



FIDEURAM
INTESA SANPAOLO PRIVATE BANKING



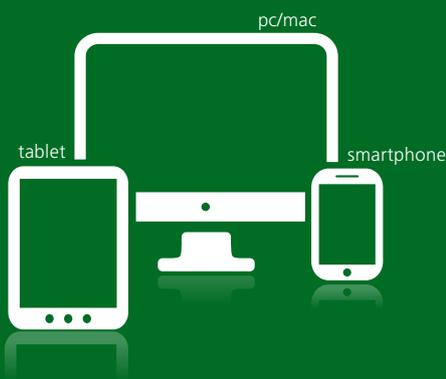
Integrated Annual Report 2016

Mission

To help our customers manage their assets wisely, based on a detailed analysis of their real needs and risk profile.

To offer financial advisory services covering the full spectrum of our clients' assets with the support of expert professionals, acting with total transparency and complete respect for the rules. That is **Fideuram - Intesa Sanpaolo Private Banking's mission**.

This report can be browsed in its interactive form, with multimedia additional information, using a variety of devices on our website www.fideuram.it where it is also compatible with Apple and Android systems.





Customers

Shareholders

Colleagues

Suppliers

Community

Environment



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Integrated Financial Report

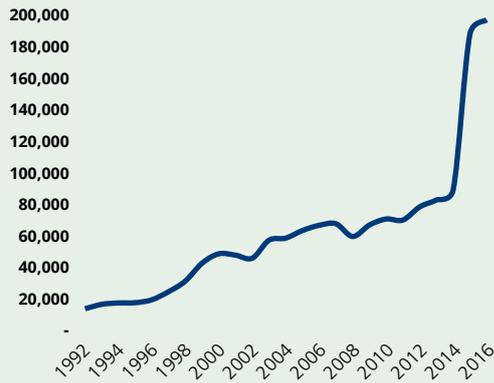
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CUSTOMERS

Client Assets

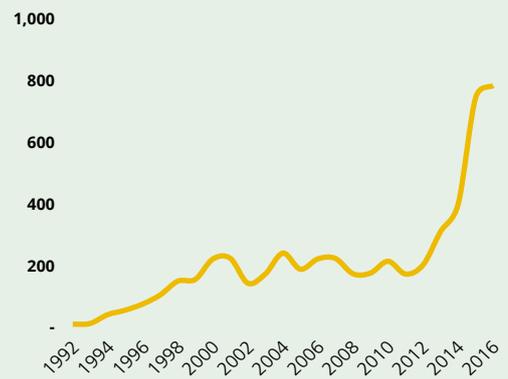
(€m)



SHAREHOLDER

Net profit

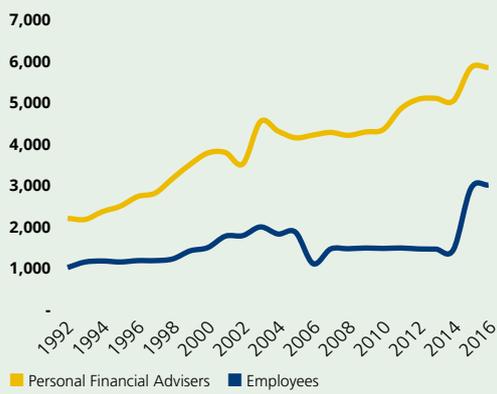
(€m)



COLLEAGUES

Personal Financial Advisers and Employees

(No.)



■ Personal Financial Advisers ■ Employees

Highlights^(*)

	2016	2015	2014	2013	2012
CUSTOMER FINANCIAL ASSETS					
Net inflows into managed assets (€m)	2,893	10,026	9,853	5,521	2,749
Total net inflows (€m)	8,454	7,846	3,628	2,465	2,316
Client Assets (€m)	198,026	188,898	178,771	83,672	79,296
OPERATING STRUCTURE					
Personal Financial Advisers (No.)	5,848	5,846	5,851	5,104	5,082
Staff (No.)	3,010	2,928	2,865	1,458	1,463
- women (No.)	1,334	1,295	1,255	628	630
- outside Italy (No.)	160	144	145	128	126
Personal Financial Advisers' Offices (No.)	324	325	328	331	339
Bank Branches (No.)	228	229	234	97	97
CONSOLIDATED FINANCIAL RESULTS					
Consolidated net profit (€m)	786	747	582	313	205
Group shareholders' equity (€m)	1,981	1,877	1,692	1,212	925
Basic consolidated net earnings per share (€)	0.524	0.498	0.388	0.319	0.209
Dividends per share (€) (**)	0.476	0.374	0.298	0.201	0.163
Total assets (€m)	34,672	28,839	25,961	11,993	11,807
Wealth created (€m)	2,537	2,530	2,251	1,430	1,214
Economic value distributed (€m)	2,410	2,293	2,095	1,275	1,089
PROFITABILITY INDICATORS					
Return on Equity (%)	41	42	34	29	28
Return on Assets (%)	2	3	2	3	2
Cost / Income ratio (%)	30	32	37	36	45
Payroll costs / Operating income before net impairment (%)	16	17	20	14	19
Net profit / Average client assets (%)	0.4	0.4	0.3	0.4	0.3
Economic Value Added (€m)	716	681	510	265	162
SUSTAINABILITY INDICATORS					
Complaints (No.)	1,214	1,131	1,488	2,120	2,043
Personal Financial Adviser training (hrs.)	386,819	375,307	317,067	348,327	288,473
Women in management positions (%)	12	11	10	8	8
Staff turnover (%)	10	10	10	8	5
Employee training (hrs.)	122,995	118,713	110,386	32,136	35,281
Donations (€m)	0.3	0.4	0.5	0.3	0.3
Operating income before net impairment / Number of employees (€m)	0.6	0.6	0.5	0.6	0.5
Client assets / Number of Personal Financial Advisers (€m)	33.9	32.3	30.6	16.4	15.6
Paper consumption per employee (kg)	70	74	79	58	56

Counterparty rating (Standard & Poor's)

Long term: BBB-

Short term: A-3

Outlook: Stable

(*) The figures for 2014 and 2015 have been restated where necessary to take the changes in the scope of consolidation into account so that straight comparisons can be made. In particular, the figures take the contributions of Intesa Sanpaolo Private Banking, Sirefid and Intesa Sanpaolo Private Bank (Suisse) into account as if the company transactions had become effective as of 1 January 2014. The figures for 2012 and 2013 have not been restated.

(**) The figure for 2016 includes interim dividends totalling €600m, and the figure for 2015 includes interim dividends totalling €501m.

About this Report

INTEGRATED FINANCIAL STATEMENTS

The Fideuram - Intesa Sanpaolo Private Banking Group has, in line with international reporting developments, published an Integrated Annual report for the fourth consecutive year, prepared in accordance with the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC) in December 2013. The reporting process aims to provide a full overview by integrating traditional financial reporting with reports on the Group's environmental, social and governance performance.

The document has been designed to address all our stakeholders effectively, with the aim of:

- a. Providing a complete picture of our ability to create value sustainably over time.
- b. Highlighting the connections between our strategy and financial performance and the social, environmental and economic contexts in which we operate, so that the reader can obtain a full understanding of the results achieved and formulate their own forecasts regarding our future.
- c. Presenting complete, clear and concise financial and other information to communicate with the market with high standards of transparency.

REGULATORY FRAMEWORK AND GUIDELINES

Italian Legislative Decree No. 254 of 30 December 2016 published in Official Gazette No. 7 of 10 January 2017 has implemented Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

“The Integrated Report starts with our business model to highlight our strategic focus and the components that influence the creation of value.”

The new requirements will apply from the 2017 Financial Statements.

This marks the concluding stage of the long process of implementing the European Directive regarding non-financial information, which our Group has already been reporting for some years now with an integrated document that outlines our business model through capital analysis to show the factors that have a material influence on our ability to **create value**.

Our integrated reporting uses qualitative and quantitative Key Performance Indicators (KPIs) to analyse the interdependencies or “linkages” between the financial, productive, intellectual, human, relational and natural capital underlying the value created by the Group.

The non-financial reporting has been prepared in accordance with the G4 Sustainability Reporting Guidelines drawn up by the Global Reporting Initiative (GRI) in 2013. The application level of the said guidelines adopted for the preparation of this document is the Core level, which is considered more suited to the principles of conciseness and connectivity of an Integrated Report. This document has been prepared in accordance with the principles set out by the Assessment Committee of the Oscar di Bilancio Financial Statements Oscars.

IN CONCLUSION

Integrated reporting is a journey on which perfection is gradually achieved as reporting processes for the production of the supporting information are fully developed. In line with this philosophy, our Group has continued its actions to improve the quality of its reporting by involving internal and external stakeholders in the choice of relevant aspects to report on.

The Integrated Annual Report is available in Italian and English on the Fideuram website. Following the revision of our accounts closure and reporting processes, we have further accelerated our publication times to provide prompt financial communications to the markets. In addition, an interactive Annual Report with multimedia information (audio and video aids) is available on the homepage of our website, supplementing and enhancing the financial reporting with a varied array of external corporate communications.

We extend our thanks to all the stakeholders who have played an active role in improving our report and who would like to join us in the process of disseminating a new communications philosophy based on transparency, both now and in the future.

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- 1.1 Group structure
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- 1.4 Key factors in the value-creation process
- 1.5 Business segments
- 1.6 Stakeholders
- 1.7 Risk management

€**2.5**bn
wealth created
in 2016 (up €7m
on 2015)

Fideuram - Intesa
Sanpaolo Private
Banking operates on
a **business model**
centred on the provision
of **financial advisory
services**

Client Assets 2016



■ Non-managed assets ■ Managed assets



1. Business model

1.1 Group structure

The Fideuram - Intesa Sanpaolo Private Banking Group operates in six different countries across Europe (Italy, France, Switzerland, Ireland, the United Kingdom and Luxembourg) and comprises parent company **Fideuram - Intesa Sanpaolo Private Banking** ("Fideuram" hereinafter) and nine subsidiaries.



Ireland

100%

France

99.99%

Italy

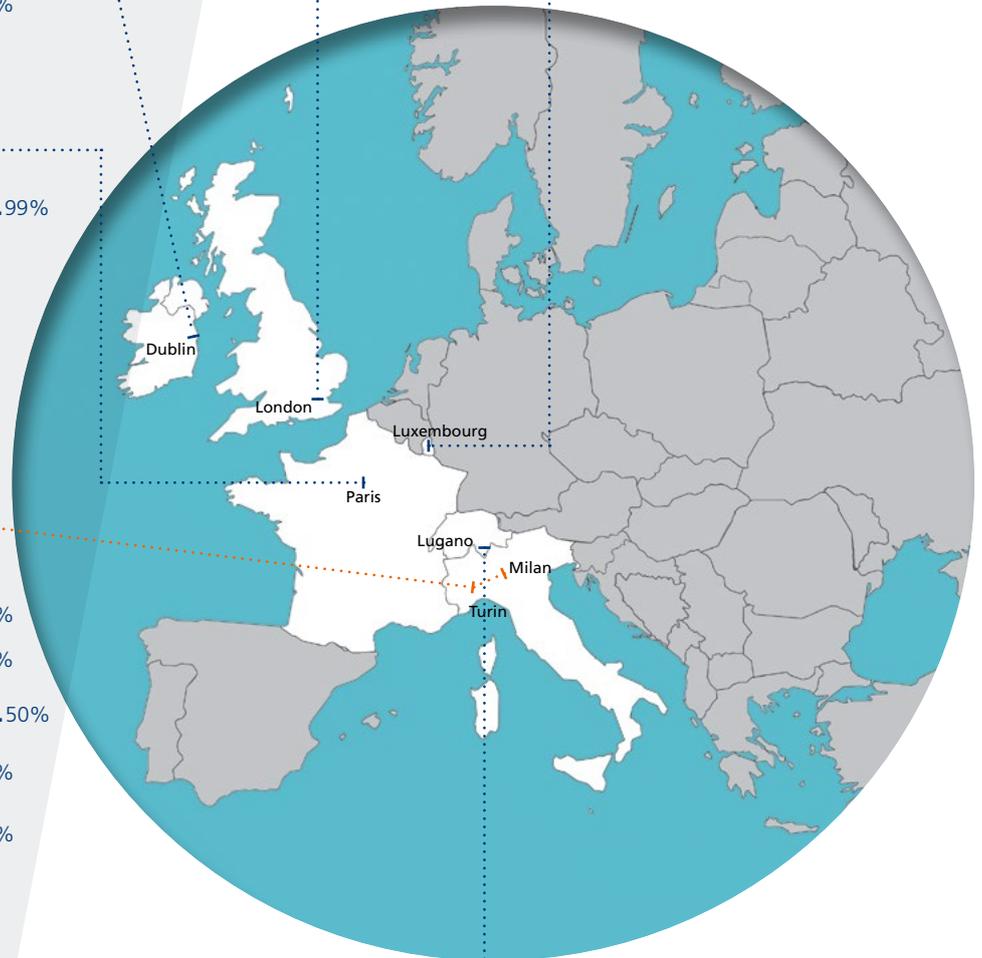
- 100%
- 100%
- 100%
- 99.50%
- 100%
- 100%

United Kingdom

Branch of INTESA SANPAOLO PRIVATE BANKING

Luxembourg

100%



Switzerland

100%

1.2 Business model

Fideuram - Intesa Sanpaolo Private Banking is the number one Private Bank in Italy and the fourth largest in the euro area with approximately €198bn client assets.

With effect from 30 June 2015, Fideuram acquired a controlling interest in three Intesa Sanpaolo Group companies: Intesa Sanpaolo Private Banking S.p.A., Sirefid S.p.A. and Intesa Sanpaolo Private Bank (Suisse) S.A. The new entity was created to direct the business of the Intesa Sanpaolo Group Private Banking Division, which brings together the companies providing the Group's financial advisory, asset management and trust services.

The Division's mission is to serve the high-end customer segment, creating value through products and services conceived for excellence, while ensuring the increased profitability of client assets through the constant development of our product range and service delivery solutions.

The Fideuram Group specialises in particular in the provision of financial advisory services and the development, management and distribution of financial, insurance and banking products and services.

The Group's positioning is principally focused on the Private Banking and High

Net Worth Individual customer segments, and our products and services are provided through approximately 6,000 highly-qualified professionals in three separate networks (Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking) with their own brand identities, service models and customer profiles.

Together, our three networks enable us to provide complete geographical coverage of the Italian market with the support of 228 Bank Branches and 324 Personal Financial Advisers' offices.

The Group's service model is centred on professional advisory services and the creation of longstanding relationships of trust between our customers and Personal Financial Advisers. The Group boasts a strong and stable retail customer base, which can depend on a dedicated service model and tailored product offering.

Our advisory services are offered as "Basic Advisory Services", which we provide for all customers free of charge in line with the requirements of the EC's Markets in Financial Instruments

Directive (MiFID), and as three "Advanced Advisory Services" (SEI, Active and View), which are paid services designed specifically for customers with greater financial assets and provided on the basis of a contract.

The investment solutions proposed by our Personal Financial Advisers are for the most part developed and managed within the Group through dedicated product companies. In addition, the Group's marketing agreements with leading international investment houses mean that we are also able to offer third-party products in accordance with the "Guided Open Architecture Model" that the Group has adopted to complement its expertise and satisfy even the most complex customer needs. The Fideuram Group also engages in banking activities (asset gathering and lending), offering customers a complete range of banking products and services.

Fideuram - Intesa Sanpaolo Private Banking is a member of the Intesa Sanpaolo Banking Group and wholly owned by Intesa Sanpaolo S.p.A..



Branches



Private
Banking



Online

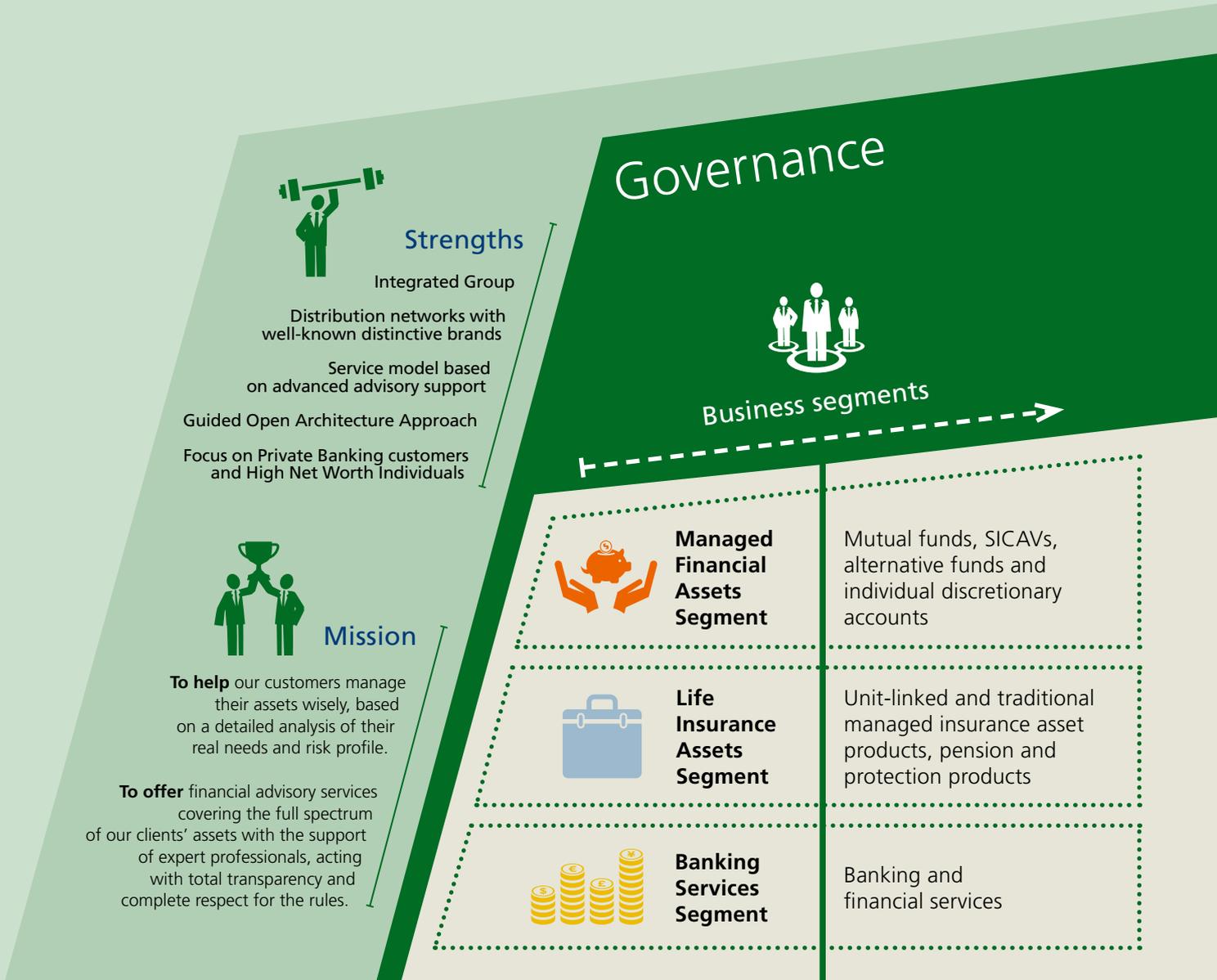
Dedicated bank



Personal Financial Adviser and Customer

OUR BUSINESS MODEL

CONTEXT: PRIVATE BANKING MARKET
ITALY - SWITZERLAND - UNITED KINGDOM



The Fideuram Group's customers are segmented as follows:

HIGH NET WORTH INDIVIDUALS
Customers with financial assets potentially totalling in excess of **€10,000,000**

PRIVATE BANKING CUSTOMERS
Customers with financial assets totalling between **€500,000** and **€10,000,000**

AFFLUENT CUSTOMERS
Customers with financial assets totalling between **€100,000** and **€500,000**

MASS MARKET CUSTOMERS
Customers with financial assets totalling less than **€100,000**



Main strategies



- Further develop organisational management dedicated to Private Banking customers
- Expand the business outside Italy
- Service level dedicated to High Net Worth Individuals
- Expand the range of products developed by the Group's product development centres
- Focus on the advisory support offered by our professionals
- Develop digital channels to provide financial services
- Focus on recruiting and training our professionals



Objectives



Strengthen Private Banking provision in Italy	International Development of the Business
Focus on the HNWI customer segment	Expand range of products & services
Develop Advanced Advisory Services	Continuous technological innovation
Develop the professional expertise of our Personal Financial Advisers	Social and environmental focus

