ~40% of the network)
- Activation of cash-light branch format (~15% in 2016) and installation of advanced ATMs to reduce cash operations and tellers
- Integration of all retail branches in Sardinia into Banco di Sardegna

Improvements of Service Model

- Strengthening commercial "transmission chain" from central functions to branches
 - Redefinition of commercial policies (budget by segment, incentivising systems, ...)
 - Commercial approach evolution and application
 - Enhance specialised support to the sales force
 - Increase the activities planned and executed by branches
- Increase level of specialization
 - Increase number of Relationship Managers and Developers in order to acquire new clients in those areas with high potential
 - Leverage on selected third-party networks to distribute lending products

Targets 2017



Number of branch closures

130



Number of Hub & Spoke branches

531



Number of new resources focused on high value areas
(e.g. Corporate, Business, Personal)

+825



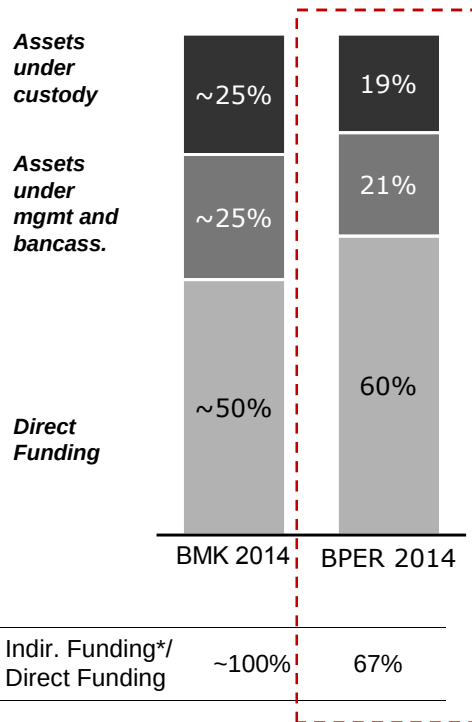
Annual revenues increase/ corporate relationship manager

+30€K

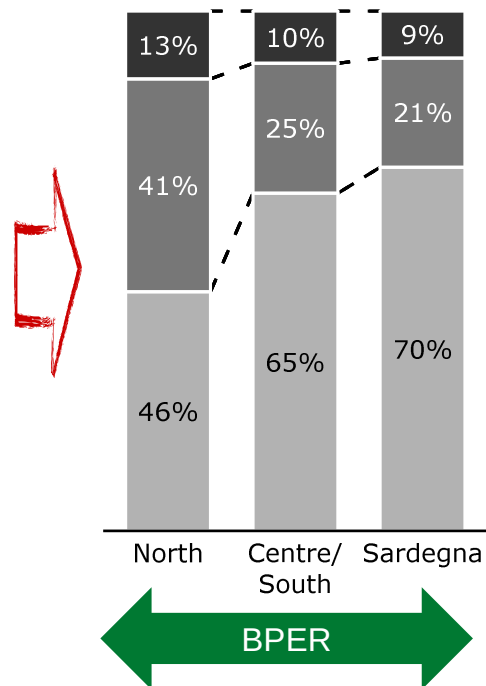
Top-line Improvement: Asset Management

BPER 2014

BPER FUNDING VS BENCHMARK

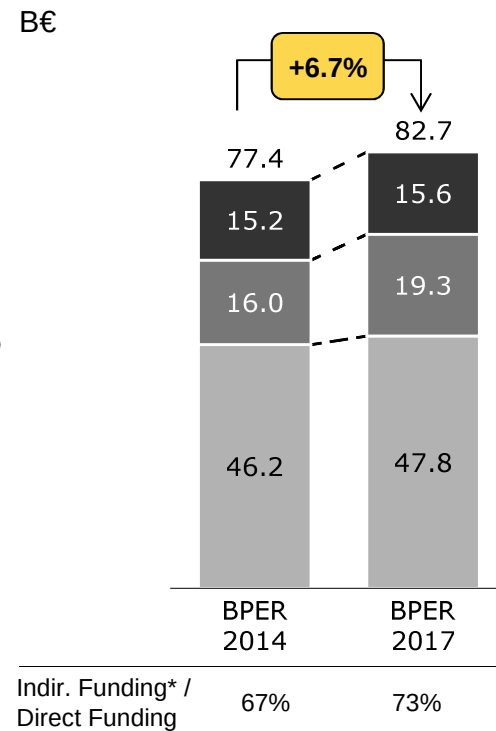


ASSETS BREAKDOWN BY GEOGRAPHY (2014)



Targets 2017 and key initiatives

TARGET FUNDING BREAKDOWN



KEY INITIATIVES

- Increase the number of **dedicated Relationship Managers** and financial advisors (for client assessment, check-up, need analysis, ...)
- **Target under-penetrated customers** to increase cross selling
- Improve tools and approach to better **understand customer needs and to customise products**
- **Portfolio re-qualification** and alignment to benchmark **portfolio** accordingly to customer profile

Significant potential to increase Asset Management penetration (particularly in Sardinia and centre/south of Italy) ...