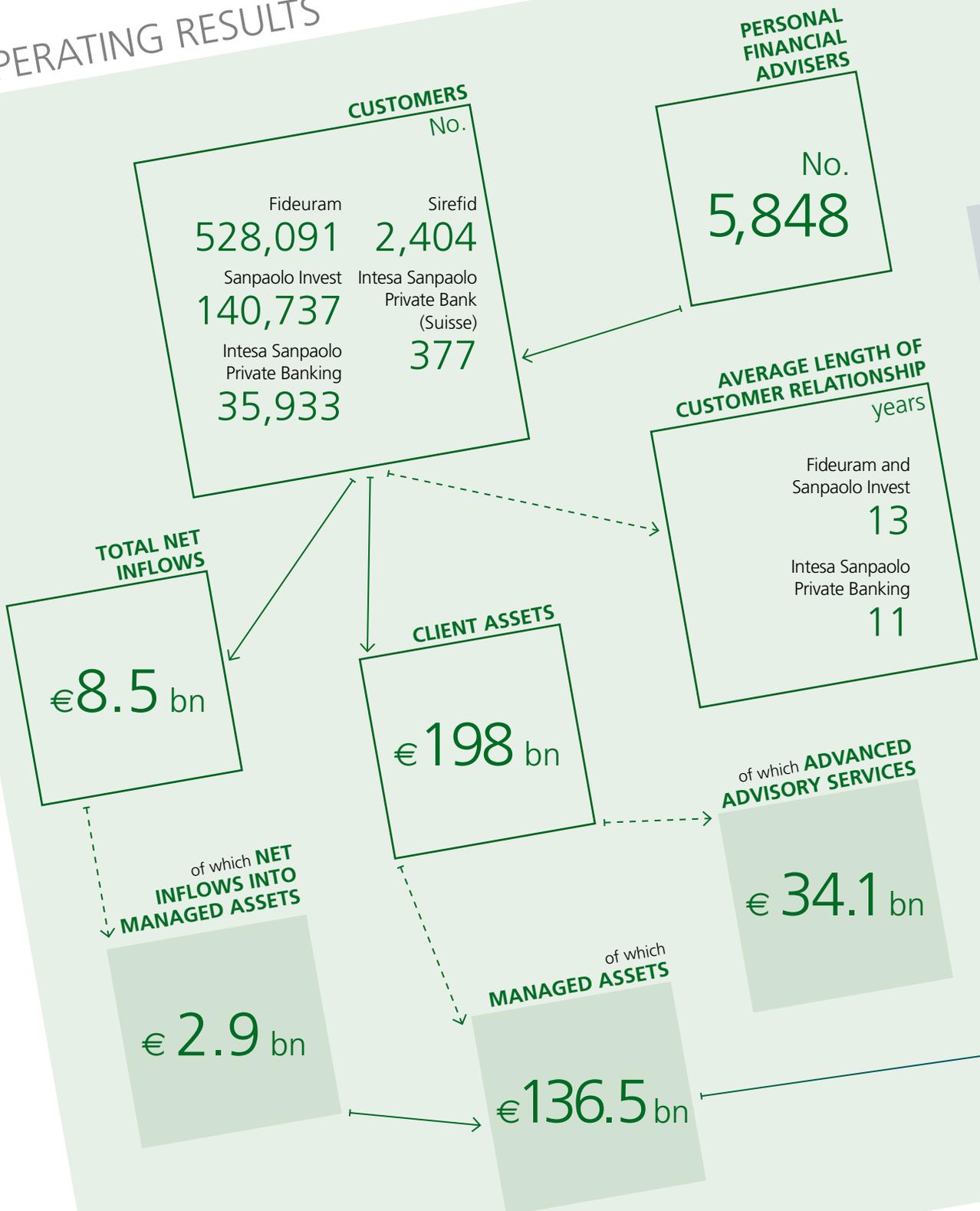


Creation of value

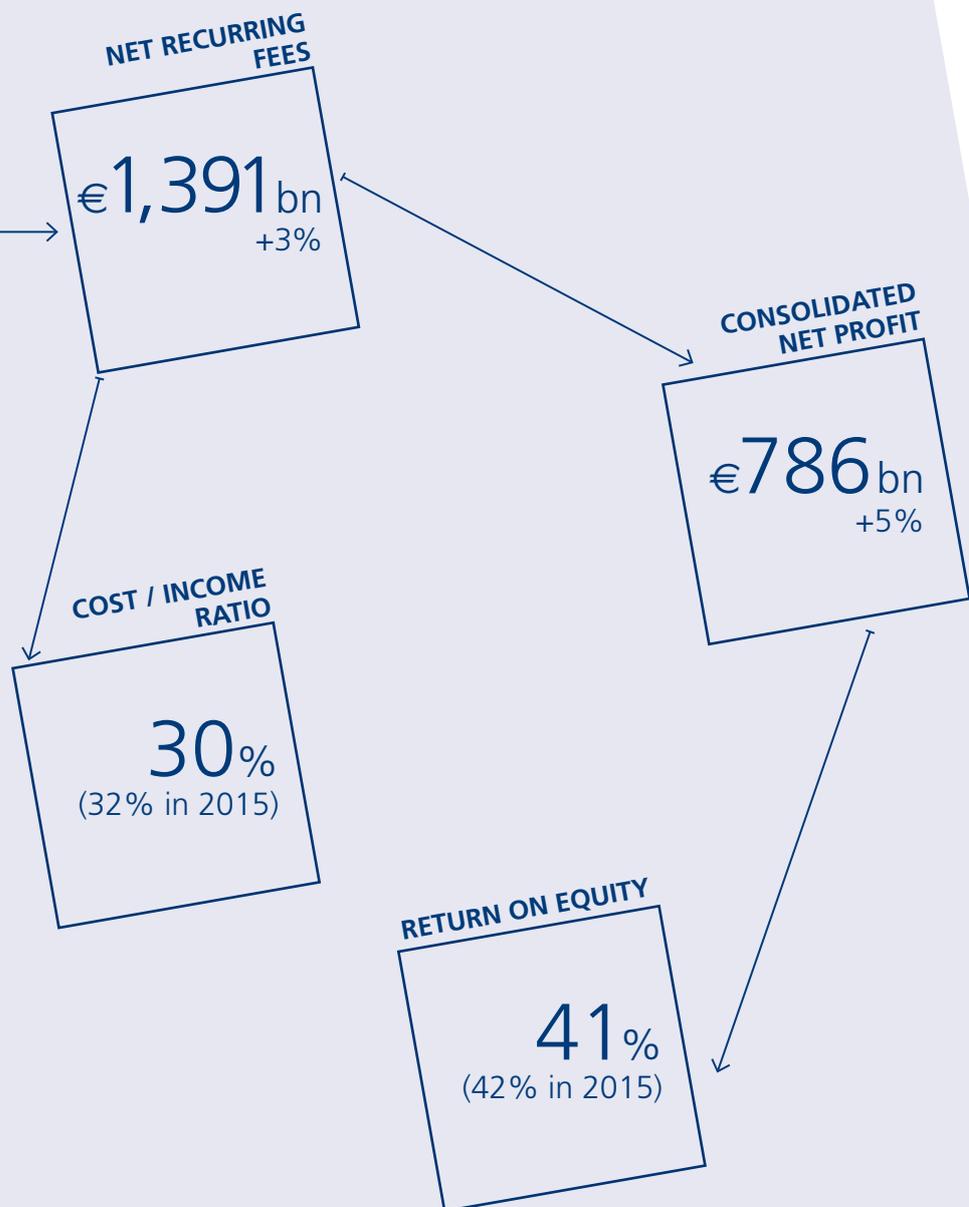
1.3 Key drivers

Key drivers of the business model

OPERATING RESULTS

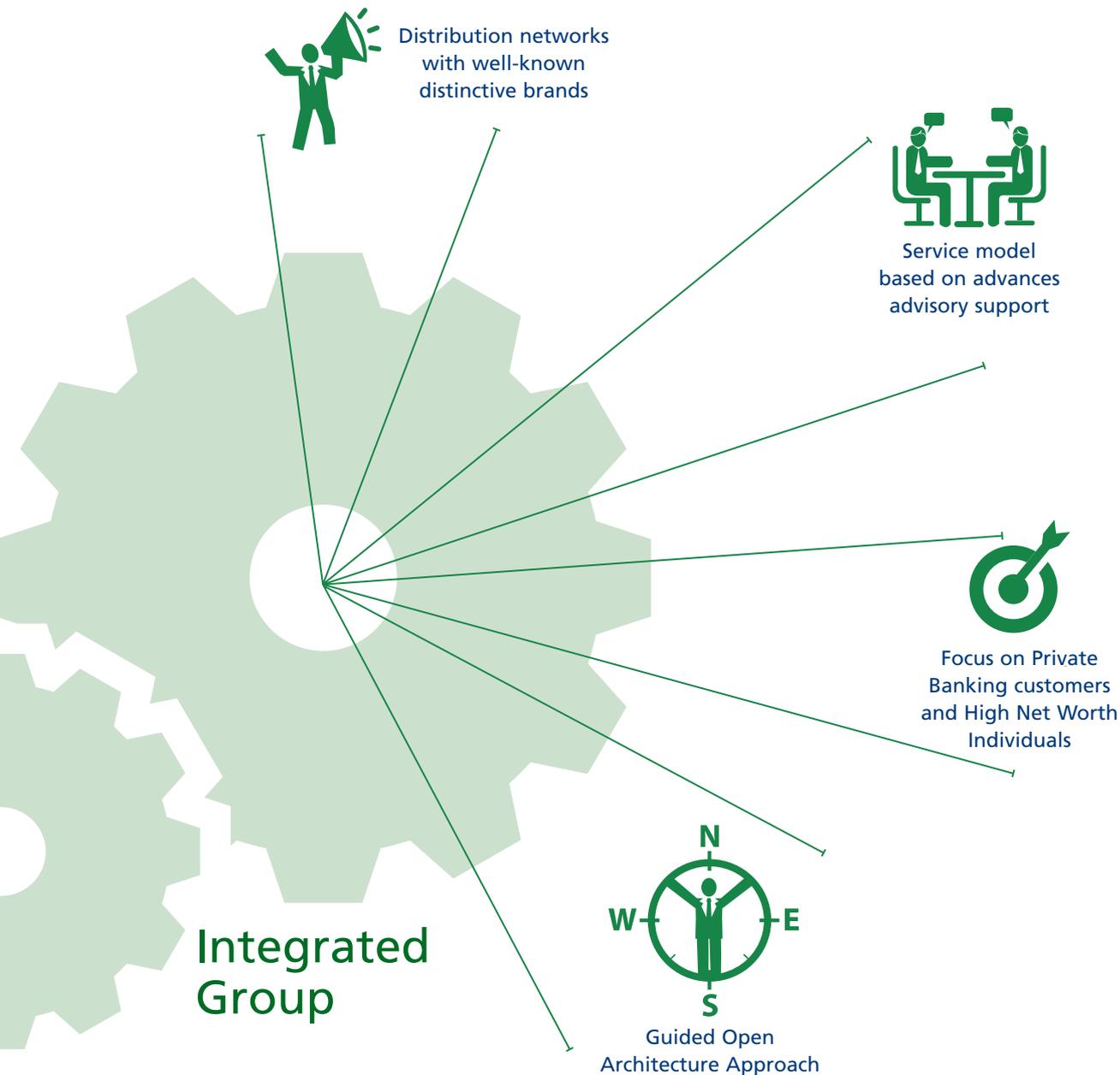


FINANCIAL RESULTS (*)



(*) The figures for 2015 take the contributions of Intesa Sanpaolo Private Banking, Sirefid and Intesa Sanpaolo Private Bank (Suisse) into account as if the company transactions had become effective as of 1 January 2015.

1.4 Key factors in the value creation process



The core distinctive elements of success underlying the Group's value creation process are:

- An **Integrated Group** of companies based in and outside Italy, with product companies that enable both prompt responses to changes in the market, exploiting the related opportunities, and the maintenance of management margins. This model of integration is based on a strategy of specialisation that allocates each Group company its own professional expertise. Thanks to the fact that these product companies interact directly with the Personal Financial Adviser Networks, they are kept constantly updated on any changes in customer needs and are able to create the most appropriate investment solutions. The Group set up its own

Investment Centre in 2016, tasked with establishing a unified market vision that is expressed in a spectrum of asset allocation approaches differentiated by customer profile, propensity to risk and distribution network.

- Three **Distribution networks with well-known distinctive brands**: A model centred on the professional relationships between our Personal Financial Advisers and Customers, underpinned by the strength of the Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking brands and their consolidated reputations of longstanding on the Italian market.

The latter are key to attracting new customers and top professionals in the sector with a complete offering of products and services, bank branches and leading-edge expertise. A bricks and mortar presence, with 228 bank branches and 324 Personal Financial Advisers' offices, enables us to offer our customers a complete service that secures their loyalty and strengthens the Group's role as a one-stop-shop provider of banking products and services.

- **A service model based on advanced advisory support:** the professional relationship between each Personal Financial Adviser and customer is based on a financial advisory service model governed by a specific contract. These services are delivered in the following two ways:
 - *Basic Advisory Services:* Provided free of charge to all customers and consisting in personalised advisory services regarding the customer's investments, paying careful attention to risk management and the suitability of their overall portfolio;
 - *Advanced Advisory Services* provided on the basis of three different contracts:
 - *SEI Advanced Advisory Service:* Provided on the basis of a dedicated contract and subject to the payment of fees and commission. This service consists in identifying the customer's individual requirements classified by area of need, in analysing their overall position (including any third-party portfolios) and risk/return profile, in identifying appropriate investment strategies and solutions for each individual area of need and in monitoring them over time.
 - *Active Advanced Advisory Service:* A personalised advisory service subject to the payment of fees and commission for customers with non-managed financial asset investments who want the constant support of a team of central specialists to guide their various different investment decisions in accordance with the type of asset concerned.
 - *View (Value Investment Evolution Wealth) Advanced Advisory Service:* An advisory service that takes all of a customer's assets into consideration and supports the Personal Financial Advisers in their work of identifying each customer's specific requirements, classified by area of need, including with the assistance of guideline customer "archetype" profiles. View enables the customer and their Personal Financial Adviser to identify investment strategies and solutions for each individual area of need in accordance with their risk/return profile and to monitor their wealth from a global standpoint over time.

In addition, the Group also offers the following specialist advisory services:

- Tax, legal and succession advisory services for asset planning.
- Trust services, supported by Sirefid and Fideuram Fiduciaria.
- Advisory support to assist entrepreneurs manage the liquidity generated during significant business transitions, such as Mergers & Acquisitions or Initial Public Offerings.
- Art Advisory services provided with the support of external consultants.
- Real Estate Advisory services to support customers' real estate management needs both regarding disposable pro-

perty and property of potential interest, conducting the related needs analyses internally or with the support of external consultants, including international consultants, for valuation and agency services supporting purchases and sales inside and outside Italy.

- **A Guided Open Architecture Approach:** A model that offers third-party products alongside our Group products to complement them, satisfying even the most sophisticated needs through partnerships with world-leading third-party investment companies.
- **A clear focus on Private Banking customers and High Net Worth Individuals (HNWI),** segments that account for approximately 74% of the Group's client assets and which have high growth prospects in the Italian market. The related Client Assets are, moreover, substantially above the threshold necessary to obtain significant economies of scale and ensure the creation of value in a manner that is sustainable over time. The Group supports its Private Banking customers with a dedicated service model using ad hoc organisational management and a complete array of special products and services targeted principally at company-owner, senior-management and professional households - customers who tend to demand solutions that protect value in its various forms, while also being highly articulate about their varied and complex requirements. The Group enhances its provision for High Net Worth Individual customers through an Intesa Sanpaolo Private Banking Department that supports the Personal Financial Adviser Network with dedicated products and strategies, operating as an HNWI Hub made up of the following units:
 - Competence Centre, offering specialist advisory support providing investment, wealth advisory, real estate and related solutions.
 - Client Business Development, responsible for developing the support provided to existing customers and for acquiring new ones, including through the establishment of a network of relationships with private sector operators and external professionals, and through offering ordinary and extraordinary financial services and lending services to business customers.
 - Business Model and Initiatives, tasked with managing the dedicated service model and related risks, as well as providing business planning to support the model of interaction between the Department and specialist network.

The new HNWI customer service model, delivered through specialisation of the network with dedicated resources and HNWI Branches, aims to bring the most important relationships together in a small number of operating centres and to strengthen our market coverage of the HNWI segment through the creation of ad hoc organisational solutions. These branches will liaise with the HNWI Competence Centre on a regular basis in order to resolve any issues typical of a dedicated service model, including with regard to product and service offerings, business practices and pricing.



Further information
on pages 28-31, 49-51, 80-81, 130-133

1.5 Business segments

The Group's business model, based on advanced advisory support, covers three business segments:

Managed Financial Assets Segment, which extends from mutual funds to SICAVs, alternative funds and individual discretionary accounts.

Life Insurance Assets Segment, which covers unit-linked and traditional managed insurance asset products as well as pension and protection products.

Banking Services Segment, which covers the Group's banking and financial services.



MANAGED FINANCIAL ASSETS SEGMENT

The Managed Financial Assets Segment covers the collective asset management solutions (mutual funds, SICAVs and alternative funds) and individual discretionary account solutions outlined below.

MUTUAL FUNDS

The Group's mutual fund products are developed following an "Open Architecture" approach and comply both with the UCITS Directive (mutual funds and SICAVs) and AIFM Directive (alternative investment funds - AIF), whether Group products or those of third-party asset managers, and whether based in or outside Italy.

The range covers the following different types of funds:

- **Benchmark funds**, with a return objective linked to a market index.
- **Flexible funds**, which seek to obtain positive absolute returns for different levels of risk without being linked to a reference benchmark.
- **Alternative funds**, which seek to obtain absolute returns through a wider range of investments than traditional funds, mainly Hedge Fund and AIF products that provide access to private markets, enabling greater portfolio diversification and market decorrelation. These funds have high subscription thresholds and are intended for Private Banking customers.

Each of these different types of funds offers a choice of asset classes (equity, fixed-income, money market and balanced products), investment policies and portfolio structuring. Examples of the latter include ethical funds, capital-protected funds and target maturity funds.

DISCRETIONARY ACCOUNTS

The discretionary account solutions offered differ by **management styles** and the **types of financial instruments** in which they can invest.

Management styles

Flexible lines

- These are lines that have the objective of obtaining positive absolute returns with limited correlation with the financial markets. As such, they are products with a risk control policy based on respecting a maximum potential loss level that constitutes a management limit.

Benchmark lines

- Lines that aim to generate an excess return with respect to a market index. This category also includes discretionary accounts that invest in Group and third-party funds and funds that invest in securities, both with a range of risk profiles.

Personalized lines

- Lines built around a customer's specific requirements which may aim to generate an excess return with respect to a customer-specific market index or to obtain positive absolute returns through a risk control policy that reflects the customer's specific requirements with the option of reviewing the parameters over time in relation to their changing needs.

Types of financial instruments

Multimanager Asset Management Funds

- Mainly invest in mutual funds and SICAVs offered both by the Group and third-party fund managers.

Portfolio Management

- Mainly invests in financial instruments other than units/shares in funds/SICAVs.

The Group offers a flexible range of solutions in this area that can be tailored to different customer needs in terms of the service, operational efficiency and tax efficiency required (Fideuram OMNIA / Sanpaolo Invest OMNIA, Fideuram Tesoreria and the Intesa Sanpaolo Private Banking Portfolio Management Contract).

The Fideuram and Sanpaolo Invest offering is based on a "single management contract" with Fideuram Investimenti SGR, which provides access to a wide range of investment lines offering different management styles, geographical areas and investment instruments that can be combined following what is known as a "Core-Satellite" approach to diversify the investment type and risk. This service offers solutions that provide increasing levels of customisation in relation to the amount which may be invested and can extend to the construction of "dedicated" lines for Private Banking

customers, supported by a specialist team. Completing the support provided, the Group also offers the Symphonia SGR portfolio management service.

Intesa Sanpaolo Private Banking (ISPB) offers a wide spectrum of investment lines organised by customer type, management style and investment risk. Customers of high standing who wish to receive constant updates on the investment choices made are served by the "**Linee Dinamiche**" (Dynamic Lines) managed by Intesa Sanpaolo Private Banking, which offer a highly-personalised service in terms of management style and underlying assets, and the "**Linee Private**" (Private Banking Lines) managed by Eurizon Capital using a specialist team dedicated to high net-worth individuals. The "**Linee Navigabili**" (Navigable Lines), which complete the range, enable customers to combine balanced solutions with solutions dedicated to specific categories of financial assets, in accordance with their investment profile.

A financial service is also provided for the purchase on the primary market of certificates and bonds conceived expressly for Private Banking customers in investment areas of particular interest. The investment approaches are conceived by Intesa Sanpaolo Private Banking's Financial Issues service and the financial instruments are issued and developed by Banca IMI.

Fideuram Tesoreria is a treasury management service designed specifically for the Division's institutional customers.



LIFE INSURANCE ASSETS SEGMENT

The Group provides its customers with a wide range of insurance products, including:

- Life insurance asset products (traditional insurance products, unit linked insurance products and multi-class insurance asset products combining both the former) that pay a capital sum or an annuity upon the occurrence of a life-related event (survival or death).
- Pension products (personal pension plans and open pension funds) that pay a capital sum or an annuity on retirement.
- Protection products that insure against the risk of certain specified events.

INSURANCE PRODUCTS - TRADITIONAL

Traditional insurance products provide for the payment of a premium by the policyholder in return for the payment of a revalued capital sum, with the option of conversion into a life annuity which may be reversible (the latter being a form which allows the annuity to continue being paid to another person on the death of the beneficiary), upon the occurrence of a life-related event (survival or death). Products in this category include "Fideuram Vita Garanzia e Valore Flex 3" offered by Fideuram and Sanpaolo Invest, and "Penso a te" offered by Intesa Sanpaolo Private Banking.

PENSION AND PROTECTION PRODUCTS

The Group offers its customers personal pension plans and open pension funds that pay the policyholder, upon retirement, a life annuity which can also be reversible ("pension products"). This category includes the "Fondo Pensione Fideuram" open pension fund and "PIP Progetto Pensione" personal pension plan offered by Fideuram and Sanpaolo Invest, as well as the "Mio Domani" open pension fund and "Mio Futuro" personal pension plan offered by Intesa Sanpaolo Private Banking.

The Group also offers its customers insurance products that cover the policyholder against the risk of certain specified events ("protection products"). These are "pure risk" life or non-life products such as Term Life Insurance policies, which pay a capital sum upon the death of the policyholder within the contractual term of the policy in return for the payment of regular premiums, and health insurance policies, which reimburse the expenses required due to accident or illness. Products in this category include "Fideuram Vita Attiva" and "Salute Fideuram" offered by Fideuram and Sanpaolo Invest, and "AcasaConMe", "Polizza Tutela Famiglia", "Polizza Infortuni", "Polizza Prevenzione e Salute" and "Polizza Interventi Chirurgici" offered by Intesa Sanpaolo Private Banking.

INSURANCE PRODUCTS - UNIT LINKED

Unit linked insurance products provide for the payment of a capital sum upon the occurrence of a life-related event (survival or death), in return for the payment of a premium by the policyholder. The value of the capital sum is linked to the value of the internal funds or mutual funds in which the premiums paid by the policyholder have been invested. These policies thus provide a financial management service, while simultaneously offering optional basic insurance coverage.

Products in this category include the "Fideuram Vita Insieme" family of policies offered by Fideuram and Sanpaolo Invest, and the "Fideuram Vita Private Mix" policy offered by Intesa Sanpaolo Private Banking. These are flexible solutions combining investment opportunities and insurance coverage.

The "Fideuram Vita Insieme" family of products offers an array of versions tailored to different customer segments, with "Fideuram Vita Insieme Private" providing the highest level of personalisation, together with personal capital protection strategies that offer features which are unique in the Italian market.

The insurance products offered also extend to multi-class policies, which allow the customer's investment to be allocated in varying percentages to a traditional segregated insurance fund and to the Group's mutual and unit-linked funds. This category includes the policy "Fideuram Vita Gemini" distributed by the Fideuram and Sanpaolo Invest Networks, the policies "Synthesis" and "Synthesis HNWI", a version of the latter expressly for Private Banking customers of high-standing, distributed by Intesa Sanpaolo Private Banking.



BANKING SERVICES SEGMENT

The Group offers its customers the following services in this segment:

- Banking services and in particular current accounts with ancillary services for the lodging of securities, debit cards (issued by Fideuram and Intesa Sanpaolo Private Banking), credit cards (issued by Setefi S.p.A. with the Fideuram and Intesa Sanpaolo Private Banking logos, and by CartaSi and American Express), mortgages (issued by the Intesa Sanpaolo Group) and lending products (principally secured by assets held with the Group itself).
- Non-managed asset investment opportunities.

The products and services offered in the Banking Services segment complement and complete the products and services offered in the Managed Financial Assets and Life Insurance Assets Segments.

CURRENT ACCOUNTS

The Group offers a range of current accounts with different conditions to suit different customer needs and levels of financial assets.

These accounts include our "Zero Spese" (no fee) current accounts and our accounts for Private Banking customers (the "Conto Zero Spese" and "Fideuram Private Banking" accounts from Fideuram and Sanpaolo Invest respectively, and the "Conto Private Zero Spese" and "Conto Private Flessibile" accounts from Intesa Sanpaolo Private Banking). The main differences between these types of accounts consist in whether or not they incur management fees and the rate of credit interest paid. In addition to this array of classic banking products and services, the Group also offers liquidity risk management instruments in the form of accounts with restrictions on withdrawals or closure for a given period that pay higher credit interest rates than ordinary current accounts.

The Group offers a range of different credit card solutions tailored for different customer profiles.

CREDIT SERVICES

The Group offers its customers lines of credit that afford them cash flow flexibility, secured by investment products held with the Group or substantial assets managed by the Group.

These credit services are of two types: those provided by granting lending products secured by collateral in the form of securities or other assets held with the Group, and lines of credit secured by assets the customer has invested with the Group.

NON-MANAGED ASSETS

The Group offers its customers the option of investing directly in shares, bonds, structured bonds, certificates and other financial instruments on both the primary and secondary market, and also offers repurchase agreements.

1.6 Stakeholders

The Group considers it crucial to pursue its growth objectives through constant interaction with all the stakeholders encountered in the course of its business. Moreover, having the creation of sustainable value as a prime objective, it is a strategic imperative for us to identify our reference stakeholders accurately and engage each of them in an ongoing dialogue.

The Group's core business objective is to satisfy each and every one of its **customers**, assisting them in the informed management of their assets, offering them financial and insurance advisory services and building longstanding relationships of trust. Our customers thus play a central role in the Group's mission.

Our commitment to our **Shareholder** is the starting point in our pursuit of quantitative and qualitative growth that is both sustainable over time and distinguished by consistently excellent profitability.

Our **colleagues** play a prime key role in enabling us to achieve our corporate objectives. The Group invests in them constantly to enhance their individual competencies and foster their professional growth. Our colleagues include our **Personal Financial Advisers**, who are at the centre of our business model and are all professionals registered in Italy's Unified Register of Financial Advisers and committed to the Group through agency contracts or, in the case of Intesa Sanpaolo Private Banking, employed by the Group.

Our **suppliers** are business partners with whom the Group works to our mutual benefit to achieve the objective of satisfying every need connected with the purchase of goods and services.

Our **community** comprises all the social and cultural entities with which the Group interacts in the performance of its business, including the leading investment companies with which it has strategic relations.

The **environment** is the set of ecological and energy variables which the Group may affect in the performance of its business. The Fideuram Group believes that its work to create sustainable value can only proceed hand in hand with a commitment to reducing its ecological footprint.

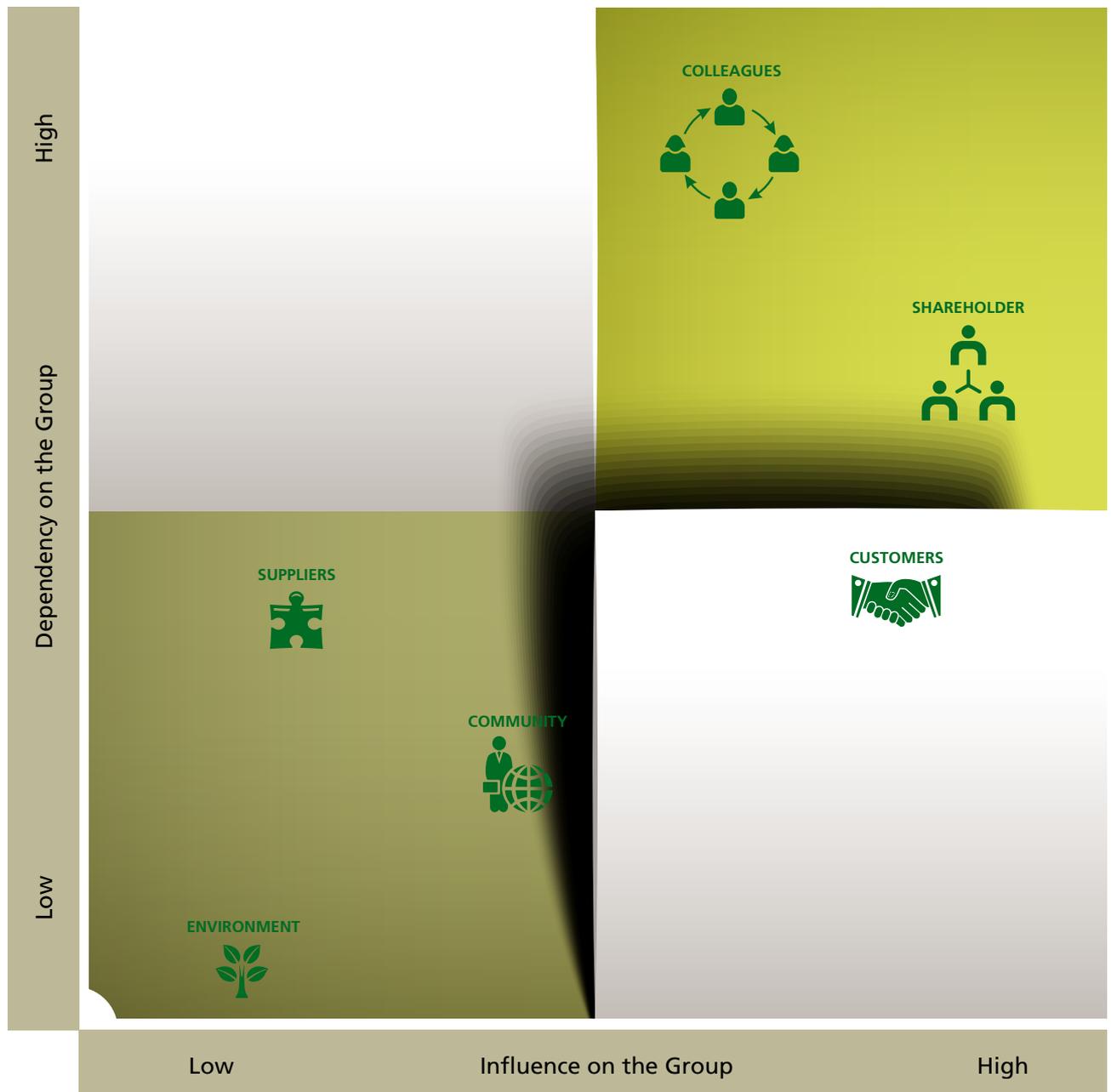
Effective stakeholder engagement has numerous benefits for the development of the Group's strategy:

- Promoting more effective risk management and enhancing our reputation.
- Enabling us to take all resources (knowledge, people and technologies) into account to achieve our strategic objectives.
- Helping us to achieve a more in-depth understanding of the social environment in which the Group operates, including market developments and new business opportunities.
- Building a climate of trust between the Group and its many reference interlocutors.

- Leading to more equitable and sustainable social development by engaging more parties in our decision-making processes.
- Allowing us to play a social role through the management of our customers' assets and the succession management of their financial assets.

Our stakeholders interact with the Group in the course of its business and collectively play a key role in influencing strategic management decisions. The graph below shows the importance of our main stakeholders in relation to our business model, measured in terms of their influence/dependency on the Fideuram Group.

STAKEHOLDERS MATRIX



The Fideuram Group's principal stakeholders are mapped below.

Stakeholder map (*)

		2016	2015	
 Customers	Fideuram customers (No.)	528,091	515,188	
	Sanpaolo Invest customers (No.)	140,737	136,914	
	Intesa Sanpaolo Private Banking customers (No.)	35,933	35,168	
	Sirefid Customers (No.)	2,404	2,590	
	High Net Worth Individuals Private Banking customers	Intesa Sanpaolo Private Bank (Suisse) customers (No.)	377	307
	Affluent customers	Client Assets (€m)	198,026	188,898
	Mass Market customers	Average length of customer relationship Fideuram and Sanpaolo Invest Networks (years)	13.0	12.8
		Average length of customer relationship Intesa Sanpaolo Private Banking Network (years)	11.1	11.3
 Shareholder	Fideuram ordinary shares (No.)	1,500,000,000	1,500,000,000	
	Par value (€)	no-par share	no-par share	
	Intesa Sanpaolo S.p.A.	Shareholders' equity (€m)	1,981	1,877
		Consolidated pay-out (%) (**)	90.9	75.1
		Separate pay-out (%) (**)	99.8	99.7
		Counterparty rating (Standard & Poor's)	BBB-/Stable	BBB-/Stable
 Colleagues	Employees	Employees: men (No.)	1,676	1,633
		Employees: women (No.)	1,334	1,295
		Graduate employees (%)	46	44
		Turnover (%)	9.6	10.3
		Average training hours per employee (No.)	41	41
	Personal Financial Advisers	Personal Financial Advisers (No.)	5,848	5,846
		Client Assets / Number of Personal Financial Adviser (€m)	34	32
		Average training hours per Personal Financial Adviser (No.)	66	64
 Suppliers	Business partners	IT services (€m)	18	23
		Building management (€m)	54	56
	Large Suppliers	Third-party services (€m)	105	107
		Professional and insurance costs (€m)	21	16
	Small Suppliers	Advertising and promotional costs (€m)	8	9
		Other expenses (€m)	45	36
 Community	Leading investment companies	Charitable and other donations (€m)	0.3	0.4
	Non-profit organisations	Current taxes (€m)	292	299
	Public institutions	Indirect taxes and levies (€m)	222	223
	Local Media			
 Environment	Environmental organisations	Paper consumption per employee (kg)	70	74
	Future generations			

(*) The figures take the contributions of Intesa Sanpaolo Private Banking, Sirefid and Intesa Sanpaolo Private Bank (Suisse) into account as if the company transactions had become effective as of 1 January 2015.

(**) The figure for 2016 includes interim dividends totalling €600m, and the figure for 2015 includes interim dividends totalling €501m.

Creating value for our stakeholders is one of the Fideuram Group's prime objectives.

The graph below shows the distribution of the wealth created by the Group, recognised in the consolidated income statement and transferred to its stakeholders.

 Further information on pages 62, 342



Customers

The value created for our **Customers** is reflected in the returns obtained through the subscription of financial products offered by the Group.

Colleagues

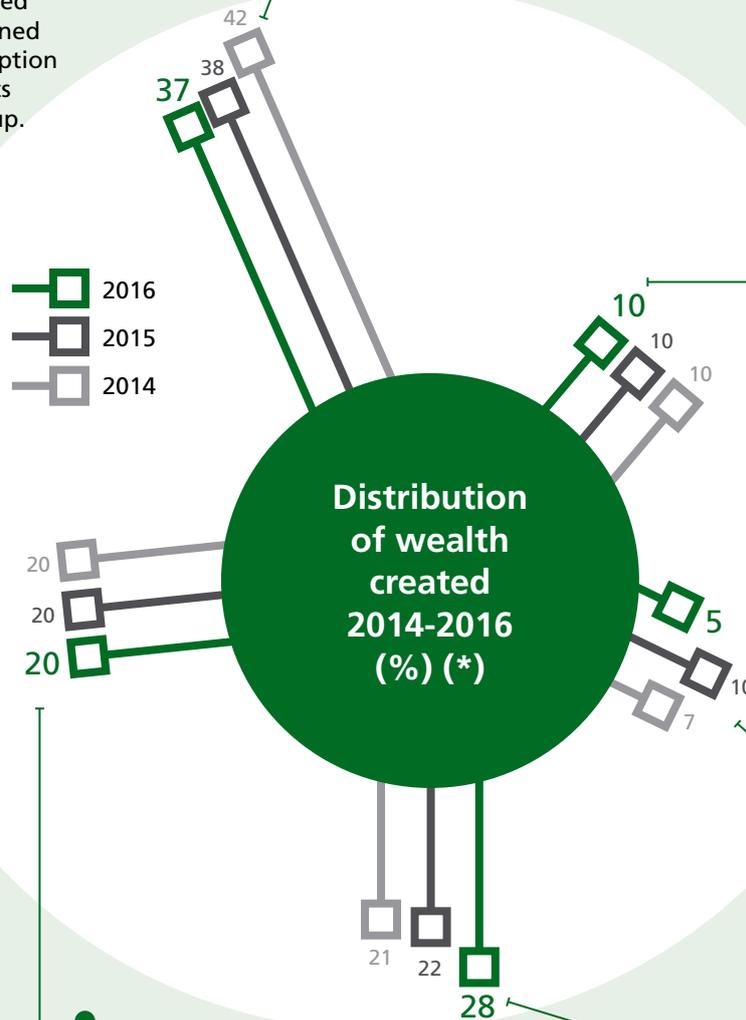


- Fee and commission expense
- Personnel expenses
- Provisions for the termination of agency agreements and for the Personal Financial Adviser network loyalty schemes



Suppliers

- Administrative expenses



Government, Bodies and Institutions, Community and Environment

- Fee and commission expense
- Administrative expenses (donations)
- Direct taxes
- Indirect taxes and levies



Shareholders and non-controlling interest shareholders

- Dividend income



Value retained

(*) Restated where necessary to take the changes in the scope of consolidation into account so that straight comparisons can be made.

1.7 Risk management

The business model on which the Fideuram Group's value-creation process is based and the activities carried out to implement it involve a series of risks to which the Group is exposed, which it manages through a series of targeted actions.

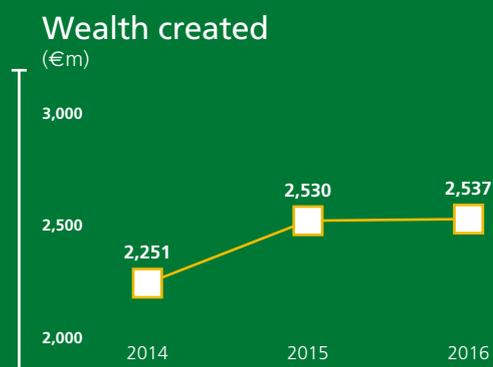
The following are shown below for each activity: the type of risk, the mitigation measures adopted and the stakeholders involved, together with the impact of each activity on the consolidated income statement.



Further information
on pages 129, 193-201, 272-303

	ACTIVITY	TYPE OF RISK	RISK MITIGATION MEASURES	INCOME EFFECTS	STAKEHOLDERS INVOLVED
INCOME	The Group specialises in the provision of financial advisory services and the development, management and distribution of banking, insurance, pension and investment products through its Personal Financial Adviser Networks	Operational risk Reputational risk Performance risk	<ul style="list-style-type: none"> Application of Intesa Sanpaolo operational risk measurement, management and control guidelines Establishment of a litigation fund for any legal proceedings Insurance policy taken out to cover any offences by Personal Financial Advisers Dynamic customised management of customers' financial assets Commercial Due Diligence for Private Banking customers 	<ul style="list-style-type: none"> Fee and commission income Other income 	CUSTOMERS PERSONAL FINANCIAL ADVISERS SHAREHOLDER COMMUNITY
	The Group operates on the financial markets as a proprietary trader, buying and selling financial instruments and putting instruments in place to mitigate the related risks	Credit risk Liquidity risk Market risk Operational risk	<ul style="list-style-type: none"> Application of the Group Investment Policy which subjects the securities holdings to limits regarding asset allocation, rating, currency area, geographical area, sector concentration and counterparty Monitoring current exposures and auditing hedge effectiveness 	<ul style="list-style-type: none"> Net interest income Net profit (loss) on trading activities Net profit (loss) on hedging derivatives Net profit on sales or repurchases Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss 	SHAREHOLDER
	The Group provides loans to its customers and operates on the interbank market	Credit risk Liquidity risk Market risk Operational risk	<ul style="list-style-type: none"> Acquisition of collateral and personal security or irrevocable mandates to sell financial instruments Analysis of counterparty creditworthiness, monitoring of any deterioration in collateral and regular reviews of every position 	<ul style="list-style-type: none"> Interest income 	SHAREHOLDER CUSTOMERS
COSTS	The Group's main sources of inflows are deposits and current accounts (banks and customers)	Liquidity risk Market risk Operational risk	<ul style="list-style-type: none"> Liquidity control, maintaining a balanced relationship between inflows and outflows in both the short and medium-to-long term 	<ul style="list-style-type: none"> Interest expense 	SHAREHOLDER CUSTOMERS
	The Group invests in its people: Employees Personal Financial Advisers	Operational risk Reputational risk Social risk	<ul style="list-style-type: none"> Training activities Development of written procedures, circulars and regulations 	<ul style="list-style-type: none"> Personnel expenses Fee and commission expense Net provisions for risks and charges Other operating expenses 	EMPLOYEES PERSONAL FINANCIAL ADVISERS SHAREHOLDER
	The Group invests in its operating departments	Operational risk Reputational risk Environmental risk	<ul style="list-style-type: none"> Application of internal regulations regarding expenditure which aim to ensure continual improvement in quality standards and an attentive supplier selection process 	<ul style="list-style-type: none"> Other administrative expenses Depreciation and amortisation 	CUSTOMERS EMPLOYEES PERSONAL FINANCIAL ADVISERS SUPPLIERS SHAREHOLDER

- 2.1 Chairman's Statement
- 2.2 Managing Director's Statement
- 2.3 Group strategy





2. Strategies

2.1 Chairman's Statement



Matteo Colafrancesco
Chairman

The ambition of our Integrated Annual Report is to equip stakeholders to analyse our performance through exhaustive quantitative data, but also much more extensively.

I am increasingly convinced that it is not numbers that guide behaviour, but rather that behaviour is a consequence of our interpreting and performing the role of personal financial adviser appropriately, assisting our customers to manage their assets effectively and wisely.

Our 2016 results, presented in exhaustive detail in this document, really say just one thing: that our Group has again shown, as in prior years, that quality of customer service is the only true, stable, sustainable source of income for our companies.

Service quality that takes the form of interpreting the importance of financial advisory support appropriately every day, guiding customers towards more informed investment choices in every market phase to meet their medium-to-long term needs.

Never before has our country so needed highly-skilled advisory support. A broad range of exogenous factors (macroeconomic, geopolitical and socio-demographic) mean that only structured, professional advisory support can help Italian households protect and grow their savings. And pass this fundamental asset on to their future generations.

A single vocation. A single mission. A dedication that has constantly spurred us on and still drives us to extend the services we offer our customers. Taking us to provide advisory services that go beyond financial wealth to corporate and real-estate assets, while also serving our customers' entire households, including with cross-generational support. Thereby providing advisory support that becomes an asset in itself.

That is the principal challenge which awaits us. And I am convinced that, firmly rooted in the history and professionalism that have always distinguished us, we will rise to that challenge successfully with our habitual determination.

A handwritten signature in black ink, consisting of several stylized, connected loops and a final vertical stroke.

// **Quality of customer service is the only true, stable, sustainable source of income for our companies** //

2.2 Managing Director's Statement

The opening paragraphs of last year's Annual Report celebrated the initial results of the newly-formed Fideuram - Intesa Sanpaolo Private Banking.

2016 proved more complex than anticipated. The geopolitical scenario was marked by events during the year that were not easily foreseeable and often had surprising effects.

It was a complex and volatile year which did not, however, in any way undermine our ability to create value for all our stakeholders. Indeed, quite the reverse.

We are even stronger today, increasingly attractive to customers and professionals alike, and have successfully maintained our capacity to invest in new projects unchanged. And all for one reason: the high-quality work of our Personal Financial Advisers, staff and managers in Italy and abroad every day.

Sharing the same passion, enthusiasm and focus on identifying solutions able to create value for our customers, united by the same sense of responsibility, they have enabled us to achieve record results.

But the goals we have achieved are not so much an endpoint as a further stimulus. To continue innovating our service model, aligning it ever more closely with our customers' needs. To offer investment opportunities that are tailored to a changing scenario. And to advance our customer relationship tools, exploiting technology to the full.

Aware of our strengths and equally of the extraordinary need for advisory support in our country, we aim to pursue our growth plans with ceaseless energy.

Thanks to you, all of you - our personal financial advisers and employees for the quality of your work, our shareholders for your support, and our customers for the faith you place in us every day.

Paolo Molesini



Paolo Molesini
Managing Director

€8.5bn
Total net inflows

€2.9bn
Net Inflows into managed assets

€198bn
Client Assets

15.2%
Financial solidity

5,848
Personal Financial Advisers

€786m
Net profit

2.3 Group strategy

The formation of the Intesa Sanpaolo Group's new Private Banking Division presents Fideuram - Intesa Sanpaolo Private Banking with a fresh challenge that could lead to the creation of Europe's first Private Advisory Bank.

The continuous pressures on the banking system and growing sophistication of the financial markets in an increasingly complex regulatory framework have led to greater competition not only in Italy but worldwide, requiring Private Banking professionals to offer ever higher levels of expertise and professionalism. Traditional financial planning needs to be accompanied by a high level of advisory support in this scenario, particularly where high-end customers are concerned, based on a specialist Personal Financial Adviser - customer relationship model that is designed to satisfy a continually growing number of needs with personalised products and services. The digital revolution is transforming the way advisers and customers interact, increasing business opportunities and the productivity of Personal Financial Advisers. Growth has eased in the off-shore market for high-end customers due to stricter transparency requirements and a reduction in tax benefits. We are therefore heading towards the creation of a transparent international Private Banking market. The difficulties of the real economy and continued market volatility have further highlighted the potential of financial advisory services and the importance of a business model centred on skilled Personal Financial Advisers.