... through targeted initiatives on Asset Management

Top-line Improvement: Consumer Finance

Initiatives		Target
Banca di Sassari to become focused on Consumer Finance business, acting as Group Product Factory/Centre of Excellence and improving current product platform		Number of new clients Values in '000 ~120  2017
Perimeter and offer extension	• Increase of Personal loans at BPER Group level with the Development of new Consumer Finance products • Expansion of Salary Granted Loans ("Cessione del Quinto")	
Distribution Model	• Commercial and distribution model evolution focused on both captive and non-captive clients - Channel integration - Network rationalization in Sardinia - Distribution channel strengthening	Interest rate on Consumer Finance products As of 31.12.2014 7.4%  FY 2014
Operating Model	• Operating model re-definition to support the new business model through: - Process simplification - Centralization of operating activities to support the creation of the Group product factoring	

Top-line Improvement: Digital and Omnichannel

Initiatives

Investments in omnichannel

- **Enhancement of the Contact Center** model to increase commercial opportunities for the network and to support traditional business in new customers acquisition and cross selling increase
- Full development of **online banking** and with **remote sales activity**

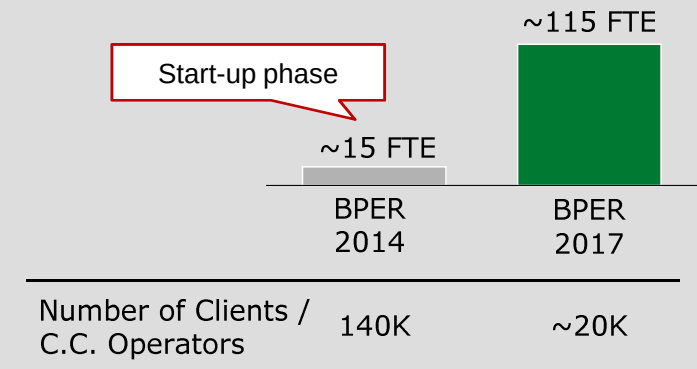
Evolution of an Omnichannel service model offering

- **Increase customer flexibility** to use BPER **multiple contact points** (omnichannel) in order to increase commercial opportunities
- Increase loyalty, retention, and **cross-selling** for existing and new BPER omnichannel clients
- **Gradual digitalization** of systems and processes
- Increase customer **acquisition rate** and customer **profitability**

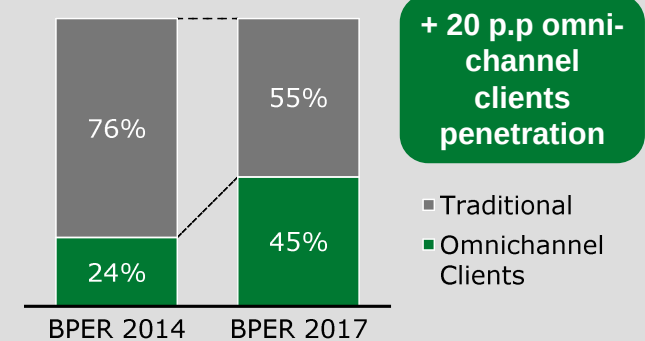
Customer satisfaction as key driver for the Industrial Plan

KPI

Number of Contact Center Operators



Penetration of Omni-channel clients



Greater Operating Efficiency: Key Objectives and Actions

Key objectives

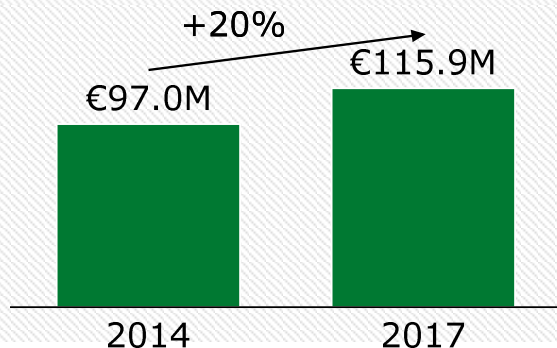
- **Strong focus on cost structure optimization**, through:
 - **Operating model simplification** (e.g. branch processes)
 - **Simplification and optimization initiatives** (~ -2% CAGR of other admin. expenses excluding implementation costs)
 - **Workforce optimization** (~580 Head Count during the Plan)