Bringing Intesa Sanpaolo Private Banking and Banca Fideuram together has created the first Italian Group dedicated to Private Banking and High Net Worth Individual customers. The Group's leadership is based on the central role of our distribution channel, comprising three Personal Financial Adviser Networks.

Our strategies are founded on our business model and focused on the following guiding principles:

- A central department with considerable operational autonomy.
- An integrated group with a market view and strategic asset allocation that are both unique.
- The constant enhancement of a service model centred on the professional relationship with our customers, supported by the strength of three separate networks with different core characteristics and specialist areas tailored to their respective customer segments.

The new model has proved superior to those of traditional banks and financial adviser networks in its sharing of best practices learned from previous experience.

The Private Banking Division will also continue to implement its existing core-business-aligned strategies in 2017, in line with the objectives of the Intesa Sanpaolo Group 2014-2017 Business Plan:

1. Strengthen our Private Banking provision in Italy by:

- Extending our dedicated organisational management (Private Wealth Management) and developing our advisory services for customers with complex needs.
- Improving our geographical coverage with Private Banking Centres in key areas.
- Extending the services we offer, including to cater for non-financial needs (family, tax and business etc.).

2. International Development of the Business by:

- Relaunching our Private Banking provision already established outside Italy: Intesa Sanpaolo Private Bank (Suisse) (the second largest private banking market in Europe by size).
- Entering the United Kingdom, the premier Private Banking financial market in Europe, with the recent opening of the Intesa Sanpaolo Private Banking London Branch dedicated both to Group private banking customers and to international customers.
- Establishing a wealth management company in China to distribute financial products to high-profile customers.

Our revitalised presence in Switzerland and entry into the United Kingdom and in China are part of a project that will bring Fideuram - Intesa Sanpaolo Private Banking increased representation and greater effectiveness in the largest Private Banking markets, together with higher growth through the prospective opening of branches in other countries.

3. Focus on the HNWI customer segment following two key rationales:

- Ensure excellence of service and support for the complex needs of the Group's top customers, including by leveraging external expertise.
- Consolidate the Group's competitive position in the Italian market by significantly increasing its market share in this customer segment.

Our HNWI Centre of Excellence will benefit from strategic positioning in line with European best practice, offering an extended range of dedicated products and services. Our "HNWI Service Hub" will be strengthened with the addition of a central department responsible for the provision of specialist services, including Investment Solutions, Wealth Advisory, Corporate Advisory, Real Estate and other services. A specialist network of "HNWI Branches" will also be established in and outside Italy with the aim of converging the most important relationships and top Personal Financial Advisers in a small number of operating centres.

4. Expand our range of products and services using our Investment Center and Central Intelligence to formulate Strategic Asset Allocation that provides unified coordination of all the following:

- **Investments:** market, asset class and strategic asset allocation analyses and views.
- **Products and Services:** market analyses, benchmarking, strategic and tactical portfolio management, and the coordination of discretionary accounts. Continually develop our range of managed financial asset products and services, focusing in particular on wrapper solutions. Enhance our range of insurance and pension products, focusing on wealth protection.
- **Partnerships:** develop strategies regarding and improve selection of third-party products.
- **Group product development centres:** coordinate the Group's product companies to maximise the results for customers.

5. Further develop our Advanced Advisory Services:

- Advance the services by extending the range of financial and non-financial needs covered, together with the related supporting tools.
- Enhance our advanced financial advisory services and further increase their take-up by network customers.

6. Technological innovation:

- Share Group best practices to ensure customers can depend on outstanding service across the board, from advisory support and asset management to desktop management.
- Develop our Personal Financial Advisers' digital presence management platform, deploying innovative customer communications tools and a virtual office to ensure the provision of constant advisory support.
- Develop smartphone and tablet applications.

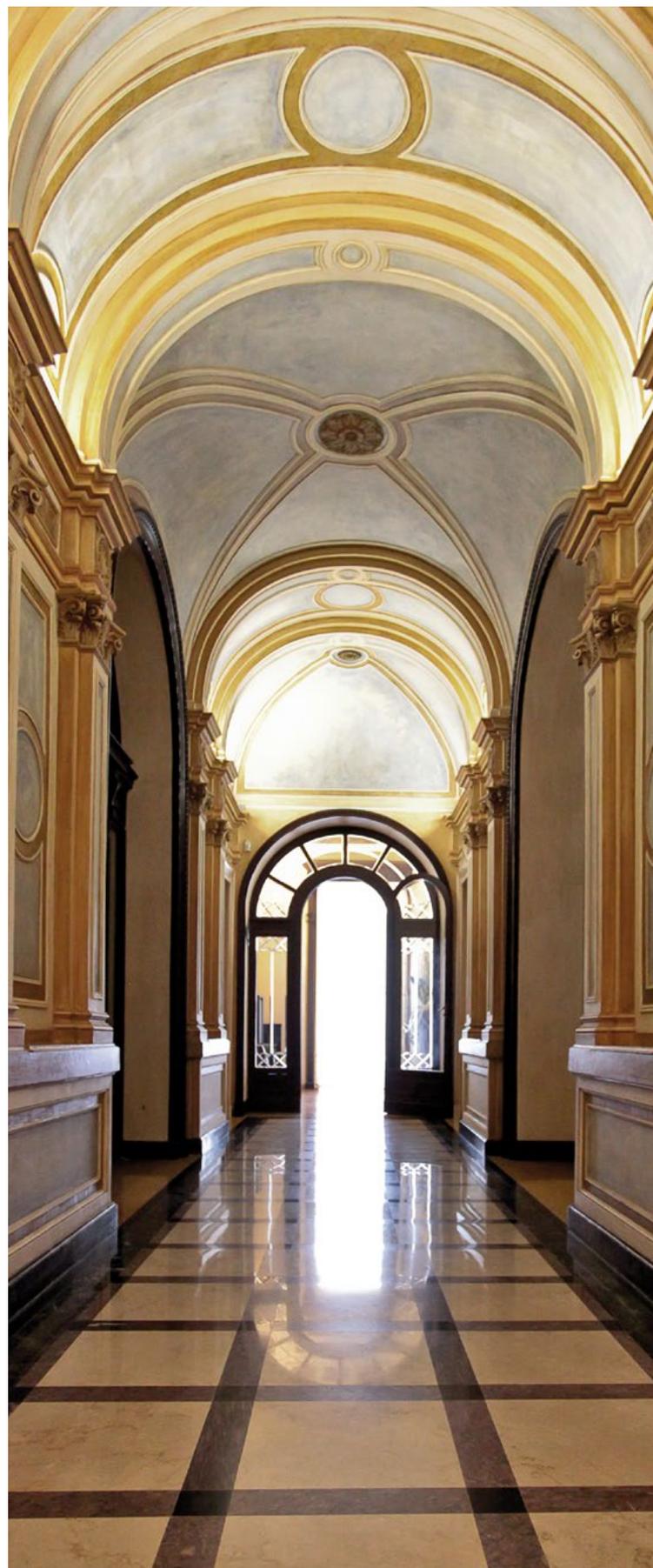
7. Develop the professional expertise of our Personal Financial Advisers:

- Recruit highly-experienced and professional Personal Financial Advisers, particularly from the world of banking, both in and outside Italy.
- Improve productivity through professional development programmes focused in particular on enhancing the distinctive strengths resulting from our network service model.
- Recruit young talent to improve sustainability in the medium-to-long term.

8. Social and environmental focus:

- Play an active role supporting and working with area bodies and local communities, taking part in scientific, cultural, humanitarian and welfare initiatives.
- Develop our ethical fund (Fonditalia Ethical Investment).
- Promote financial culture.
- Interventions to reduce our environmental footprint.

The eight lines of action described above are focussed on achieving eight strategic objectives that will collectively enable the Group to achieve its prime goal of **creating value sustainably over time**.



Fideuram - Turin Office

- 3.1 Economic scenario
- 3.2 Group competitive position
- 3.3 Financial risk

The **MSCI ACWI index**
(in dollars) stood at
421.84 at
31 December 2016 (399.36
at 31 December 2015)

Source: Bloomberg

The performance of
the **financial markets**
had a €**0.6bn**
positive impact on
the Group's
client assets



3. Operating and market context

3.1 Economic scenario

World economic growth slowed slightly in 2016 compared with the previous year. The deceleration of the advanced economies, which was largely a result of disappointing US growth in the first half of the year, was only partially offset by the recovery of the emerging economies.

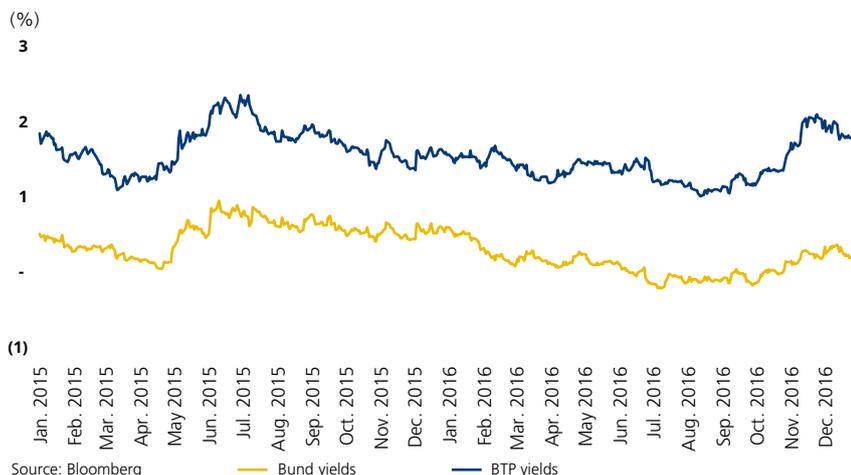
Inflation was fairly low at the beginning of the year, but started to rise again in the Autumn both as a result of base effects and rising oil prices. During the early weeks of the year, the combined pressure of a series of factors (fears regarding China and its exchange rate policy, falling oil prices, the state of the banking system in Europe and deteriorating macro data from the USA) caused a steep fall in the stock markets and a sharp correction in bond yields. The central banks' initial response proved ineffective, but the switch to a more accommodative stance by the Federal Reserve and European Central Bank, together with the Chinese authorities' ability to support growth and limit capital outflows, subsequently stabilised the markets. The Federal Reserve, which had increased rates in mid-December 2015 and in fact announced its intention to implement four further rate hikes in 2016, had to review its plans as early as the March meeting of the Federal Open Market Committee and adopt a decidedly more accommodative approach.

March also saw the European Central Bank increase the purchases under its Quantitative Easing programme from €60bn to €80bn per month, while also extending it to non-bank corporate bonds and introducing new long-term refinancing operations, which are particularly attractive to the banking system, in order to encourage lending to the private sector. However, the unexpected outcome of the Brexit referendum in the United Kingdom at the end of June caused another negative shock to the markets, with significant falls in share prices and bond yields that took the latter to new lows in Europe and USA. On the other hand, the feared negative repercussions on the British economy and euro area never materialised in the months following the vote. The most significant development in the final weeks of the year was again a political event, with the unexpected victory of Donald Trump in the US presidential election, which shifted the markets' attention from monetary to fiscal policy. The prospect of continued economic expansion in the USA with the adoption of the fiscal

stimulus measures in Trump's election manifesto prevailed over fears of a shift towards a more protectionist stance, and the stock markets ended the year strongly.

GDP growth in the **USA** decelerated unexpectedly in 2016, with a sharp downturn in the first half of the year, when annualised average growth barely exceeded 1%. GDP growth accelerated again in the third quarter as a result of the negative contribution of stocks coming to an end and of a fluctuation in exports, but then slowed again in the fourth quarter, while nevertheless remaining fairly buoyant. With growth recovering, the labour market strengthening further (unemployment was down to 4.7% at year-end) and core inflation close to target levels, the Federal Reserve increased rates by 25 basis points at its mid-December meeting, in line with market expectations. The final weeks of the year saw the markets' attention shift to Donald Trump's surprise victory in the US presidential election with a programme of substantial fiscal stimulus centred on tax cuts and increased public spending on infrastructure and defence, alongside protectionist measures.

10-year Bund and BTP yields



The **euro area** also experienced significant tensions in the financial markets at the beginning of 2016 as a result of uncertainty over the effectiveness of the actions taken by the central banks. In addition, the European Union simultaneously found itself having to deal with the refugee crisis and threat of terrorism. Notwithstanding these difficulties, euro area GDP growth was solid thanks to strong domestic demand, with robust consumer spending (buoyed by a gradual improvement in the labour market) and public spending (up for security and

refugee reception). The real economy, moreover, proved unexpectedly resilient to the shock resulting from the Brexit referendum in late June, and business confidence indexes showed a surprising improvement at year-end thanks to a recovery in the manufacturing sector. Inflation gradually began edging up towards 1% from the Autumn, but only due to rising oil prices. Core inflation remained low, on the other hand, and was lower at the end of 2016 than at the beginning of the year, pointing to a need for ongoing monetary policy support. In December, the European Central Bank therefore decided to prolong its Quantitative Easing programme by a further nine months instead of ending it in March 2017 as planned, but at a lower level of €60bn instead of €80bn per month.

The leading emerging economies in **Asia** saw economic growth stabilise during 2016, with falling commodity prices having a negative impact on exporting countries. In China, the gradual slowdown in economic growth continued as a result both of weak foreign demand and decreased investment. The authorities moved to support economic growth with an accommodative fiscal policy and substantial increase in lending, while monetary policy was relegated to a secondary role notwithstanding low inflationary pressures. The strong performance of the real estate sector also helped to avoid an excessive slowdown in growth, although house price acceleration raised fears of a new bubble, leading to restrictive measures. Downward pressure on the yuan led to a fall in currency reserves and capital outflows at the beginning of the year and then again at the end, increasing concerns over the stability of the financial system.

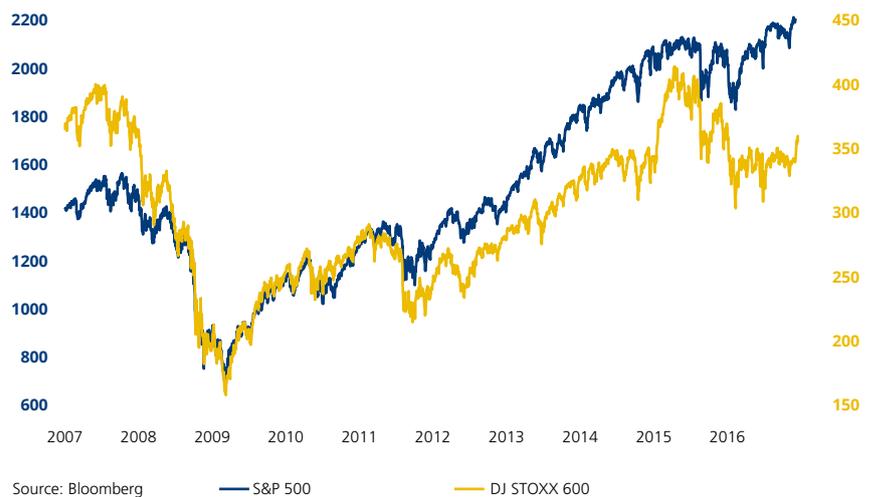
Japanese economic growth remained fairly modest during 2016. The Bank of Japan's decision to bring in negative interest rates at the end of January was not greeted positively by the financial sector and did not prove to be particularly effective. Core inflation fell back into negative territory from the second quarter, partly due to falling oil prices, forcing the central bank to repeatedly revise its inflation forecasts downwards. In September, the Bank of Japan therefore decided on a complete change of strategy, adopting a yield-curve control poli-

cy and committing itself not only to achieving but to exceeding a target inflation rate of 2%. The rapid depreciation of the yen against the dollar towards the end of the year - an effect of the US presidential election result - facilitated the central bank's strategy.

On the financial markets, the S&P 500 index in the USA returned 9.5% in 2016, while the European stock markets recovered almost all the losses they had suffered at the beginning of the year (-1.2% for the DJ STOXX 600), although the Italian market lagged behind (-10.2% for the FTSE-MIB), its performance impacted in particular by the problems of the country's banking sector. The Japanese market also ended the year down slightly (-1.8% for the Topix index),

while the emerging markets, although weak at year-end, performed well overall (+8.6% for the MSCI index in US dollars). Bond yields, which were widely depressed throughout 2016, began to rise again after Trump's election. In the USA, ten-year government bond yields ended the year 20 basis points up on the beginning of the year, while ten-year Bunds, which had dipped into negative territory during the summer, were just under 30 basis points at the end of the year (down approximately 40 basis points from the beginning of the year). The ten-year Italian BTP/Bund spread increased by approximately 60 basis points. Trump's victory was followed by a significant strengthening of the dollar, which reached its highest value against the euro since the end of 2002.

Share markets performance



Bond market performance (10-year government bond yields)



3.2 Group competitive position

The Fideuram - Intesa Sanpaolo Private Banking Group is a leader in the provision of advisory support and financial products and services for high-end customers.

The Group's distribution model is built on three well-known brands, Fideuram, Intesa Sanpaolo Private Banking and Sanpaolo Invest. All three have consolidated reputations of longstanding on the Italian market among customers and Personal Financial Advisers alike, strengthened by their networks' constant ability to act as a melting pot, synergistically bringing together not just individual professionals in the sector but entire companies as well.

Completing the picture is our strong profitability (the highest Return on Equity in our market), which leverages the economies of scale of having average client assets per Personal Financial Adviser of approximately €34m.

The Group has a leading position in its reference market (Asset Gathering), being ranked ninth in Europe and fourth in the euro area for client assets.

The Group is, moreover, the undisputed leader of the Italian managed assets market and in the distribution of financial products through networks of financial advisers registered in the Unified Register of Financial Advisers, taking a very solid first place in the Assoreti ranking with a 41% market share at 31 December 2016 (amounting to approximately €192.9bn). In 2016, the Group was also ranked first for total new inflows (€7.8bn) and third for net inflows into managed assets (€2.6bn).

The tables below analyse the assets management market and net inflows by the main Groups operating in Italy.

Top 10 Private Banking operators in Europe

(30.6.2016 - €bn)

	AUM
UBS	854
Credit Suisse	560
Pictet (*)	362
Deutsche Bank	361
BNP Paribas	331
HSBC	325
Julius Bar	284
ABN-AMRO	193
Fideuram - Intesa Sanpaolo Private Banking	188
Santander (*)	161

Source: Financial statements

(*) Figures at 31.12.2015

Market share by Client Assets

(€bn)

	31.12.2016		31.12.2015	
	CLIENT ASSETS	% OF TOTAL CLIENT ASSETS	CLIENT ASSETS	% OF TOTAL CLIENT ASSETS
Fideuram Group (*)	192.9	41.0	184.0	42.4
Banca Mediolanum	64.3	13.6	58.1	13.4
Fincobank	51.4	10.9	47.0	10.8
Banca Generali Group	47.5	10.1	41.6	9.6
Allianz Bank	40.3	8.6	36.8	8.5
Azimet Group	36.0	7.6	32.6	7.5
Finanza e Futuro	14.1	3.0	13.7	3.2
Unione di Banche Italiane Group	8.7	1.8	8.0	1.8
Banca Monte dei Paschi di Siena	5.9	1.3	5.9	1.4
Credito Emiliano Group	5.4	1.1	4.7	1.1

Source: Assoreti

(*) Includes the client assets of the Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking Networks.

Total Net Inflows and Net Inflows into Managed Assets

(€bn)

	2016		2015	
	TOTAL NET INFLOWS	NET INFLOWS INTO MANAGED ASSETS	TOTAL NET INFLOWS	NET INFLOWS INTO MANAGED ASSETS
Fideuram Group (*)	7.8	2.6	7.8	10.0
Banca Generali Group	5.7	4.0	4.6	4.1
Banca Mediolanum	5.6	3.3	4.7	4.2
Fincobank	4.3	1.8	4.9	2.6
Allianz Bank	3.3	2.5	3.8	3.1
Azimet Group	3.2	2.4	4.3	3.2
BNP Paribas Group	1.2	0.8	n.p.	n.p.
Unione di Banche Italiane Group	0.7	0.3	0.8	0.6
Credito Emiliano Group	0.7	0.4	0.6	0.4
Finanza e Futuro	0.6	0.5	1.6	0.9

Source: Assoreti

(*) Includes the inflows of the Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking Networks.

n.p.: not provided

3.3 Financial risk

The main risks and uncertainties that the Group faces in doing business in the current macroeconomic and market scenario are summarised below.

CORPORATE CONTINUITY

The Group ended the year with net profit totalling €786m and a Return on Equity of 41%, which are highly impressive results in themselves but even more so when considered in the light of the macroeconomic environment that characterised last year. Financial resources acquired as customer deposits through current accounts, deposits and repurchase agreements totalled €27.6bn, up 29% on the end of 2015. Group shareholders' equity totalled €2bn, still impacted by valuation losses on the available-for-sale portfolio totalling €98m. Fideuram's own funds totalled €975m and its total capital ratio was 14.2%. The Consolidated Total Capital Ratio was 15.2%.

Fideuram is able to pay its shareholder a significantly higher dividend this year

€786_m

Consolidated net profit

€714_m

Dividends paid

than last year (+€153m), with a total payout that has risen from €561m to €714m (including the €600m interim dividends paid in December 2016), and a payout ratio of 90.9% of consolidated net profit and 99.8% of the net profit of Fideuram - Intesa Sanpaolo Private Banking S.p.A..

The Group's stability has a fourfold foundation:

- A business model which integrates production and distribution.
- Appropriate staff distribution across head offices and networks, with a good balance between fixed and variable costs.
- Effective management of legal and tax disputes with sufficient provisions set aside (the provision for litigation, securities in default and complaints totalled 6% of Group shareholders' equity).
- A liquidity risk monitoring system.

MANAGED ASSETS

Total net inflows came to €8.5bn, a particularly strong result in the current economic situation that contributed to 5% growth in client assets, which was also helped by the market performance of the assets themselves (+€0.6bn). Analysis of the item shows an increase in managed assets, which rose from €132bn to €136.5bn (+3%). Non-managed assets were also up on the previous financial year, rising from €56.9bn to €61.5bn (+8%).

The rise in average managed assets to above last year's levels (€130.6bn at the end of 2016, a €0.3bn increase on 2015), in addition to a shift in the assets' product mix, drove up total net recurring fees, which had increased to €1.4bn at year-end, up 3% on the previous financial year. Net performance and front-end fees were, on the other hand, down €8m and €10m respectively from the figures for 2015.

SECURITIES HOLDINGS AND RELATED FINANCIAL RISKS

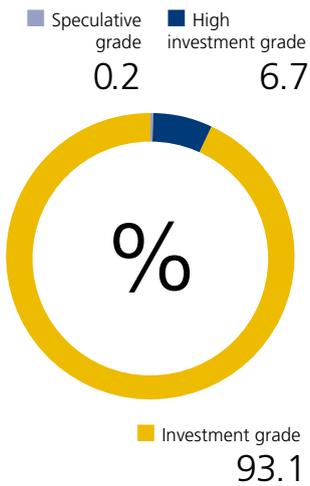
The Group continued to calculate the fair value of its bond holdings directly from their market value, and only made marginal use of financial models to price unlisted or illiquid assets.

The bank portfolio, which totalled €12.1bn at the end of 2016 (€10.4bn at 31 December 2015), consisted almost entirely of bonds, of which 22% were Italian government bonds and 62% bonds issued by Intesa Sanpaolo Group companies. As mentioned earlier, a negative reserve for available-for-sale securities was stated under shareholders' equity at year-end, totalling €98m (€67m at 31 December 2015). The increase in this reserve was largely due to fair value losses on the government issues in the portfolio. Analysis of the securities holdings shows continued high loan quality, with 6.7% of the investments being rated high investment grade, 93.1% investment grade and only the remaining 0.2% speculative grade.

There were no toxic securities or Irish, Portuguese or Greek government bonds in the portfolio at 31 December 2016. It should be noted that the Group portfolio has no exposure to the American subprime mortgage market and likewise has no exposure to any vehicle companies not included in the consolidation.

The Group's total exposure to interest rate risk was mitigated following a strategy of buying swaps linked to the individual fixed-coupon bonds in the portfolio. Hedging derivatives totalling €1.1bn were stated under liabilities in the balance sheet at year-end 2016. The hedges regarded the Group's available-for-sale securities (40%) and the securities in the loan portfolio (31%).

Composition of portfolio



Fideuram - Florence Office

LIQUIDITY RISK

Analysis of the Group's consolidated liabilities shows the prime role of customer deposits, which totalled approximately €27.6bn at year-end and principally comprised deposits that are highly stable over time. More volatile markets exposed to crisis of confidence situations, such as the money market (through interbank loans), are conversely allocated a more limited role in funding the Group's business.

Liquidity from liabilities is mainly invested in a portfolio of securities with medium-to-long term maturities con-

taining a substantial proportion of eligible securities. The Group has put in place a liquidity monitoring system based on the quantification of inflows and outflows, focusing its controls both on indicators quantifying short-term risk and on structural liquidity indicators, aiming to monitor and manage mismatch risk regarding the medium/long-term maturities of assets and liabilities.

CONCLUSIONS

The Group's business model and the strategies adopted to put our future growth plans into effect leave us strongly placed to tackle the volatility of the financial markets without any impact on our business continuity.



Fideuram - Florence Office

- 4.1 Overview of 2016
- 4.2 Reclassified financial statements
- 4.3 Client financial assets
- 4.4 Inflows into managed and non-managed assets
- 4.5 Customer segmentation
- 4.6 Advanced advisory service
- 4.7 Economic, financial and sustainability results
- 4.8 Events after the reporting period and outlook

Total net inflows

came to **€8.5bn**
(including **€2.9bn** inflows
into managed assets)

Return on Equity
(R.O.E.) was

41% and the
Cost/Income ratio

was **30%**



4. Performance

4.1 Overview of 2016

The Fideuram - Intesa Sanpaolo Private Banking Group ended 2016 with **consolidated net profit** of €786m, up €39m (+5%) on the €747m achieved with the newly-consolidated companies in 2015. The figure for last year's net profit takes the contributions of the newly-consolidated companies acquired at the end of June 2015 into account as if the company transactions had become effective as of 1st of January so that straight comparisons can be made. The wealth created by the Group's business totalled €2.5bn at 31 December 2016, up slightly (+€7m) from last year. The return on equity (R.O.E.) was 41%.

Net of the expenses for maintaining the stability of the banking system, Group profit totalled **€804m**, up €48m (+6%) on last year.

Analysis of the main income-statement items shows that profit before tax from continuing operations increased notwithstanding the volatility of the financial markets in 2016. Operating income was up €63m (+4%) on last year, mainly due to a €76m increase in net fee and commission income (+5%) and a €6m decrease (-1%) in operating expenses compared with 2015. This was, moreover, achieved while simultaneously increasing the net



Fideuram - Intesa Sanpaolo Private Banking - Turin, Registered Office

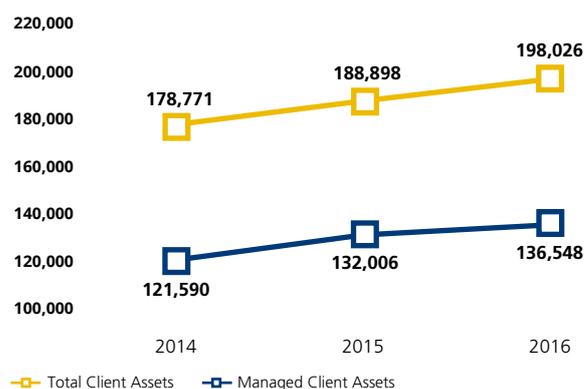
provisions for risks by approximately €4m (+11%). The Group's Cost/Income Ratio improved to 30% from 32% in 2015.

At 31 December 2016, there were 5,848 Personal Financial Advisers in the Group's networks, compared with 5,846 at 31 December 2015. Client assets per Personal Financial Adviser were approximately €34m at 31 December 2016, up €2m on the previous year. Group staff totalled 3,010, up from 2,928 at 31 December 2015 mainly as a result of the growth of our distribution and sales networks. Bank branches totalled 228 and Personal Financial Advisers' offices totalled 324.



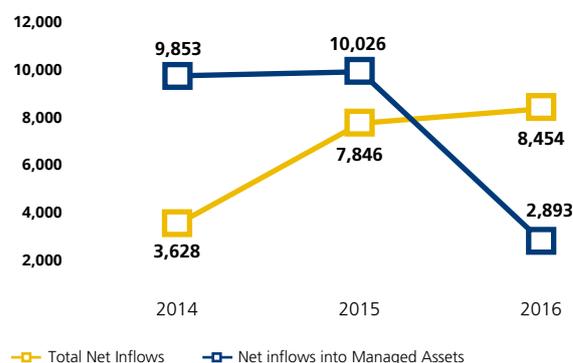
Client Assets (*)

(€m)



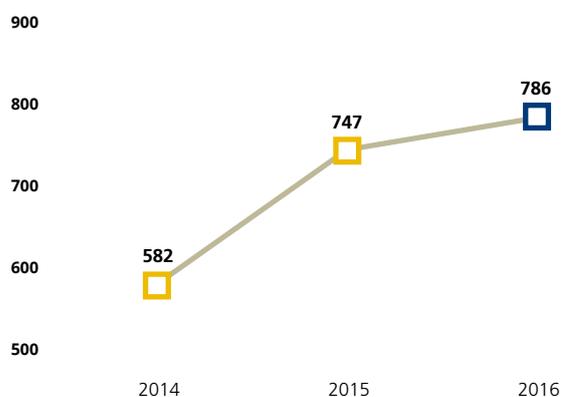
Net inflows (*)

(€m)



Consolidated net profit (*)

(€m)



(*) Restated where necessary to take the changes in the scope of consolidation into account so that straight comparisons can be made.

4.2 Reclassified financial statements

Consolidated balance sheet

(Reclassified - €m)

	31.12.2016	31.12.2015	CHANGE	
			AMOUNT	%
ASSETS				
Cash and cash equivalents	71	60	11	18
Financial assets (other than loans and held-to-maturity investments)	4,533	4,672	(139)	-3
Held-to-maturity investments	125	297	(172)	-58
Loans and advances to banks	18,705	13,223	5,482	41
Loans and advances to customers	9,602	8,973	629	7
Hedging derivatives	3	2	1	50
Equity investments	141	129	12	9
Property and equipment	40	39	1	3
Intangible assets and goodwill	181	175	6	3
Tax assets	180	174	6	3
Other assets	1,091	1,095	(4)	-
TOTAL ASSETS	34,672	28,839	5,833	20
LIABILITIES				
Due to banks	2,665	3,110	(445)	-14
Due to customers	27,561	21,419	6,142	29
Financial liabilities held for trading	27	28	(1)	-4
Hedging derivatives	1,103	977	126	13
Tax liabilities	64	80	(16)	-20
Other liabilities	813	917	(104)	-11
Provisions for risks and charges	458	431	27	6
Equity attributable to owners of the parent company	1,981	1,877	104	6
TOTAL LIABILITIES	34,672	28,839	5,833	20

Consolidated income statement

(Reclassified - €m)

	2016	2015	CHANGE	
			AMOUNT	%
Net interest income	161	187	(26)	-14
Net profit (loss) on financial assets and liabilities	35	20	15	75
Net fee and commission income	1,543	1,467	76	5
OPERATING INCOME BEFORE NET IMPAIRMENT	1,739	1,674	65	4
Net impairment	(2)	-	(2)	n.s.
OPERATING INCOME	1,737	1,674	63	4
Personnel expenses	(284)	(289)	5	-2
Other administrative expenses	(225)	(225)	-	-
Depreciation and amortisation	(15)	(16)	1	-6
OPERATING EXPENSES	(524)	(530)	6	-1
Net provisions for risks and charges	(40)	(36)	(4)	11
Profit (loss) on equity investments	10	9	1	11
Other income (expense)	(3)	(6)	3	-50
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	1,180	1,111	69	6
Income taxes for the year on continuing operations	(343)	(332)	(11)	3
Expenses regarding the banking system (net of tax)	(18)	(9)	(9)	100
Non-recurring income (expenses) (net of tax)	(33)	(23)	(10)	43
Net profit (loss) attributable to non-controlling interests	-	(153)	153	-100
NET PROFIT	786	594	192	32

n.s.: not significant

4.3 Client financial assets

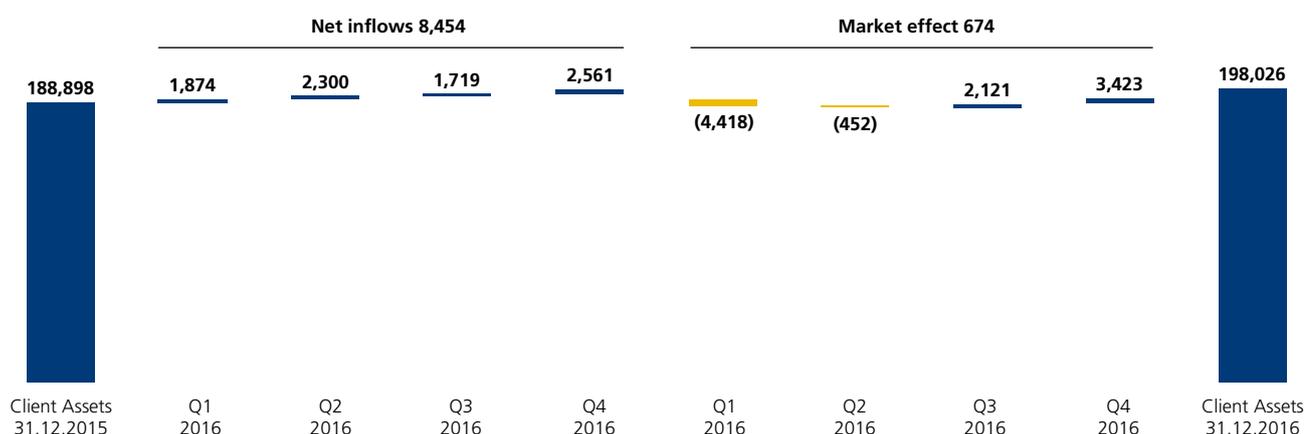
€198_{bn}

Client Assets
(+5% on 2015)

Client Assets totalled **€198bn** at 31 December 2016, up approximately €9.1bn (+5%) on the figure at 31 December 2015. This was mainly as a result of strong net inflows (€8.5bn) and, to a lesser extent, the market performance of the assets themselves, which dipped into negative territory in the first half of the year but subsequently recovered, such that they were up €0.6bn at year-end. Analysis of the item shows that the positive performance of managed assets (+€1.6bn) was to a significant extent offset by the negative performance of non-managed assets (-€1bn). Net inflows were, on the other hand, positive in every quarter of the year.

Client Assets 2016

(€m)



Analysis of the item shows that **managed assets** totalled **€136.5bn** (69% of total client assets), up €4.5bn (+3%) on the figure at 31 December 2015, principally as a result of growth in life insurance (+€4.2bn). Non-managed assets totalled €61.5bn, up €4.6bn on the figure at 31 December 2015.

Client Assets

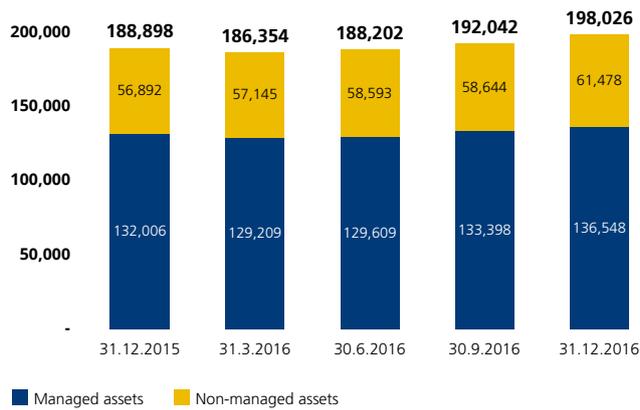
(€m)

	31.12.2016	31.12.2015	CHANGE	
			AMOUNT	%
Mutual funds	48,263	48,759	(496)	-1
Discretionary accounts	41,088	40,448	640	2
Life insurance	45,623	41,424	4,199	10
<i>including: Fideuram Vita / Intesa SanpaoloVita unit linked</i>	30,512	26,503	4,009	15
Pension funds	1,574	1,375	199	14
Total managed assets	136,548	132,006	4,542	3
Total non-managed assets	61,478	56,892	4,586	8
<i>including: Securities</i>	37,787	40,243	(2,456)	-6
Total Client Assets	198,026	188,898	9,128	5

The graphs show the quarterly trend of client assets, analysed by **type of inflow** and **sales network**.

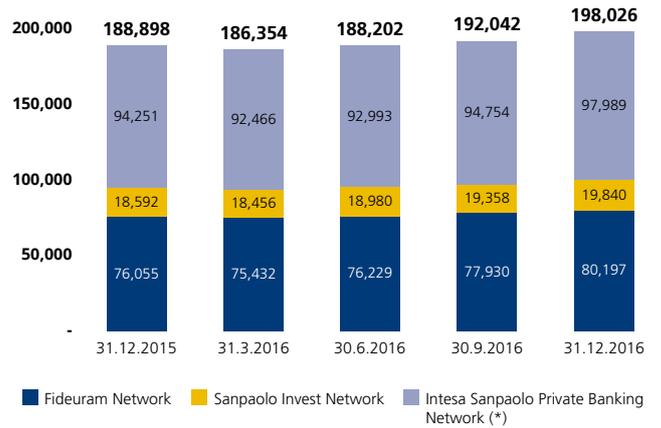
Client Assets by type of inflows

(€m)



Client Assets by sales network

(€m)



(*) The figures for the Intesa Sanpaolo Private Banking network include the client assets of Sirefid and Intesa Sanpaolo Private Bank (Suisse).

4.4 Inflows into managed and non-managed assets

Net inflows

€8.5bn

(+€608m on 2015)

The Group's sales networks (Fideuram, Intesa Sanpaolo Private Banking and Sanpaolo Invest) brought in €8.5bn net inflows in 2016, up €608m (+8%) on last year.

Analysis of the item shows that inflows into managed assets totalled €2.9bn, down significantly (-€7.1bn) from 2015 as a result of the highly-volatile market conditions, which led the Group's Personal Financial Advisers to provide guidance that saw a greater percentage of client assets allocated to money market and bond instruments. Conversely, non-managed assets totalled €5.6bn, up sharply (+€7.7bn) from a net outflow of €2.1bn in 2015, attracting customers interested in reducing the risk of their investments while waiting to reallocate them to managed asset products to benefit from the recovery in the markets.

Net inflows

(€m)

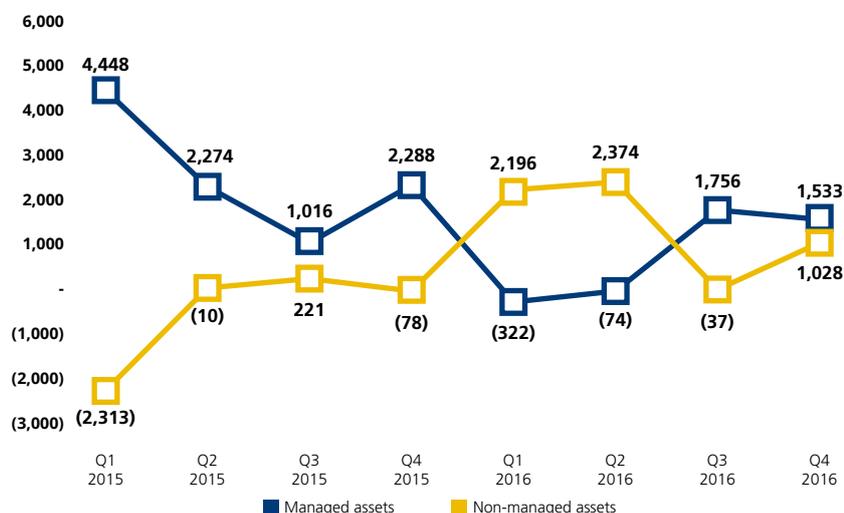
	2016	2015	CHANGE	
			AMOUNT	%
Mutual funds	(1,451)	(3,273)	1,822	-56
Discretionary accounts	292	7,225	(6,933)	-96
Life insurance	3,900	5,932	(2,032)	-34
<i>including: Fideuram Vita / Intesa SanpaoloVita unit linked</i>	3,815	4,525	(710)	-16
Pension funds	152	142	10	7
Total managed assets	2,893	10,026	(7,133)	-71
Total non-managed assets	5,561	(2,180)	7,741	n.s.
<i>including: Securities</i>	(984)	(4,135)	3,151	-76
Total Net inflows	8,454	7,846	608	8

n.s.: not significant

Analysis of the quarterly data shows that there was, however, a trend reversal toward managed asset products, which achieved positive inflows of approximately €3.3bn in the second half of 2016, following a first half of stronger inflows into non-managed assets.

Net inflows (*)

(€m)



(*) Restated where necessary to take the changes in the scope of consolidation into account so that straight comparisons can be made.

4.5 Customer segmentation

Client Assets at 31 December 2016

- Fideuram: €80,197m
- Sanpaolo Invest: €19,840m
- Intesa Sanpaolo Private Banking: €92,880m
- Sirefid: €4,043m (*)
- Intesa Sanpaolo Private Bank (Suisse): €1,066m

(*) Does not include fiduciary management assets in Group client assets. Total company client assets were €7.4bn.

Customers at 31 December 2016

- Fideuram: no. 528,091
- Sanpaolo Invest: no. 140,737
- Intesa Sanpaolo Private Banking: no. 35,933 (**)
- Sirefid (fiduciary mandates): no. 2,404
- Intesa Sanpaolo Private Bank (Suisse): no. 377

(**) Number of households with client assets in excess of €250k.

Analysis of the Group's customer distribution shows strong concentration in the Private Banking and High Net Worth Individual (HNWI) segment. This focus on high-end customers (approximately 74% of client assets come from Private Banking and HNWI customers) enables our Personal Financial Advisers to target a segment with high growth prospects in the Italian Market. The Group supports its customers with a dedicated service model using ad hoc organisational management (Private Banking and HNWI branches) and customised products and services.

The table and graphs below analyse client assets by type of customer.

Client assets by type of customer (***)

(€m)

	31.12.2016	31.12.2015	CHANGE	
			AMOUNT	%
High Net Worth Individual customers	41,489	40,013	1,476	4
Private Banking customers	104,250	98,664	5,586	6
Affluent customers	37,524	35,730	1,794	5
Mass-Market customers	14,763	14,491	272	2
Total	198,026	188,898	9,128	5

(***) The Fideuram Group's customers are segmented as follows:

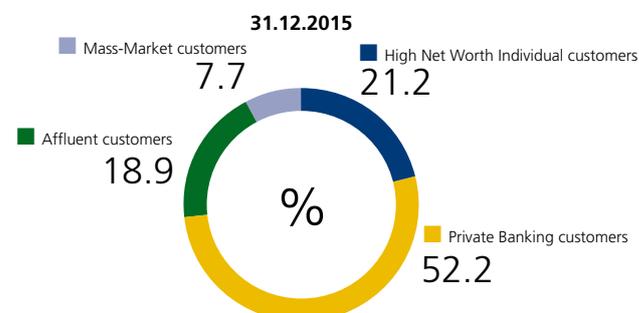
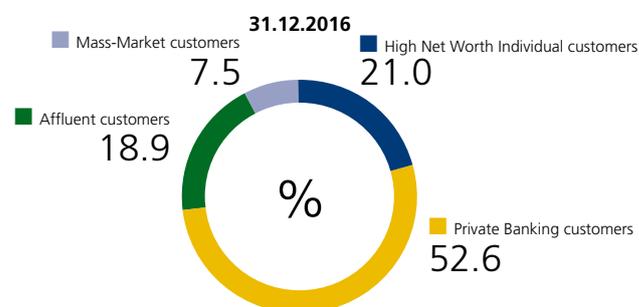
High Net Worth Individuals: customers with financial assets potentially totalling in excess of €10,000,000.

Private Banking customers: customers with financial assets totalling between €500,000 and €10,000,000.

Affluent customers: customers with financial assets totalling between €100,000 and €500,000.

Mass-Market customers: customers with financial assets of less than €100,000.

Analysis of client assets by type of customer



4.6 Advanced advisory services

228

Bank branches

324

Personal Financial
Advisers' offices

The Fideuram Group is a leading Italian banking group in the provision of financial advisory services and in the distribution, development and management of financial services and products for private individuals.