Key actions

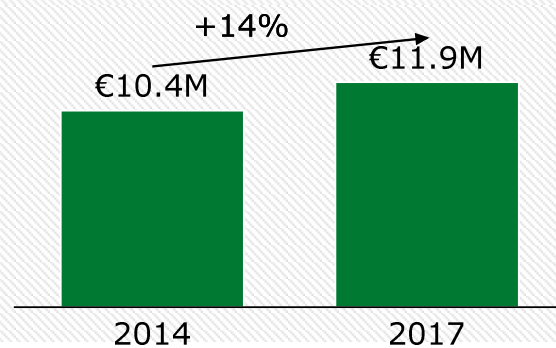
- **Workforce optimization**
- **Reducing complexity**
- **Cost Excellence**
- **IT & "Change the bank" effort** (above 130€M of investments during the Plan)

Projected Impacts

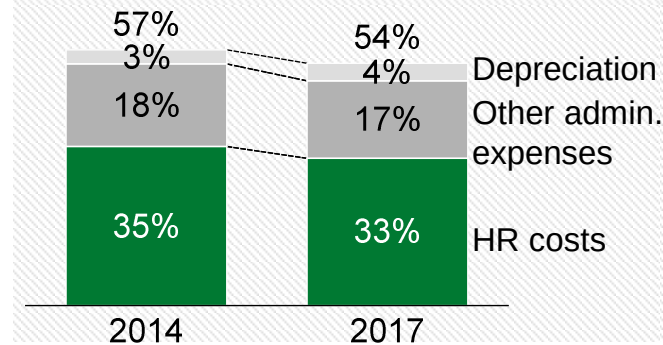
BUSINESS VOLUMES*/BRANCHES



BUSINESS VOLUME*/EMPLOYEES



COST INCOME BREAKDOWN(%)



Actions leading to business performance improvement and reduction of cost/income ratio to ~54%

Greater Operating Efficiency: Workforce Optimization

Initiatives

Key Drivers

- ~130 branch closures, development of hub & spoke model
- Revision of back office model

Main actions to achieve Workforce optimization

- **Pre-retirement plan**
- **Staff turnover optimization:** ~50/60% of annual staff turnover replaced by internal staff
- **Recruiting** more than **200 qualified professionals** mainly in the key business areas (e.g. Digital and Omnichannel)

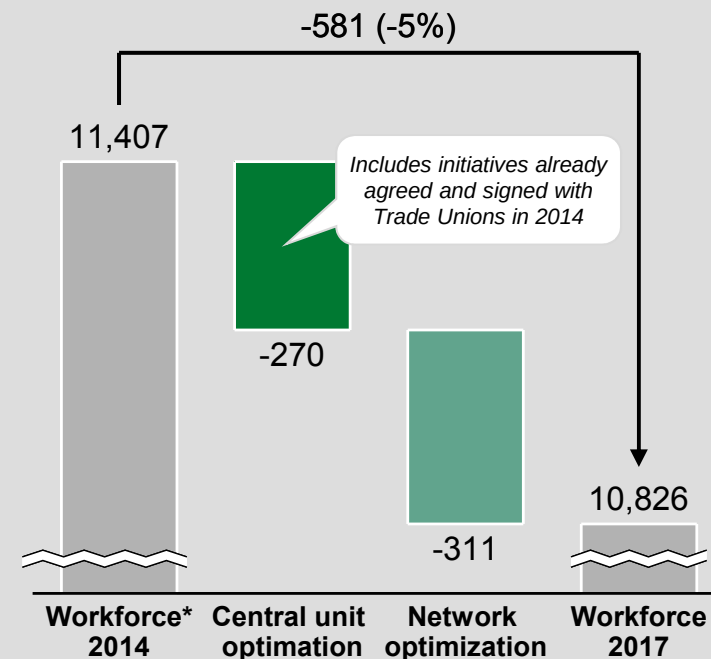
HR satisfaction improvement

- **Improvement of the MBO system**
- **Remote working, flexible working hours, part time**
- **Enhancement of welfare policies**
- Introduction of a **certification model for professional growth**
- Employee **reconversion & requalification** through dedicated **training programs**
- **Preservation of strong industrial relationships** always inspired by **loyalty & respect**

KPI

Workforce evolution

Number of employees



**Workforce reduction of ~5% (by 2017):
Network -4.3% vs. Headquarters -6.5%**

Greater Operating Efficiency: Reducing Complexity

Initiatives

Simplification & Delaying



Delaying
through elimination
of "Sezioni"

Cost Excellence



Process simplification
through centralization of
the network back office
activities (*i.e. bank transfers
execution*)