The Group's principal distinctive strengths, emblematic of its market leadership, are founded on a **business model** that anchors the distribution of products and services in the professional relationships between our Personal Financial Advisers and customers. This is supported by the strength of a banking group with three renowned brands - Fideuram, Intesa Sanpaolo Private Banking and Sanpaolo Invest - and a network of 228 bank branches and 324 Personal Financial Advisers' offices located throughout Italy, which make a decisive contribution to customer loyalty. Our **guided open-architecture model** offers third-party products to complement our Group products.

The professional relationship between each Personal Financial Adviser and customer is based on a **financial advisory service model** governed by a specific contract.

The services under this model are delivered in two ways:

- **Basic Advisory Services:** offered free of charge to all customers and consisting in the provision of personalised advisory services regarding the customer's investments, paying careful attention to risk management and the suitability of their overall portfolio.
- **Advanced Advisory Services:** provided on the basis of a dedicated contract and subject to the payment of commission.

In particular, the Group offers its customers the following fee-paying advanced advisory services:

- **SEI Advanced Advisory Service:** this service consists in identifying the customer's individual requirements classified by area of need, analysing their overall position and risk/return profile, identifying appropriate investment strategies and solutions for each individual area of need, and monitoring them over time.
- **Advanced Advisory Service:** a personalised advisory service with high added value for customers who do not intend to delegate their investment choices fully, but prefer to play an active role in their portfolio management in dialogue with our professionals.

Intesa Sanpaolo Private Banking launched a new advanced advisory service called View (Value Investment Evolution Wealth) in the first quarter of 2016. This advisory model takes all a customer's assets into consideration and supports the Personal Financial Advisers in their work of identifying each customer's specific requirements, categorised by area of need, including with the assistance of guideline customer "archetype" profiles. View provides a complete advisory service, which in addition benefits from incorporating the Active Advisory Service already provided by Intesa Sanpaolo Private Banking. View also allows the customer and their Personal Financial Adviser to identify investment strategies and solutions for each individual area of need in accordance with their risk/return profile and to monitor their wealth from a global standpoint over time.

Over 68,000 customers were subscribed to our Advanced Advisory Services at the end of December 2016, accounting for approximately €34.1bn client assets.

The customer and client assets data for our Advanced Advisory Services are shown below.

Customers subscribed to Advanced Advisory Services

(number)

	31.12.2016	31.12.2015	CHANGE	
			AMOUNT	%
High Net Worth Individual customers	520	522	(2)	-
Private Banking customers	15,924	14,923	1,001	7
Affluent customers	34,679	34,970	(291)	-1
Mass-Market customers	17,204	17,262	(58)	-
Total	68,327	67,677	650	1

Advanced Advisory Service client assets

(€m)

	31.12.2016	31.12.2015	CHANGE	
			AMOUNT	%
High Net Worth Individual customers	3,688	3,579	109	3
Private Banking customers	20,717	19,250	1,467	8
Affluent customers	8,672	8,707	(35)	-
Mass-Market customers	1,029	1,036	(7)	-1
Total	34,106	32,572	1,534	5

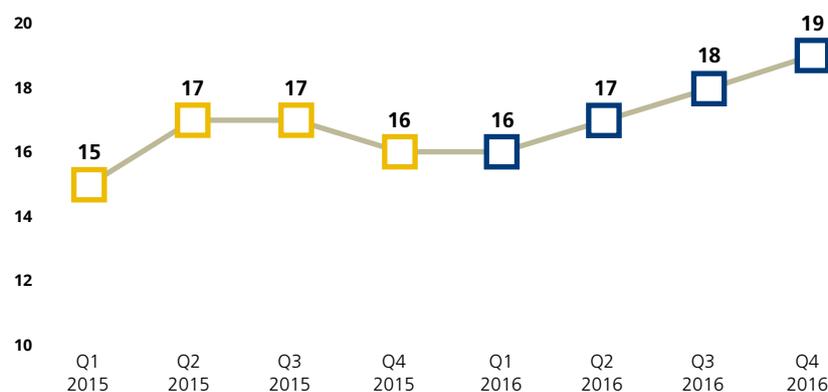
Advanced Advisory Service fee and commission income

(€m)

	2016	2015	CHANGE	
			AMOUNT	%
Fee and commission income	118	115	3	3
Fee and commission expense	(48)	(50)	2	-4
Net fee and commission income	70	65	5	8

Quarterly net fee and commission income from Advanced Advisory Services (*)

(€m)



(*) Restated where necessary to take the changes in the scope of consolidation into account so that straight comparisons can be made.

4.7 Economic, financial and sustainability results

The Fideuram Group uses the resources at its disposal in the value-creation process in accordance with its business model and modifies them in line with its strategies.

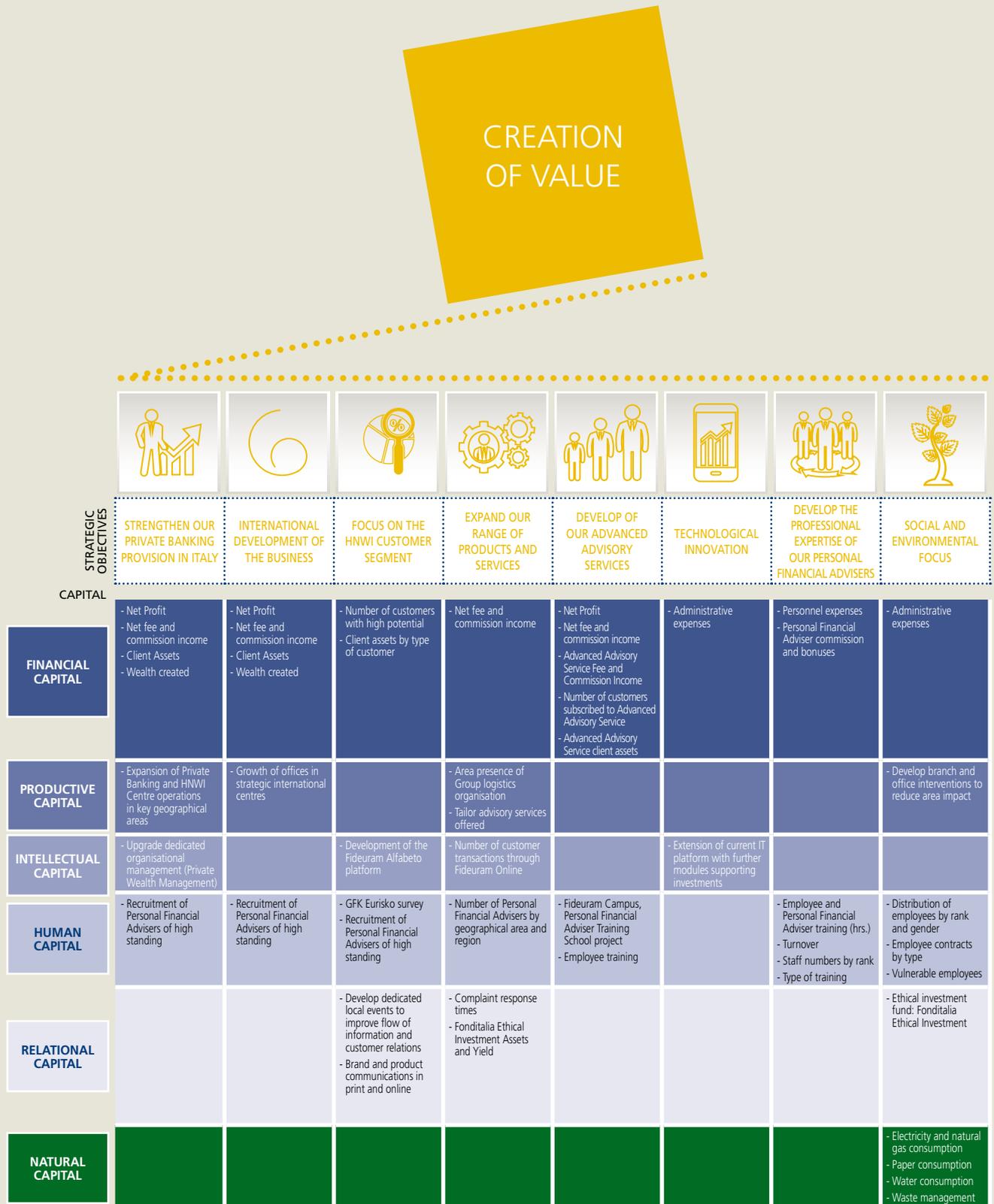
The Group has eight strategic objectives, which combine to enable it to achieve its prime objective of creating sustainable value over time.

To this end, the Group allocates, modifies and makes use of the following types of capital:

FINANCIAL CAPITAL	Funds available to the Group, obtained from diverse internal and external sources of finance for use in the conduct of its business.
PRODUCTIVE CAPITAL	Property owned, bank branches, Personal Financial Advisers' offices and plant and equipment necessary to conduct our business.
INTELLECTUAL CAPITAL	Intangible assets and knowledge that bring the Group a competitive advantage, including the processes and procedures, intellectual property and other intangible assets associated with our brand and its reputation.
HUMAN CAPITAL	The capital formed by the skills, abilities and knowledge of the people who work in the Group, including our Personal Financial Advisers and employees.
RELATIONAL CAPITAL	Intangible resources attributable to the Group's relations with its key stakeholders, necessary to enhance its image, reputation and customer satisfaction.
NATURAL CAPITAL	Set of processes and environmental resources, both renewable and otherwise, which contribute to generating goods or services for the Group's business.

The contributions of these different types of capital to the value creation process are summarized below. The table shows how the Group achieves its strategic objectives by combining the different types of capital available following its business model.

To illustrate this concept clearly, the table uses a connections grid showing the relations between the different types of capital, the Group's strategic objectives and its Key Performance Indicators.



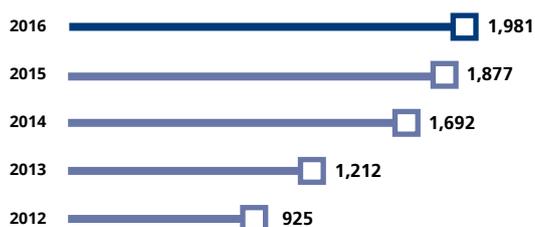
4.7.1 Financial Capital

The Group's Financial Capital is the set of funds available to it and the economic performance resulting from the use of these funds.

KEY INDICATORS (*)

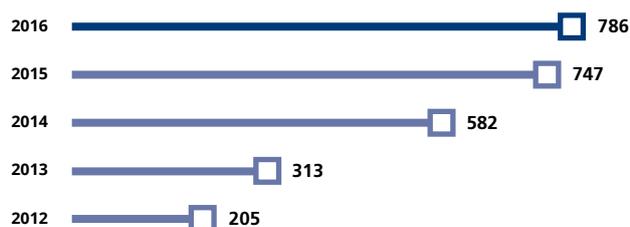
Group shareholders' equity

(€m)



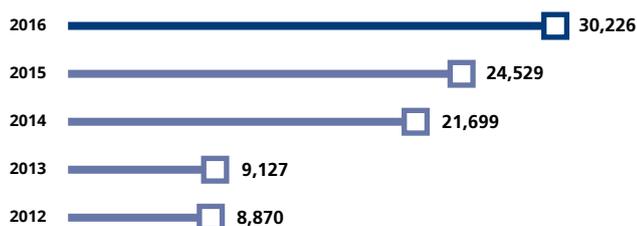
Consolidated net profit

(€m)



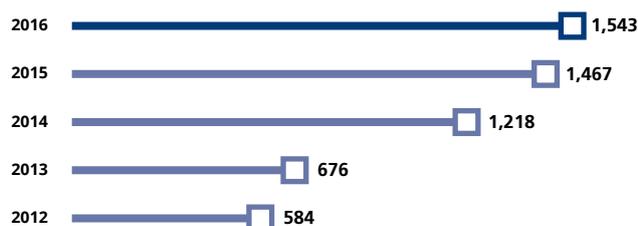
Bank and customer deposits

(€m)



Consolidated net fee and commission income

(€m)



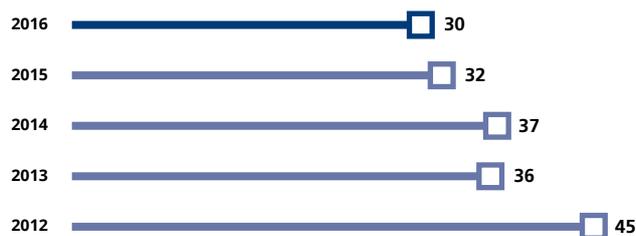
Return on equity

(%)



Cost / Income ratio

(%)



(*) The figures for 2014 and 2015 have been restated where necessary to take the changes in the scope of consolidation into account so that straight comparisons can be made. The figures for 2012 and 2013 have not been restated.

ANALYSIS OF THE INCOME STATEMENT

In a scenario marked by high volatility of the financial markets, the Fideuram Group ended 2016 with consolidated net profit of €786m, up €192m (+32%) on last year. However, comparing net profit for the year with net profit for 2015 on a like-for-like basis (€747m), which is to say restating consolidated net profit to include the annual net profit of the equity investments acquired with effect from 30 June 2015 (totalling €153m), shows an increase of €39m (+5%).

Consolidated Income Statement

(Reclassified - €m)

	2016	2015	CHANGE	
			AMOUNT	%
Net interest income	161	187	(26)	-14
Net profit (loss) on financial assets and liabilities	35	20	15	75
Net fee and commission income	1,543	1,467	76	5
OPERATING INCOME BEFORE NET IMPAIRMENT	1,739	1,674	65	4
Net impairment	(2)	-	(2)	n.s.
OPERATING INCOME	1,737	1,674	63	4
Personnel expenses	(284)	(289)	5	-2
Other administrative expenses	(225)	(225)	-	-
Depreciation and amortisation	(15)	(16)	1	-6
OPERATING EXPENSES	(524)	(530)	6	-1
Net provisions for risks and charges	(40)	(36)	(4)	11
Profit (loss) on equity investments	10	9	1	11
Other income (expense)	(3)	(6)	3	-50
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	1,180	1,111	69	6
Income taxes for the year on continuing operations	(343)	(332)	(11)	3
Expenses regarding the banking system (net of tax)	(18)	(9)	(9)	100
Non-recurring income (expenses) (net of tax)	(33)	(23)	(10)	43
Net profit (loss) attributable to non-controlling interests	-	(153)	153	-100
NET PROFIT	786	594	192	32

n.s.: not significant

Quarterly consolidated income statements

(Reclassified - €m)

	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2 (*)	Q1 (*)
Net interest income	40	40	39	42	48	49	46	44
Net profit (loss) on financial assets and liabilities	6	9	-	20	2	2	6	10
Net fee and commission income	403	369	387	384	344	348	411	364
OPERATING INCOME BEFORE NET IMPAIRMENT	449	418	426	446	394	399	463	418
Net impairment	1	(1)	(1)	(1)	-	-	2	(2)
OPERATING INCOME	450	417	425	445	394	399	465	416
Personnel expenses	(71)	(72)	(71)	(70)	(79)	(69)	(73)	(68)
Other administrative expenses	(60)	(56)	(58)	(51)	(61)	(55)	(55)	(54)
Depreciation and amortisation	(4)	(3)	(4)	(4)	(4)	(4)	(4)	(4)
OPERATING EXPENSES	(135)	(131)	(133)	(125)	(144)	(128)	(132)	(126)
Net provisions for risks and charges	-	(11)	(14)	(15)	(20)	(7)	(1)	(8)
Profit (loss) on equity investments	1	1	5	3	-	3	2	4
Other income (expense)	(2)	-	(1)	-	(1)	-	(4)	(1)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	314	276	282	308	229	267	330	285
Income taxes for the year on continuing operations	(93)	(83)	(80)	(87)	(69)	(78)	(100)	(85)
Expenses regarding the banking system (net of tax)	(9)	(5)	(2)	(2)	(5)	(2)	(2)	-
Non-recurring income (expenses) (net of tax)	(11)	(6)	(10)	(6)	(6)	(5)	(12)	-
Net profit (loss) attributable to non-controlling interests	-	-	-	-	-	-	(78)	(75)
NET PROFIT	201	182	190	213	149	182	138	125

(*) Restated taking the changes in the scope of consolidation into account so that straight comparisons can be made.

€1.7_{bn}

Operating income before net impairment

Operating income before net impairment totalled €1.7bn, up €65m on 2015 (+4%) as a result of:

- Decreased net interest income (-€26m)
- Increased net fee and commission income (+€76m)
- Increased net profit on financial assets (+€15m).

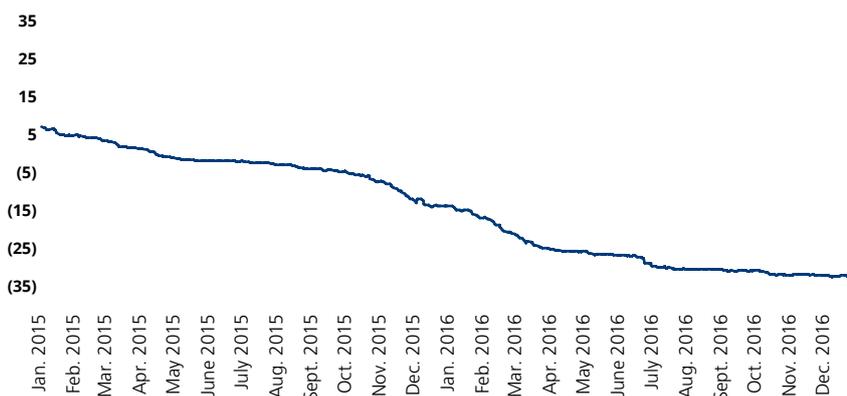
Net interest income

(€m)

	2016	2015	CHANGE	
			AMOUNT	%
Interest expense on due to customers	(37)	(71)	34	-48
Interest expense on due to banks	(32)	(30)	(2)	7
Interest income on debt securities	208	209	(1)	-
Interest income on loans	109	163	(54)	-33
Net interest on hedging derivatives	(89)	(83)	(6)	7
Other net interest income	2	(1)	3	n.s.
Total	161	187	(26)	-14

3-month Euribor rate

(bp)



Source: Bloomberg

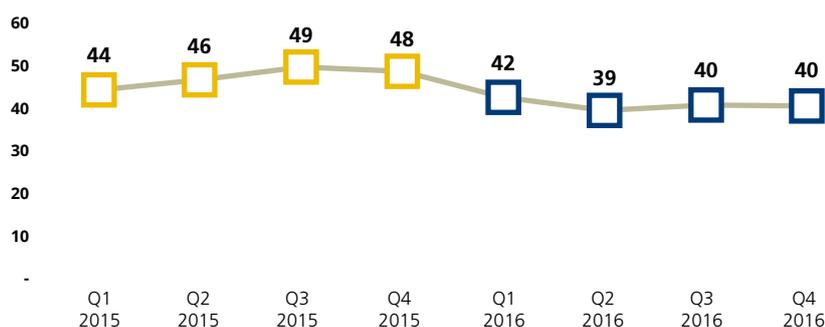
€161_m

Net interest income

Net interest income totalled €161m, down €26m (-14%) from the last year, in line with falling interest rates, which principally impacted interest-bearing assets due to the natural anelasticity of customer deposits. However, the quarter-on-quarter figures show that net interest income held up notwithstanding the fall in short term market rates, which saw the 3-month Euribor rate fall from -0.131% at the end of 2015 to -0.319% at the end of the 2016.

Quarterly net interest income

(€m)



Net profit (loss) on financial assets and liabilities

(€m)

	2016	2015	CHANGE	
			AMOUNT	%
Net profit (loss) on sale of loans and financial assets	22	9	13	144
Net profit (loss) on trading activities	11	8	3	38
Net profit (loss) on hedging derivatives	2	3	(1)	-33
Total	35	20	15	75

Net profit on financial assets and liabilities came to €35m, up €15m on the figure for 2015 (+75%).

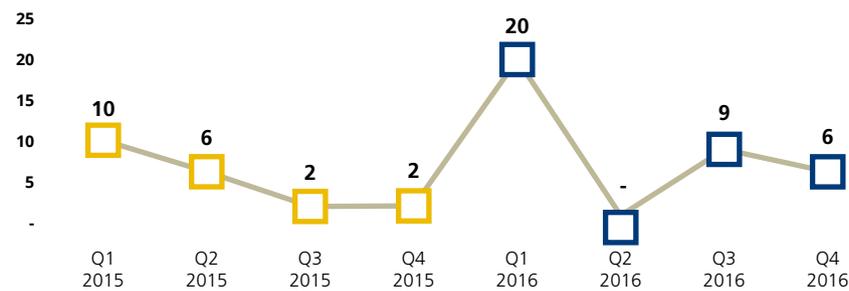
Analysis of the item shows that net profit on sale of financial assets (€22m) was up €13m on last year due to increased sales of investment securities. Net profit on trading activities came to €11m, a €3m increase on last year, largely as a result of foreign exchange transactions. Net profit on hedging derivatives, resulting from the ineffective hedging of interest-rate derivatives, decreased €1m, principally due to a fall in the market rates (3 and 6 month Euribor) to which the hedging derivatives' coupon flows are linked.

€35_m

Net profit on financial assets and liabilities

Quarterly net profit (loss) on financial assets and liabilities

(€m)



Fee and commission income

(€m)

	2016	2015	CHANGE	
			AMOUNT	%
Fee and commission income	2,190	2,210	(20)	-1
Fee and commission expense	(647)	(743)	96	-13
Net fee and commission income	1,543	1,467	76	5

€1.5_{bn}

Net fee and commission income

Net fee and commission income totalled €1.5bn, an increase of €76m (+5%) on 2015.

Net recurring fees

(€m)

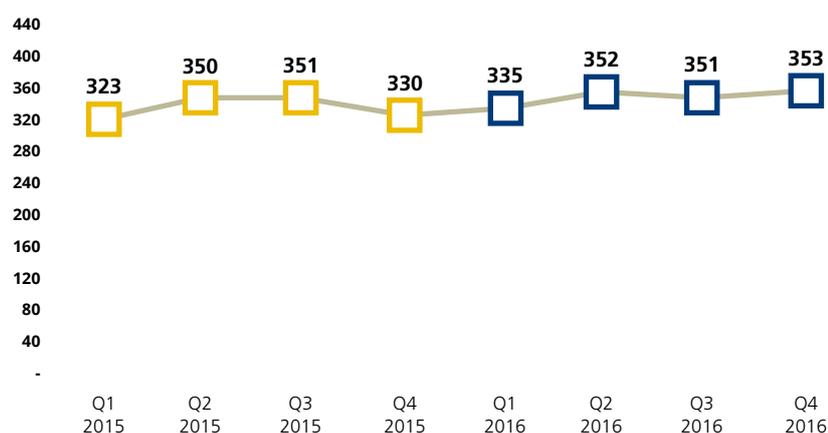
	Q1	Q2	Q3	Q4	TOTAL
2016	335	352	351	353	1,391
2015	323	350	351	330	1,354
Change	12	2	-	23	37

€1.4bn
Net recurring fees

Net recurring fees came to €1.4bn, up €37m (+3%) on the previous year due both to a shift in the asset product mix to unit-linked policies and discretionary accounts, and a slight increase in average managed assets, which grew from €130.3bn at 31 December 2015 to approximately €130.6bn at the end of December 2016 (+€0.3bn). The client assets connected with our Advanced Advisory Services continued to make a positive contribution, generating €70m net fee and commission income compared with €65m in 2015 (+8%). Analysis of the quarter-on-quarter performance shows that from the second quarter of 2016 net recurring fees were consistently above €350m.

Quarterly net recurring fees

(€m)



Net performance fees

(€m)

	Q1	Q2	Q3	Q4	TOTAL
2016	-	-	-	22	22
2015	9	4	-	17	30
Change	(9)	(4)	-	5	(8)

€22m
Net performance fees

Net performance fees totalled €22m, down €8m from the figure for 2015. The Fideuram Group charges the performance fees on individual discretionary accounts annually (totalling €2m in 2016), except when the client decides to close the account early. Conversely, the group calculates the performance fees on its internal insurance funds (none charged in 2016) on a daily accrual basis in relation to the performance of the fund, but applies a High Water Mark clause which means they are only charged when the value of the fund rises above the highest value reached on the previous dates when performance fees were charged. The performance fees on the Group's mutual funds (€20m in 2016) are charged annually with the exception of three funds for which performance fees are charged half-yearly (but applying a High Water Mark clause).

Net front-end fees

(€m)

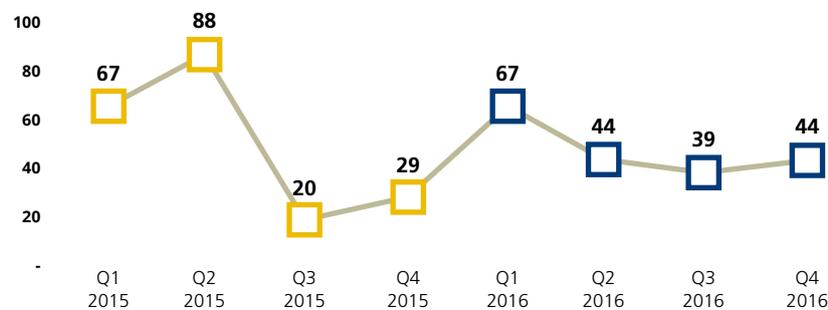
	Q1	Q2	Q3	Q4	TOTAL
2016	67	44	39	44	194
2015	67	88	20	29	204
Change	-	(44)	19	15	(10)

Net front-end fees came to €194m, down €10m (-5%) from the total last year as a result of lower income from managed asset product sales and brokerage fees, which was only partially offset by the strong performance of bonds and certificates. In 2016 the Group's sales networks distributed bond loans and certificates issued by Intesa Sanpaolo, Banca IMI and other entities outside the Group, in addition to Italian government bonds, bringing in approximately €3.7bn gross inflows compared with €3.1bn in 2015.

€194_m
Net front-end fees

Quarterly net front-end fees

(€m)



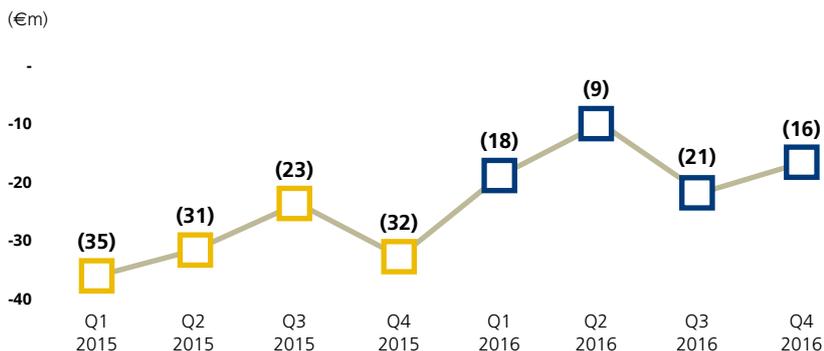
Other commission expense: incentives and other

(€m)

	Q1	Q2	Q3	Q4	TOTAL
2016	(18)	(9)	(21)	(16)	(64)
2015	(35)	(31)	(23)	(32)	(121)
Change	17	22	2	16	57

Fee and commission expense for incentives and others totalled €64m, down €57m compared with 2015 due to decreased incentive payments to and provisions set aside for the Sales Networks as a result of lower inflows into managed assets, and to a change in the amortisation period for incentives paid to the Networks, with the latter having an impact of approximately €37m. This change was brought in at the end of June 2016 to ensure a closer correlation between the bonuses paid to the Financial Adviser Networks (Fideuram and Sanpaolo Invest) and the commission income generated by customer investments, taking into account in particular the increase in the average investment period of client assets in the portfolio, which has grown steadily in recent years. The Group's sales policies foster stable customer relationships and improve the sustainability of income over time. Growth in the average investment period of client assets is a clear indicator of strong customer satisfaction in investors who feel confident tackling the current uncertainties in the financial markets with the support of their Personal Financial Advisers.

Quarterly commission expense for incentives and other



Net impairment came to -€2m (zero in 2015), principally due to loan impairment.

Operating expenses

(€m)

	2016	2015	CHANGE	
			AMOUNT	%
Personnel expenses	284	289	(5)	-2
Other administrative expenses	225	225	-	-
Depreciation and amortisation	15	16	(1)	-6
Total	524	530	(6)	-1

€524m

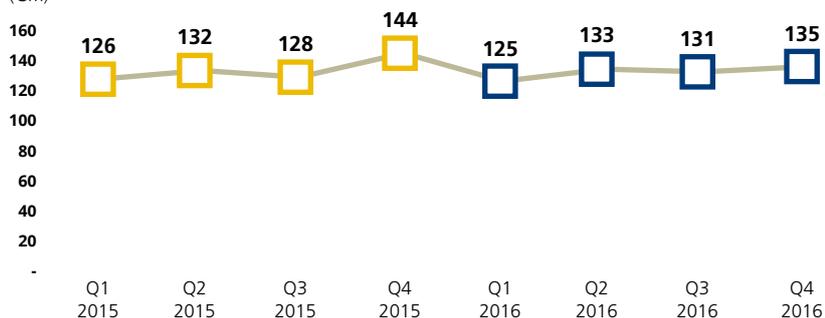
Operating expenses

Operating expenses totalled €524m, down €6m (-1%) from last year.

Analysis of the item shows that personnel expenses, which totalled €284m, were down €5m compared with the figure for 2015 due to decreased provisions for the variable component of remuneration, partially offset by an increase in the fixed components of remuneration due to increased staff quality and numbers (+82). Other administrative expenses totalled €225m, in line with the figure for last year as a result of increased third-party service costs being offset by reduced building costs. Depreciation and amortisation totalled €15m, down €1m from the figure for 2015, principally due to the completion of a number of amortisation schedules for intangible assets in 2016.

Quarterly operating expenses

(€m)



Net provisions for risks and charges

(€m)

	2016	2015	CHANGE	
			AMOUNT	%
Personal Financial Advisers' termination indemnities and incentives	26	12	14	117
Litigation and complaints	9	22	(13)	-59
Network Loyalty Schemes	5	2	3	150
Total	40	36	4	11

Net provisions for risks and charges came to €40m, up €4m from last year. Analysis of the item shows that the provision for the termination of Personal Financial Adviser agency agreements increased substantially by €14m to €26m due to the discounting of the long-term liability in 2016, which had a strong impact on the expense recorded in the income statement as a result of the sharp falls in market rates in the period. The provision for litigation and complaints totalled €9m, down €13m compared with last year as a result of the lower overall risk of the new litigation initiated in the period and of a number of cases having been concluded with lower expenses than estimated. The provisions set aside for the Network Loyalty Schemes totalled €5m, up €3m from 2015, principally due to the aforementioned impact of market rates on the discounting of the liability, which led to an increase in the expense recorded in the income statement.

€40_m

Net provisions for risks and charges

Profit on equity investments came to €10m, corresponding to the profit from the Group's 19.99% interest in Fideuram Vita S.p.A., which was up €1m compared with last year, principally as a result of the increased profitability of the company's investment securities.

€10_m

Profit on equity investments

Other income and expense, which is a residual item for miscellaneous income and expense that cannot be recognised in other items of the income statement, was negative to the tune of €3m in 2016, a €3m improvement on 2015, principally due to decreased compensation paid to customers.

Income taxes, for which €343m was set aside in the period, were up €11m on last year as a result of increased profit before tax in the year. The tax rate was 29% (30% in 2015).

The item **Expenses regarding the banking system net of tax** is for the expenses related to maintaining the stability of the banking system, recorded in the income statement in accordance with current regulations. These expenses totalled €18m at 31 December 2016, up €9m on the figure for last year, and comprised the €5m expense of the contribution to the Deposit Guarantee Scheme (DGS) introduced by Directive 2014/49/EU, the €12m expense for the Single Resolution Fund introduced by Directive 2014/59/EU, and a €1m upward adjustment to the contribution paid to Cassa di Risparmio di Cesena as part of the Group's contribution to the Interbank Deposit Guarantee Fund voluntary scheme.

Non-recurring income and expenses net of tax, which include income and expenses that are not ordinary operating expenses, came to €33m (€23m in 2015) and principally regarded the expenses incurred integrating Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Bank (Suisse) and Sirefid in the Fideuram Group.

SEGMENT REPORTING

The Group's operating structure covers three main Business Segments related to the types of financial products offered to customers:

- **Managed Financial Assets Segment**, which extends from mutual funds to SICAVs, speculative funds and individual discretionary accounts.
- **Life Insurance Assets Segment**, which covers unit-linked and traditional managed insurance asset products as well as pension and protection products.
- **Banking Services Segment**, which covers the Group's banking and financial services.

The following analyses outline the products and services offered, together with the initiatives and research and development carried out in the year, while also presenting the Group's financial results, transaction data and key profitability indicators by Business Segment. These Segments are analysed using data that show their contribution to Group income after consolidation adjustments.

Business segmentation at 31 December 2016

(€m)

	MANAGED FINANCIAL ASSETS	LIFE INSURANCE ASSETS	BANKING SERVICES	TOTAL FOR FIDEURAM GROUP
Net interest income	-	-	161	161
Net profit (loss) on financial assets and liabilities	-	-	35	35
Net fee and commission income	960	441	142	1,543
Operating income before net impairment	960	441	338	1,739
Operating expenses	(259)	(72)	(193)	(524)
Other	(27)	(12)	4	(35)
Profit before tax from continuing operations	674	357	149	1,180
Average Client Assets	86,712	43,843	58,674	189,229
Client Assets	89,351	47,197	61,478	198,026
Key indicators				
Cost / Income Ratio	27%	16%	56%	30%
Profit before tax / Average Client Assets	0.8%	0.8%	0.3%	0.6%
Net fee and commission income / Average Client Assets	1.1%	1.0%	0.2%	0.8%

MANAGED FINANCIAL ASSETS SEGMENT

The Managed Financial Assets Segment covers the Group's discretionary account and mutual fund business, which totalled €89.3bn at 31 December 2016 (45% of total client assets), an increase on 31 December 2015 (€89.2bn) as a result of an increase in discretionary accounts (+€0.6bn). Net inflows were negative, with a net outflow of €1.2bn, down €5.1bn compared with the previous financial year.

The segment's contribution to profit before tax totalled €674m, up €9m on the previous financial year, principally due to decreased operating expenses (-€7m). The ratio of net fee and commission income to client assets was 1.1%, while the ratio of profit before tax to client assets was 0.8%.

Our many product development initiatives in 2016 were focused on meeting our customers' medium- and long-term needs with solutions that can be adapted to the continually-changing reference scenario in line with Fideuram's business model, which has always been centred on the provision of advisory support using a guided open-architecture model. The changed economic and financial scenario, marked by low global growth (both current and prospective), compressed bond yields and continuing volatility, has made it necessary to find new investment solutions and sources of value in building customer portfolios. This development work extended across our different product families and customer segments.

Our à la carte offering of Fideuram's own and third-party **mutual funds** was extended with new investment solutions. Fideuram's own funds were extended with the launch of two new Fonditalia (FOI) funds, with the mana-

Managed Financial Assets

(€m)

	31.12.2016	31.12.2015	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities	-	-	-
Net fee and commission income	960	958	-
Operating income before net impairment	960	958	-
Operating expenses	(259)	(266)	-3
Other	(27)	(27)	-
Profit before tax from continuing operations	674	665	1
Average Client Assets	86,712	90,388	-4
Client Assets	89,351	89,207	-
Key indicators			
Cost / Income Ratio	27%	28%	
Profit before tax / Average Client Assets	0.8%	0.7%	
Net fee and commission income / Average Client Assets	1.1%	1.1%	

gement of both delegated to famous names in the sector:

- FOI Financial Credit Bond, which has been delegated to Algebris Investments, a company founded in 2006 that specialises in the global financial sector.
- FOI Constant Return, which has been delegated to Nordea Investment Management AB, a Nordea Group company established in 2005 with asset management as its main business.

We likewise extended the Fideuram Multibrand family of à la carte third-party funds by extending our partnerships with Neuberger Berman Investment Funds plc, an independent asset management company founded in 1939, and Vontobel Asset Management, an active asset manager with a global presence. In addition, we are now selling two new SICAVs managed by GAM Investment, the independent active asset management company that also offers the Julius Bär SICAVs already in our range. Our development of dedicated funds for Private Banking customers saw us launch the Fideuram Alternative Investments (FAI) platform provided by Fideuram

Investimenti SGR, which offers access to the real economy through investments in companies not present on exchange-traded markets. The initial public offering of the first product, FAI – Private Debt Special Opportunities Fund, at the end of October. This fund is a closed-end alternative fund that invests in the Private Debt and Private Equity of developed countries across a spectrum of product sectors. We also launched the following new flexible investment solutions for Intesa Sanpaolo Private Banking customers:

- Dynamic Preservation 01/2016 (a capital protection product) and Global Flexible Strategy 04/2016, new Luxembourg funds that Eurizon Capital SA offers on its Investment Solutions by Epsilon platform.
- Epsilon Diversified Credit - September 2021 and Epsilon Multiasset 3 years - December 2019, Italian funds managed by Epsilon SGR.
- Eurizon High Income - December 2021, an Italian fund managed by Eurizon Capital SGR.

Lastly, we further enhanced our offering of third-party funds and SICAVs with the launch of the Lyxor Alternative UCITS platform, which offers a

selection of absolute-return mutual funds managed by highly-respected international alternative investment fund managers.

The development of our **discretionary accounts** prioritised solutions focused on containing volatility, both through mechanisms for gradual investment in the market and through decorrelated solutions that aim to improve portfolio diversification. This saw two important new developments in our Omnia Discretionary Account:

- The Consilia Step In lines with a specified investment window that feature a mechanism for gradually increasing market exposure to reduce market timing risk and the overall volatility of the investment.
- Two new flexible lines, Alpha Equity Alternative MultiStrategy and Idea Strategie Alternative Global Macro, which provide different levels of market decorrelation. The alternative management strategies component that distinguishes these two new lines contributes to improving portfolio efficiency and diversification.

Lastly, our discretionary account development saw us launch a new treasury management service for the Division's institutional customers while continuing the usual evolutionary maintenance and fine-tuning of our existing range.

€89.3bn

Managed Financial Assets

LIFE INSURANCE ASSETS SEGMENT

This segment covers the Group's life insurance and pension funds business, which totalled €47.2bn at 31 December 2016 (24% of total client assets), up €4.4bn principally due to strong life insurance performance (+€4.2bn). Total net inflows in the segment came to €4.1bn, down €2bn compared with the previous financial year.

The segment's contribution to profit before tax from continuing operations totalled €357m, up €66m on the previous financial year due to increased net fee and commission income. The ratio of net fee and commission income to client assets was 1%, while the ratio of profit before tax to client assets was 0.8%.

Protection was our main focus in the development of our **insurance products**, which saw us launch the following new products in the year:

- Fideuram Vita Garanzia e Valore Flex 3, a Fideuram Vita with-profits policy with a capital guarantee and the option of receiving the annual bonus in the form of a coupon.
- Synthesis HNWI, a multi-class policy issued by Intesa Sanpaolo Vita and designed for High Net Worth Individuals, which offers the option of investing between 20% and 50% of the premium payments in Intesa Sanpaolo Vita's Trendifondo Segregated Fund, and between 50% and 80% of the total value of the policy in its Class III component, split freely between internal and external funds.
- CA Vita Futuro Protetto, a term life insurance policy issued by Crédit Agricole Vita and designed for customers who want a succession planning instrument that provides death cover, offering a term of between 5 and 20 years, chosen by the policyholder when taking out the policy. The basic term life insurance cover provides the policyholder's heirs with the cash to pay inheritance tax and can optionally be combined with critical illness medical expenses and income/family protection cover, which pays for medical treatment while allowing the policyholder's household to maintain an adequate lifestyle or ensuring they are able to do so in the future.

Life Insurance Assets

(€m)

	31.12.2016	31.12.2015	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities	-	-	-
Net fee and commission income	441	374	18
Operating income before net impairment	441	374	18
Operating expenses	(72)	(72)	-
Other	(12)	(11)	9
Profit before tax from continuing operations	357	291	23
Average Client Assets	43,843	39,884	10
Client Assets	47,197	42,799	10
Key indicators			
Cost / Income Ratio	16%	19%	
Profit before tax / Average Client Assets	0.8%	0.7%	
Net fee and commission income / Average Client Assets	1.0%	0.9%	

- Polizza Infortuni and Polizza Tutela Famiglia, two protection products issued by Intesa Sanpaolo Assicura. Polizza Infortuni provides temporary income protection following an accident, enabling the policyholder to maintain their professional equilibrium and the financial stability of their household. Polizza Tutela Famiglia covers the expenses of compensation for damage to third parties by the insured parties in their private and social lives.
- Fideuram Vita Gemini, Fideuram Vita's first multi-class policy, which allows customers to invest part of their capital in Fideuram Vita's "PREVI" segregated fund (bringing stability to the investment) and the remainder in a combination of funds chosen from the top solutions offered by the Fideuram Group and selected third-party asset managers, enabling them to build their own strategy for investing in the financial markets.
- Exclusive Insurance, a unit-linked policy issued by Intesa Sanpaolo Life that provides direct access to a wide and varied selection of funds from Fideuram and leading international asset management companies.
- Polizza Interventi Chirurgici and Polizza Prevenzione e Salute, two medical insurance products issued by Intesa Sanpaolo Assicura. Polizza Interventi Chirurgici pays a lump sum following hospitalisation for surgical procedures required due to accident or an illness, while Polizza Prevenzione e Salute covers diagnostic assessments and procedures, medical consultations and preventative examinations.
- Lastly, two new supplementary pension products developed by Intesa Sanpaolo Vita were launched to consolidate the Group offering in this area: Il Mio Domani, an open pension fund for people who want to build up a supplementary pension through their own payments, and Il Mio Futuro, a personal pension plan for people who want to build up their supplementary pension on an individual basis through regular payments.

€47.2bn

Life Insurance Assets

BANKING SERVICES SEGMENT

The Banking Services Segment covers the Group's banking and financial services, together with its central departments, holding activities and finance activities, as well as - generally speaking - the coordination and control activities for its other operating segments.

This segment includes non-managed assets, mainly securities and current accounts, which totalled €61.5bn at 31 December 2016 (31% of total client assets), up €4.6bn compared with the figure at 31 December 2015. Total net inflows came to €5.6bn, a €7.7bn improvement compared with the previous financial year.

The contribution of this segment to profit before tax from continuing operations was €149m, in line with the previous financial year. The ratio of net fee and commission income to client assets was 0.2%, while the ratio of profit before tax to client assets was 0.3%.

Our development of the Group's **non-managed asset products** and **banking services** continued, with initiatives to extend our banking provision and acquire new customers, increasing our offering of investments in securities and our range of banking products. Supporting investments in securities, the sales networks participated in bond and certificate issues by members of the Intesa Sanpaolo Group and by third-party issuers of high standing, including the Bank for Reconstruction and Development (IBRD) and Citigroup Global Markets Holding Inc., as well as in the placement of BTP Italian government bond issues launched by the Italian Ministry of the Economy and Finance. The placements used traditional and online channels. Banking services saw us continue the initiatives developing our Fideuram Plus current accounts, Repurchase Agreements and Lending.

In addition, considering the persistently low rates in the financial markets, we continued our initiatives to promote the acquisition of new client assets and new customers by offering attractive conditions on our Buoni di Risparmio savings bonds - a current account ancillary service that pays higher interest on the balances that customers decide not to use for a predetermined period.

Banking Services

(€m)

	31.12.2016	31.12.2015	% CHANGE
Net interest income	161	187	-14
Net profit (loss) on financial assets and liabilities	35	20	75
Net fee and commission income	142	135	5
Operating income before net impairment	338	342	-1
Operating expenses	(193)	(198)	-3
Other	4	5	-20
Profit before tax from continuing operations	149	149	-
Average Client Assets	58,674	57,888	1
Client Assets	61,478	56,892	8
Key indicators			
Cost / Income Ratio	56%	57%	
Profit before tax / Average Client Assets	0.3%	0.3%	
Net fee and commission income / Average Client Assets	0.2%	0.2%	

Extending our financing solutions to provide more targeted support for High Net Worth Individuals and financially sophisticated customers, we launched a special ancillary investment service called APC Investimenti Finanziari for customers wanting to optimise their portfolios, which provides a current account overdraft facility exclusively for purchasing financial instruments and products. Due to the complexity of this service, it is restricted to customers with financial knowledge and experience who have an appropriate propensity to risk. Lastly, the opening of the London branch of Intesa Sanpaolo Private Banking at the end of 2015 enabled us to extend the range of products and services offered with dedicated solutions that were consolidated as follows in 2016:

- Discretionary Accounts with three balanced lines, two UK and USA fixed-income lines and two UK and USA equity lines.
- Financial Advisory support.
- Receipt and transmission of trading instructions using a specialist platform.
- Custody of securities.
- Multi-currency current account.
- Time deposit service in the main currencies.