**Simplification of
central organizational
structures** (*i.e. unit
mergers*)



**Non-core Real Estate
assets optimization
and branch network
revision**



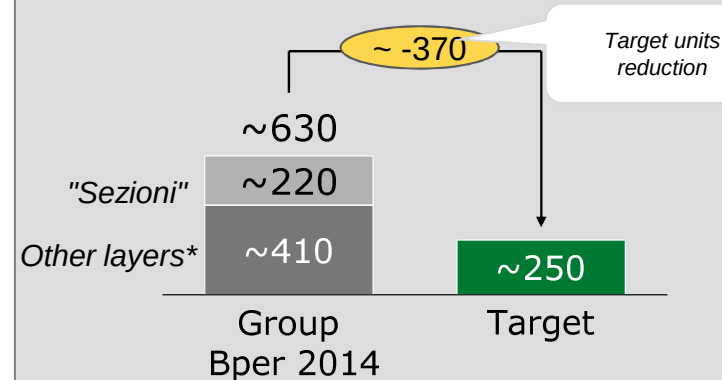
**New rules for
organizational units**
(*i.e. minimum size, span & layer
constraints, ...*)



**Streamlining of demand
management** (*i.e.
centralization of purchasing
processes*)

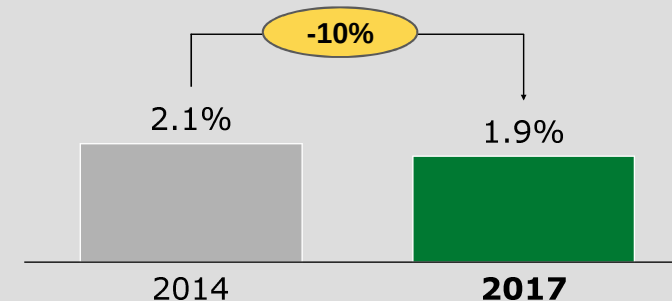
KPI

NUMBER OF ORGANIZATIONAL UNITS



"RUN THE BANK" COST TO ASSETS

Capex and Opex related to the Plan projects not included



* Including Direzioni, Servizi and Uffici

Risk Profile Optimization: Key Objectives and Actions

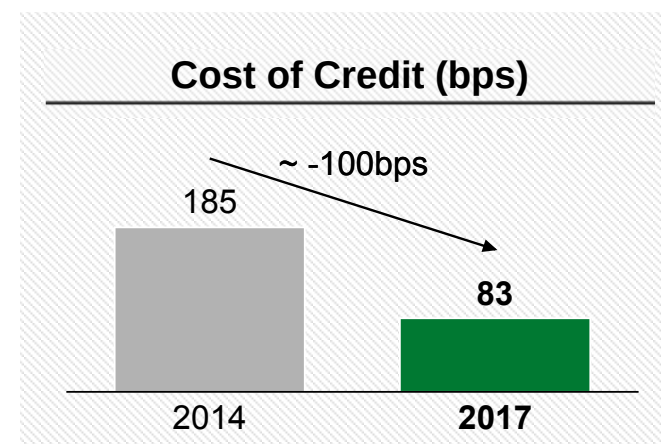
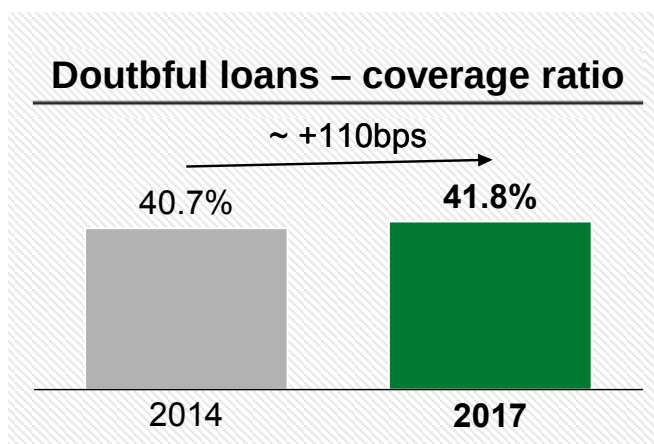
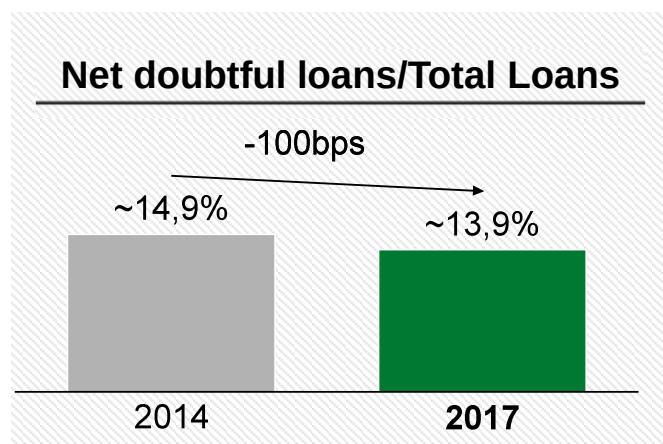
Key objectives

- **Actively manage Loan Portfolio to reduce the cost of credit**
 - Reduction of **exposure to high risk classes**
 - **Repositioning** of loan mix from **Corporate to Retail**
 - **Revision and improvement in doubtful loans management** in order to **stabilize and progressively decrease Watchlist and NPL stock**

Key actions

- **Optimization of asset quality management**
- **Improvement of doubtful loans management**
- **Launch of a Non Core Unit dedicated to NPLs**
- **Increase balance sheet strength**

Projected Impacts



~€460M provision reduction with a ~100bps credit risk decrease

Risk Profile Optimization: Asset Quality and Evolution of Doubtful Loans Management

Initiatives

Reinforcement of Asset Quality Monitoring

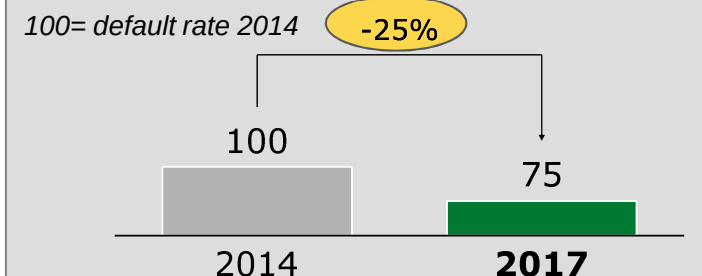
- **Reinforcement of Credit Policies**
 - Strengthening data set to support loan origination activities
 - Defining "no lending" zone coherently with Risk Appetite targets
- **Industrialization of retail lending process**
- Improvement of **procedures** for **assessment of client rating** (e.g. early warning, scoring, ...)

Evolution of doubtful loans management

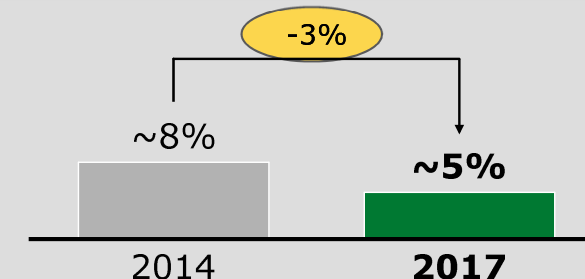
- Industrialization of the **Retail doubtful loans management** process, with two objectives:
 - Minimize processing time and cost
 - Maximize credit recovery
- **"Watchlist" portfolio segmentation and specialization of management processes with dedicated action strategies:**
 - **Operating Watchlist (green):** focus on recovering commercial relationships / loan restructuring
 - **Critical Watchlist (red):** focus on loans recovery / expected loss reduction

KPI

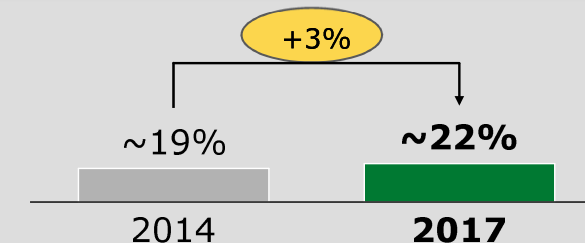
Default rate*



Net "Watchlist" loans/ Total Loans



"Watchlist" loans - Coverage ratio



Risk Profile Optimization: "Non Core Assets" Business Unit

Initiatives

Creation of a Non Core Business Unit Governance

- Definition of the **Business Unit perimeter** including different **asset classes** (NPL, Real Estate collaterals...)
- Design of the Business Unit **organizational structure** based on **three key pillars**: portfolio management; credit recovery; monitoring and support

Increase management efficiency

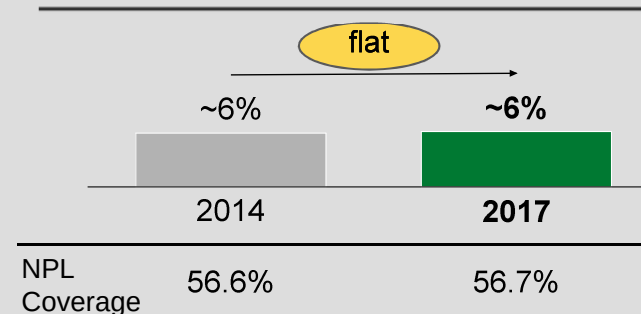
- **Portfolio segmentation in different asset classes** based on different asset classes and collaterals
- **Outsourcing model development**, increasing share of portfolio outsourced through partnerships and strengthening monitoring model
- **Segregation of administrative activities from recovery process**

Key metrics and monitoring model

- Introduction of specific **KPI** to monitor value creation in the **Non Core Assets Business Unit**

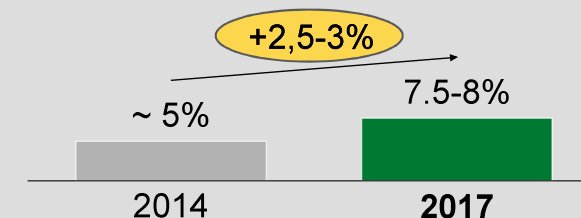
KPI

Net NPL / Total Loans



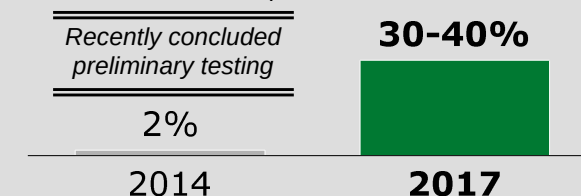
Average Recovery Ratio

Yearly Recovery Cash Flows / Avg NPL Gross Book Value



Small Ticket collection Outsourcing

In terms of number of NPL practices

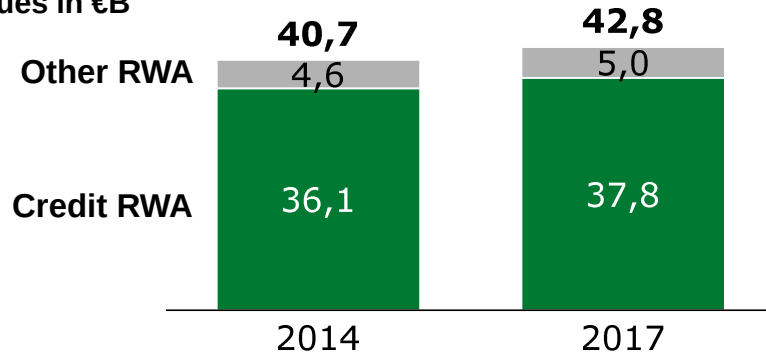


Risk Profile Optimization: Continuous Focus on Balance Sheet Strength

Optimization of RWA

RISK WEIGHTED ASSETS EVOLUTION (€B)

Values in €B

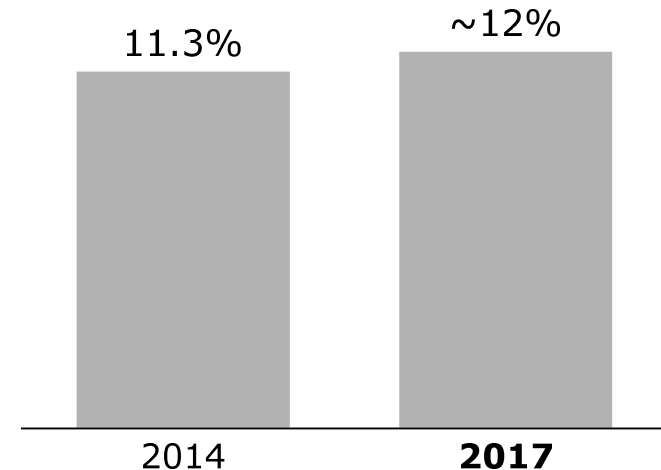


Total RWA/ Total Assets %	67.1%	66.3%
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- **Absolute increase in Risk Weighted Assets** mainly due to a rise in asset volumes...
- **...but Selective loan growth** and asset remix leading to a **lower RWA weight** on total assets

Improvement in capital positioning

CET1 RATIO EVOLUTION (2014 – 2017)



- **Current CET1 level for BPER at ~11.3%**
- Growth of **CET1 ratio nearby 12%** in 2017
- **Dividend payout above 30%: pay-out policy may be reviewed considering potential excess capital emerging from internal model validation or other relevant strategic initiatives**



Risk Profile Optimization: RAF and Regulation as Industrial Plan Key Pillars

Full compliance with Regulatory requirements ...

Full Compliance

- **Full compliance with Regulatory requirements** (all which are key components in BPER's **strategy, business model and operating processes**)

Dedicated Unit to Regulators

- Creation of a **dedicated internal unit** acting as **interface with the Regulators**

Industrial Plan focus

- Specific **focus** on Regulatory framework evolution (eg. SREP, Recovery & Resolution Plan, ...) with **specific projects and initiatives**

... leveraging on Risk Appetite Framework for Plan definition

- *Development of **RAF** acting as a **strategic and business decision-making tool***
- ***RAF** as **reference point** for **Industrial Plan** definition*



Capital

Liquidity

Risk

Performance

- RAF structured around a set of **primary indicators** (with different thresholds: risk profiles, appetite, limits, tolerance, ...) complemented with **secondary indicators** identified in order to **drive key processes and support business development**

Agenda

- *Becoming BPER*
- *Industrial plan targets and levers*



Final remarks

Final Remarks – Becoming BPER

5 S

Becoming BPER

Sound

Become a **sounder** bank, delivering sustainable profitability and dividends over time, while maintaining strong capital and liquidity, within a clearly defined RAF

Simple

Design a **simpler** bank, faster and more efficient, thanks to organizational / process simplification and an omnichannel integrated offer

Specialized

Increase **specialization** and improve **quality** of products and services, through a stronger focus on high value-added business segments and establishment of a specialized unit dedicated to NPL management

Selective

Improve allocation of the bank's core resources (employees, capital, technology) across business segments and geographies, within a **selective strategic framework**

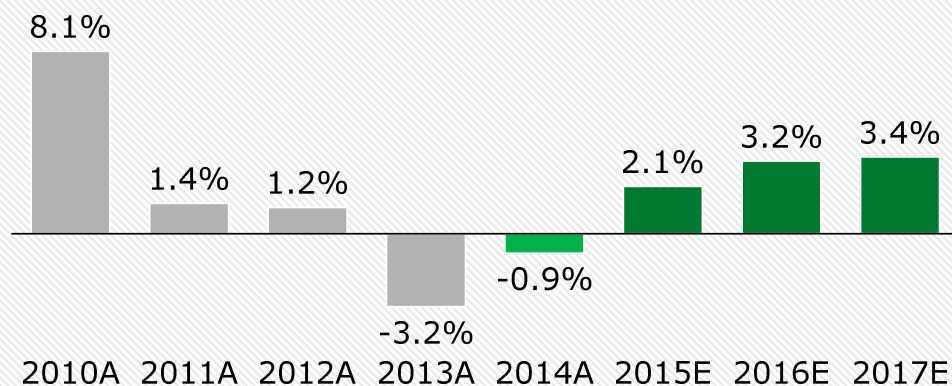
Stakeholder oriented

Create significant **added-value** for all key stakeholders

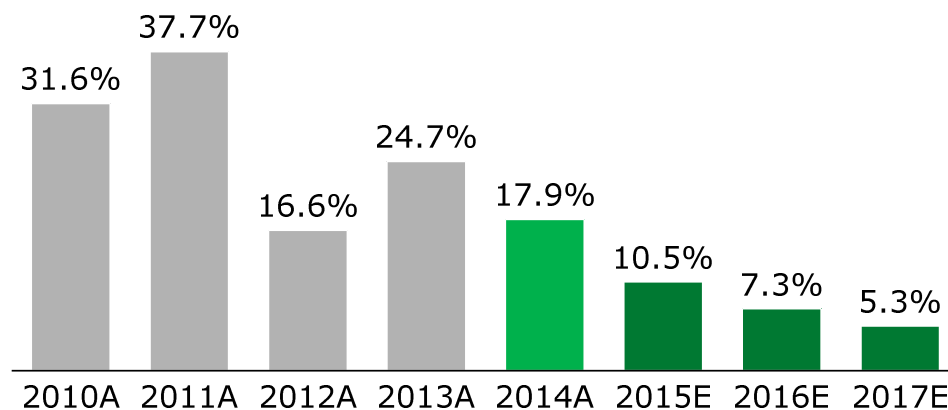
Annexes

Italian macroeconomic indicators – Focus on Banking industry

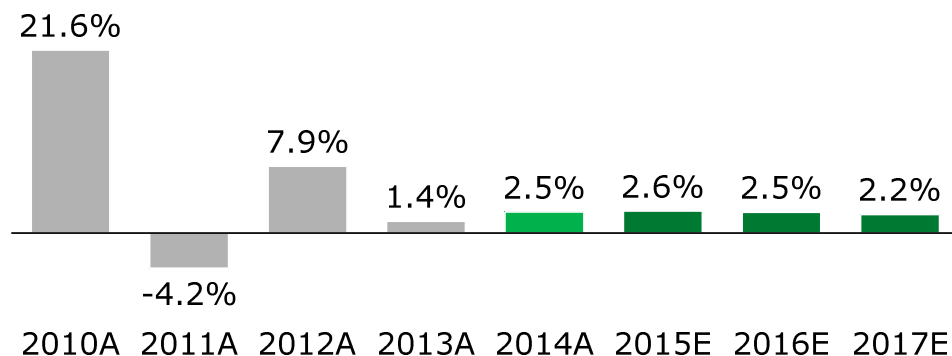
Total Italian loans (YoY change, %)



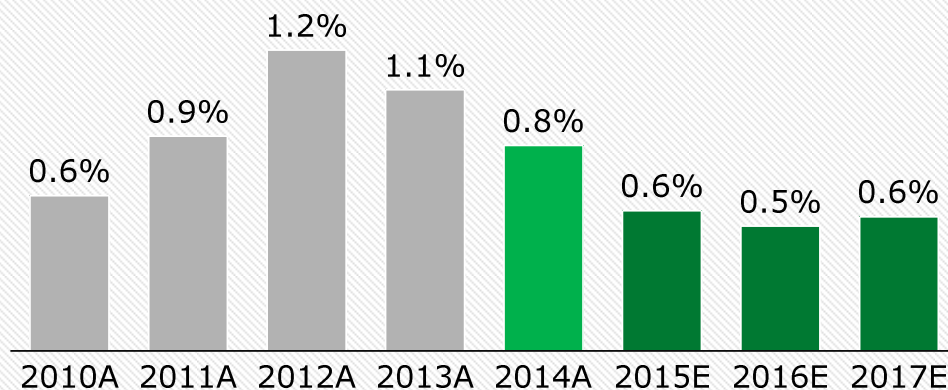
Total Italian NPLs (YoY change, %)



Total Italian deposits (YoY change, %)



Italian deposits avg. interest rate (%)



BPER Key financial figures – Balance Sheet Economics and Ratios

BALANCE SHEET/ OFF BALANCE SHEET ECONOMICS

€ Billion	2014	2017	Delta 2014-17	CAGR 2014-17
Total assets	60.7	64.5	3.8	2.0%
<i>Net Customer Loans</i>	43.9	47.2	3.3	2.4%
Direct funding	46.2	47.8	1.6	1.2%
Indirect funding*	31.2	34.9	3.7	3.8%
CET 1 Capital (phased-in)	4.6	5.1	0.5	3.7%
RWA	40.7	42.8	2.1	1.7%

RATIOS

	2014	2017	Delta 2014-17
Loans/Direct funding	95%	99%	3.6%
Indirect funding*/Direct funding	67%	73%	5.4%
AuM+Bancass./Indirect funding*	51%	55%	4.1%
Net doubtful loans/Total loans	14.9%	13.9%	-1.0%
<i>Net NPLs/Total loans</i>	6.4%	6.4%	-
<i>Net Watchlist loans/Total loans</i>	6.6%	4.1%	-2.5%
NPLs – Sofferenza Coverage rate	56.6%	56.7%	0.1%
Watchlist loans Coverage rate	18.8%	21.5%	2.7%
CET1 ratio (phased-in)	11.3%	~12%	0.7%
RWA/Total assets	67.1%	66.3%	-0.8%

BPER Key financial figures – P&L Economics and Ratios

PROFIT & LOSS ITEMS

€ Million	2014	2017	Delta 2014-17	CAGR 2014-17
Interest margin	1,292	1,350	~60	1.5%
Commissions	691	825	~130	6.1%
Other income	235	125	~-110	-18,6%
Operating income	2,217	2,300	~85	1.3%
Operating costs	-1,261	-1,240	~20	-0.6%
Operat. costs (w/o "change the bank" costs*)	-1,261	-1,230	~30	-0.8%
Operating margin	956	1,060	~100	3.5%
Loss provisions	-858	-400	~460	-22.5%
Parent Company net profit**	15	400	~385	200%

RATIOS

Profitability on business volume***	0.01%	0.31%	0.3%	-
Cost / income	-57%	-54%	3%	-
Cost / asset	-2.1%	-1.9%	0.2%	-
Cost of credit (bps)	185	83	-102	-
Parent Company ROTE	0.3%	9.0%	9%	-
RORAC	0.4%	10.3%	~10%	-

* Excluded extraordinary expenses to implement "change the bank" projects (11M€)

** Excluded taxes and third parties profit and including "change the bank" expenses

*** Considering loans, direct funding and indirect funding

BPER Industrial Plan – 20 strategic projects to achieve financial targets

Projects

Enablers

Top Line improvement

1 Centre-Network transmission chain

2 Acquisition Machine

3 Family Machine

4 Added Value Machine

5 New branch model

6 Multichannel & Contact Unit

7 Consumer Finance

8 Finance & Capital Markets

8 projects

Greater Operating Efficiency

9 Process simplification

10 Active Real Estate

11 Go Green and Digital

12 Streamlining of purchasing process

13 IT & Operations improvement

Capacity Planning

Workforce optimization

Streamlining Avg. cost per employee

HR satisfaction improvement

5 projects

Risk profile optimization

14 Credit strategic guidelines

15 Lending

16 Asset quality monitoring

17 "Watchlist" loans management

18 NPLs management

19 RAF, Capital & Liquidity Mgmt

20 Relevant regulatory issues development

7 projects

A structured transformation program will be set up to implement the projects