- UK and international payment systems and deposit of cheques.
- Sterling debit card (MasterCard) and credit card (Platinum MasterCard).
- Foreign currency conversion.

€61.5_{bn}
Non-managed
Assets

DISTRIBUTION OF VALUE

Creating value for our stakeholders is one of the Fideuram Group's prime objectives. The Group considers it crucial to pursue this objective through constant interaction with all the stakeholders it encounters in the course of its business.

The table below showing the Wealth created by the Group was prepared using the income statement figures from the 2016 Consolidated Financial Statements, reclassified following the guidelines of the Italian Banking Association (Associazione Bancaria Italiana - ABI) and Global Reporting Initiative (GRI).

The Wealth created is the economic value generated in the year, which is for the most part distributed to the stakeholders with whom the Group has relations as part of its daily operations. The Value retained is the difference between the Wealth created and the Value distributed, and it is used for productive investments to enable economic growth and financial stability, as well as to ensure the creation of new wealth to the benefit of our stakeholders.

The wealth created by the global business of the Group totalled €2.5bn in 2016 (+€7m on 2015).

This wealth was distributed to stakeholders as follows:

- Colleagues (employees and Personal Financial Advisers) received 36.9% of the Wealth created, amounting to a total of €937m. This included the remuneration paid to employees and the amounts set aside for and paid to the Personal Financial Adviser Networks.
- Our shareholder received 28.1% of the Wealth created, in the form of the proposed dividend, for a total of €714m.
- The government, public authorities, institutions and the community received €501m, principally in the form of direct and indirect taxes, equating to 19.8% of the Wealth created.
- Suppliers received 10.2% of the Wealth created, totalling €258m paid for goods and services.
- The remaining €127m was retained by the Group and regarded the following items in particular: deferred tax assets and liabilities, amortisation and depreciation, and provisions for risks and charges.

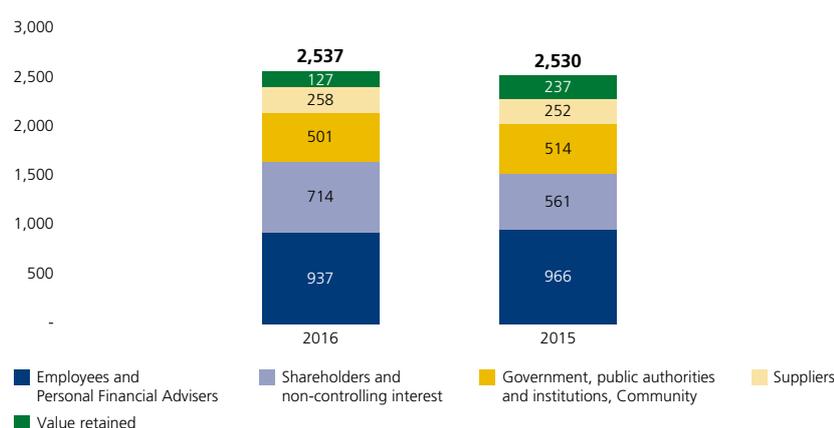
Economic value added

(€m)

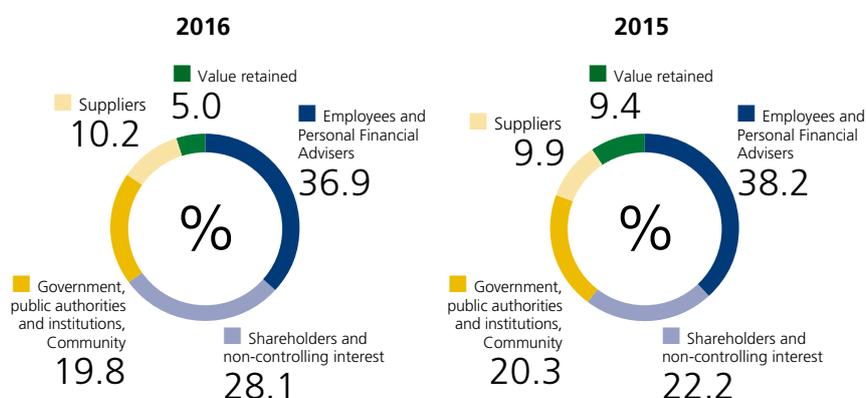
	2016	2015	CHANGE	
			AMOUNT	%
Wealth created	2,537	2,530	7	-
Value distributed	(2,410)	(2,293)	(117)	5
Employees and Personal Financial Advisers	(937)	(966)	29	-3
Shareholders and non-controlling interest	(714)	(561)	(153)	27
Government, public authorities and institutions, Community	(501)	(514)	13	-3
Suppliers	(258)	(252)	(6)	2
Value retained	127	237	(110)	-46

Wealth created

(€m)



Analysis of wealth created



Further information on page 342

ASSET AND LIABILITY MANAGEMENT

The tables below show the main balance sheet items compared with the corresponding figures at 31 December 2015.

Consolidated balance sheet

(Reclassified - €m)

	31.12.2016	31.12.2015	CHANGE	
			AMOUNT	%
ASSETS				
Cash and cash equivalents	71	60	11	18
Financial assets (other than loans and held-to-maturity investments)	4,533	4,672	(139)	-3
Held-to-maturity investments	125	297	(172)	-58
Loans and advances to banks	18,705	13,223	5,482	41
Loans and advances to customers	9,602	8,973	629	7
Hedging derivatives	3	2	1	50
Equity investments	141	129	12	9
Property and equipment	40	39	1	3
Intangible assets and goodwill	181	175	6	3
Tax assets	180	174	6	3
Other assets	1,091	1,095	(4)	-
TOTAL ASSETS	34,672	28,839	5,833	20
LIABILITIES				
Due to banks	2,665	3,110	(445)	-14
Due to customers	27,561	21,419	6,142	29
Financial liabilities held for trading	27	28	(1)	-4
Hedging derivatives	1,103	977	126	13
Tax liabilities	64	80	(16)	-20
Other liabilities	813	917	(104)	-11
Provisions for risks and charges	458	431	27	6
Equity attributable to owners of the parent company	1,981	1,877	104	6
TOTAL LIABILITIES	34,672	28,839	5,833	20

Quarterly consolidated balance sheets

(Reclassified - €m)

	31.12.2016	30.9.2016	30.6.2016	31.3.2016	31.12.2015	30.9.2015	30.6.2015	31.3.2015 (*)
ASSETS								
Cash and cash equivalents	71	61	349	49	60	242	45	43
Financial assets (other than loans and held-to-maturity investments)	4,533	4,547	4,775	4,463	4,672	4,407	4,419	4,348
Held-to-maturity investments	125	158	158	198	297	316	328	331
Loans and advances to banks	18,705	16,287	15,459	14,274	13,223	13,663	13,085	13,437
Loans and advances to customers	9,602	9,340	9,819	9,825	8,973	8,439	8,136	7,877
Hedging derivatives	3	1	-	-	2	2	6	-
Equity investments	141	140	137	133	129	127	122	128
Property and equipment	40	38	38	39	39	38	37	37
Intangible assets and goodwill	181	169	170	171	175	168	164	164
Tax assets	180	182	187	189	174	186	194	185
Other assets	1,091	1,026	1,046	1,015	1,095	944	926	1,028
TOTAL ASSETS	34,672	31,949	32,138	30,356	28,839	28,532	27,462	27,578
LIABILITIES								
Due to banks	2,665	2,797	2,904	3,201	3,110	3,221	3,451	3,794
Due to customers	27,561	23,818	24,252	22,300	21,419	20,591	19,562	18,813
Financial liabilities held for trading	27	19	45	52	28	16	30	49
Hedging derivatives	1,103	1,268	1,242	1,152	977	1,015	955	1,274
Tax liabilities	64	84	60	85	80	118	95	91
Other liabilities	813	1,117	1,005	1,099	917	963	981	1,236
Provisions for risks and charges	458	456	442	453	431	418	408	424
Equity attributable to non-controlling interests	-	-	-	-	-	-	-	550
Equity attributable to owners of the parent company	1,981	2,390	2,188	2,014	1,877	2,190	1,980	1,347
TOTAL LIABILITIES	34,672	31,949	32,138	30,356	28,839	28,532	27,462	27,578

(*) Restated taking the changes in the scope of consolidation into account so that straight comparisons can be made.

€4.7 bn

Financial assets

Group **financial assets** held for treasury and investment purposes totalled €4.7bn, down €310m from the figure at the end of 2015 (-6%), due to the sale of a number of available-for-sale securities (-€162m) and the repayment of three held-to-maturity bonds (-€172m).

Financial assets

(€m)

	31.12.2016	31.12.2015	CHANGE	
			AMOUNT	%
Financial assets held for trading	41	45	(4)	-9
Financial assets designated at fair value through profit or loss	195	168	27	16
Financial assets available for sale	4,297	4,459	(162)	-4
Held-to-maturity investments	125	297	(172)	-58
Hedging derivatives	3	2	1	50
Total	4,661	4,971	(310)	-6

Financial liabilities

(€m)

	31.12.2016	31.12.2015	CHANGE	
			AMOUNT	%
Financial liabilities held for trading	27	28	(1)	-4
Hedging derivatives	1,103	977	126	13
Total	1,130	1,005	125	12

€1.1 bn

Financial liabilities

Financial liabilities, consisting of derivatives, totalled €1.1bn. This item was up €125m (+12%) on the figure at 31 December 2015, as a result of fair value losses on the derivatives used to hedge the interest-rate risk of certain fixed-rate bonds in the portfolio. These losses were accompanied by a corresponding increase in the value of the hedged bonds.

Loans and advances to banks

(€m)

	31.12.2016	31.12.2015	CHANGE	
			AMOUNT	%
Due from Central Banks	204	107	97	91
Current account and demand deposits	4,906	4,446	460	10
Term deposits	7,808	4,585	3,223	70
Other	24	14	10	71
Debt securities	5,763	4,071	1,692	42
Total	18,705	13,223	5,482	41

Loans and advances to banks came to €18.7bn, up €5.5bn on the figure at the end of 2015 (+41%), principally due to growth in investments in term deposits and debt securities issued by banks in the Intesa Sanpaolo Group. Current accounts included €1.9bn cash linked to securities lending, secured entirely by cash collateral recognised in the financial statements under Loans and advances to banks and Due to banks (Loans and advances to Intesa Sanpaolo and Due to Banca IMI).

€18.7^{bn}

Loans and advances to banks

Due to banks

(€m)

	31.12.2016	31.12.2015	CHANGE	
			AMOUNT	%
Current accounts and demand deposits	140	121	19	16
Term deposits	124	25	99	n.s.
Repurchase agreements	2,387	2,957	(570)	-19
Other debts	14	7	7	100
Total	2,665	3,110	(445)	-14

n.s.: not significant

Due to banks came to €2.7bn, down €445m (-14%) from last year due to decreased repurchase agreements. The Group continued to be a net lender on the inter-bank market, with net interbank deposits of €16bn (€18.7bn loans and €2.7bn debts), €15.3bn of which (approximately 95% of the total) was held by companies in the Intesa Sanpaolo Group, compared with net interbank deposits of €10.1bn last year.

€2.7^{bn}

Due to banks

Loans and advances to customers

(€m)

	31.12.2016	31.12.2015	CHANGE	
			AMOUNT	%
Current accounts	5,198	5,078	120	2
Repurchase agreements	820	966	(146)	-15
Loans	519	380	139	37
Other	1,168	1,013	155	15
Debt securities	1,888	1,525	363	24
Impaired assets	9	11	(2)	-18
Total	9,602	8,973	629	7

€9.6bn

Loans and advances to customers

Loans and advances to customers totalled €9.6bn and mainly comprised short-term loans (repayable within 12 months or revocable loans without a specified term) and unlisted debt securities. The €629m increase on the figure at 31 December 2015 was largely due to growth in investments in debt securities and increased lending business with retail customers, partially offset by decreased loans under repurchase agreements with institutional customers (-€146m).

Net problem loans totalled €9m at the end of December 2016, down €2m (-18%) from the figure at 31 December 2015, as follows:

- Doubtful loans came to €1m, which was in line with the figure at the end of 2015.
- Debtor unlikely to pay loans totalled €5m, down €2m from the figure at 31 December 2015.
- Past due or overdue loans came to €3m, unchanged from last year.

Due to customers

(€m)

	31.12.2016	31.12.2015	CHANGE	
			AMOUNT	%
Current accounts and demand deposits	23,492	17,097	6,395	37
Term deposits	3,967	3,634	333	9
Repurchase agreements	7	566	(559)	-99
Other debts	95	122	(27)	-22
Total	27,561	21,419	6,142	29

€27.6bn

Due to customers

Due to customers totalled €27.6bn, up €6.1bn (+29%) on last year as a result of strong growth in customer deposits in current accounts and term deposits (+€6.7bn), which was partially offset by a decrease in repurchase agreements (-€559m).

The table below shows the book value of the Group's exposure to sovereign-credit risk.

(€m)	LOANS	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS AVAILABLE FOR SALE (*)	TOTAL
Belgium	-	-	21	21
Denmark	-	-	19	19
Finland	-	-	31	31
France	-	-	42	42
Spain	-	-	200	200
Italy	1,610	8	1,071	2,689
Netherlands	-	-	40	40
United States	-	-	84	84
Total	1,610	8	1,508	3,126

(*) The Italian government bonds in the available-for-sale portfolio, which had a total face value of €467.8m, were covered by financial-guarantee contracts.

Intangible assets totalled €181m, including €140m goodwill regarding Private Banking divisions acquired by subsidiary Intesa Sanpaolo Private Banking between 2009 and 2013.

The **provisions for risks and charges** at 31 December 2016 were up €27m (+6%) on the figure at 31 December 2015.

€181_m
Intangible assets

Provisions for risks and charges

(€m)

	31.12.2016	31.12.2015	CHANGE	
			AMOUNT	%
Litigation, securities in default and complaints	109	113	(4)	-4
Personnel expenses	56	54	2	4
Personal Financial Advisers' termination indemnities	204	184	20	11
Network Loyalty Schemes	80	73	7	10
Other	9	7	2	29
Total	458	431	27	6

The provision for litigation, securities in default and complaints was down €4m from the figure at year-end 2015 as a result of utilisation in the year. The provisions for the termination of Personal Financial Adviser agency agreements and for the Network Loyalty Schemes were up €27m, largely as a result of new provisions set aside in the year. The item Other funds includes €8m for the staff pension and severance fund, which increased by approximately €2m from the figure at 31 December 2015.

€2bn

Shareholders' equity

SHAREHOLDERS' EQUITY

Group shareholders' equity including net profit for the year totalled €2bn at 31 December 2016, having changed as follows:

Group Shareholders' Equity

(€m)

Shareholders' equity at 31 December 2015	1,877
Change in financial assets available for sale	(31)
Dividend distribution	(60)
Dividends account	(600)
Exchange rate differences and other changes	9
Net profit	786
Shareholders' equity at 31 December 2016	1,981

The €31m decrease in financial assets available for sale was principally due to an increase in the negative reserve generated by fair value losses on securities holdings in the year.

At the end of December 2016, the reserve for available-for-sale financial assets was negative to the tune of €98m and among other items included €24m losses on securities that had been reclassified as Loans & Receivables in the third quarter of 2008 following the Group's decision to avail itself of the option provided for by the amendment to IAS 39 in the Annex to Regulation 1004/2008 issued by the European Commission on 15 October 2008. These reserves are being amortised to profit or loss over the residual life of the respective securities in accordance with IAS 39 paragraph 54.

The Group did not hold any treasury shares at 31 December 2016.

Reconciliation of parent company's shareholders' equity and net profit with those of the Group

(€m)

	31.12.2016	
	SHAREHOLDERS' EQUITY	INCLUDING: NET PROFIT
Parent company shareholders' equity	1,109	716
Net profit of subsidiaries consolidated line-by-line	657	657
Effect of consolidation of subsidiaries and associated companies	228	10
Dividend income from Group companies	-	(587)
Write-back of intra-group goodwill	(9)	-
Write-back of intercompany securities sales	39	(4)
Valuation of subsidiaries' available-for-sale financial assets	(34)	-
Other differences	(9)	(6)
Group shareholders' equity	1,981	786

Fideuram's own funds calculated on the basis of its separate accounts totalled €975m at 31 December 2016. As a member of the Intesa Sanpaolo Banking Group, Fideuram is subject to the laws and regulations regarding capital requirements on the basis of its separate accounts, but is not required to present this information on a consolidated basis.

Fideuram's own funds and main capital ratios at 31 December 2016 are shown below.

Fideuram S.p.A. Capital Ratios

(€m)

	31.12.2016
CET1	975
Tier 1	975
Own funds	975
Total risk-weighted assets	6,850
CET1 Ratio	14.2%
Tier 1 Ratio	14.2%
Total Capital Ratio	14.2%

Committed to providing comprehensive information, the Group voluntarily estimates its consolidated capital requirements, taking its membership of the Intesa Sanpaolo Banking Group into account.

At 31 December 2016, our Common Equity Tier 1 Ratio was estimated to be 15.2%.

15.2%

Consolidated Common
Equity Tier 1 Ratio



Fideuram - Savona Office

4.7.2 Productive Capital

Productive capital includes property owned, bank branches, Personal Financial Advisers' offices and all the plant and equipment needed to conduct the Group's business.

	2016	2015	2014
Branches - Fideuram Network (No.)	96	96	96
Branches - Intesa Sanpaolo Private Banking Network (No.)	130	131	136
Branches of subsidiaries outside Italy (No.)	2	2	2
Personal Financial Advisers' Offices - Fideuram Network (No.)	200	198	197
Personal Financial Advisers' Offices - Sanpaolo Invest Network (No.)	121	123	127
Personal Financial Advisers' Offices - Intesa Sanpaolo Private Banking Network (No.)	3	4	4

No. **324**
Personal Financial
Advisers' Offices

No. **228**
Bank branches

LOGISTICS STRUCTURE SUPPORTING THE NETWORKS

Our Personal Financial Advisers are supported in their work by the Group's logistics structure, which consists of 225 bank branches across Italy (96 in the Fideuram Network and 129 in the Intesa Sanpaolo Private Banking Network) and 3 branches outside Italy (London, Lugano e Luxembourg), as well as 324 Personal Financial Advisers' Offices (200 in the Fideuram Network, 121 in the Sanpaolo Invest Network and 3 in the Intesa Sanpaolo Private Banking Network).

Ten Private Banking Centres and five HNWI Branches are provided for our top-segment customers to support the sales activities of the Fideuram Network and Intesa Sanpaolo Private Banking Network respectively.

The Networks are organised in areas (5 for the Fideuram Network, 2 for the Sanpaolo Invest Network and 16 for the Intesa Sanpaolo Private Banking Network), each of which is sized to suit the business potential of the territory concerned and may cover several regions or just a few provinces.

We continued the process of optimising operating synergies across the Group Networks in 2016, aiming to improve the Group's image with customers, rationalise costs, and make more efficient use of premises.

Further local improvements are planned for 2017 (premises and brand image), which will be tailored to the results of our Network recruitment initiatives.

ACCESSIBILITY OF SERVICES

Committed to ensuring the accessibility of our banking services, our new branches offer ease of access for people with disabilities and our existing branches have been adapted to this end wherever possible. In addition, all Fideuram Network ATMs feature a dedicated interface for the visually impaired and, where structurally possible, low-level ATMs have been installed for wheelchair users.

The Fideuram Group also owns properties at the following addresses:

- 31 Piazzale Giulio Douhet, Rome
- 44 Via Cicerone, Rome
- 16 Corso di Porta Romana, Milan.

Fideuram Group - Area Coverage - Logistics Structure

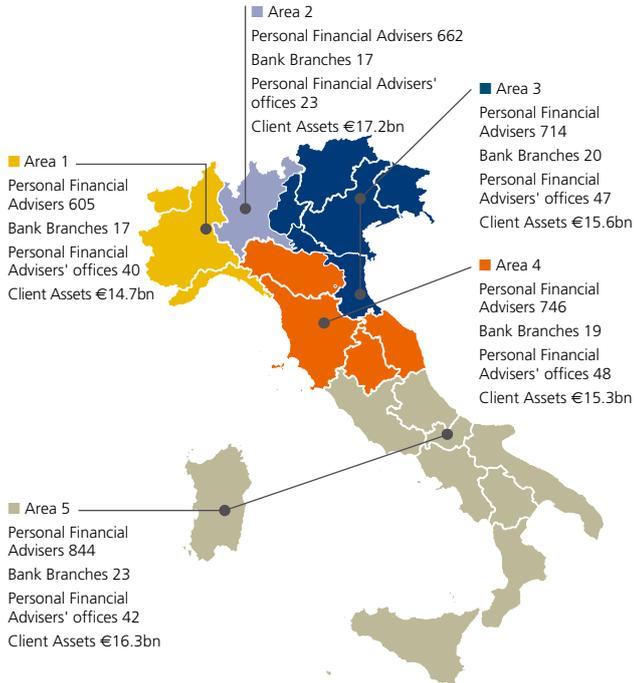
	BANK BRANCHES			PERSONAL FINANCIAL ADVISERS' OFFICES		
	2016	2015	2014	2016	2015	2014
Piedmont	34	34	34	42	42	42
Valle d'Aosta	1	1	1	2	2	2
Liguria	9	9	9	21	21	21
Lombardy	45	45	48	40	40	41
Venetia	26	25	27	27	28	29
Friuli Venezia Giulia	7	7	7	10	11	9
Trentino Alto Adige	4	4	4	8	7	8
Emilia Romagna	21	21	21	32	32	32
Tuscany	20	21	22	34	34	34
Umbria	4	4	4	9	9	9
The Marches	5	5	5	11	10	10
Latium	12	12	12	28	29	30
Abruzzo	3	3	3	10	10	10
Molise	-	-	-	2	2	2
Campania	13	14	14	15	15	15
Basilicata	-	-	-	2	2	2
Puglia	7	7	7	10	10	10
Calabria	4	4	4	4	4	4
Sicily	7	7	7	11	11	11
Sardinia	3	3	3	6	6	7
Outside Italy	3	3	2	-	-	-
Total	228	229	234	324	325	328

Intesa Sanpaolo Private Banking - Turin, HNWI Branch

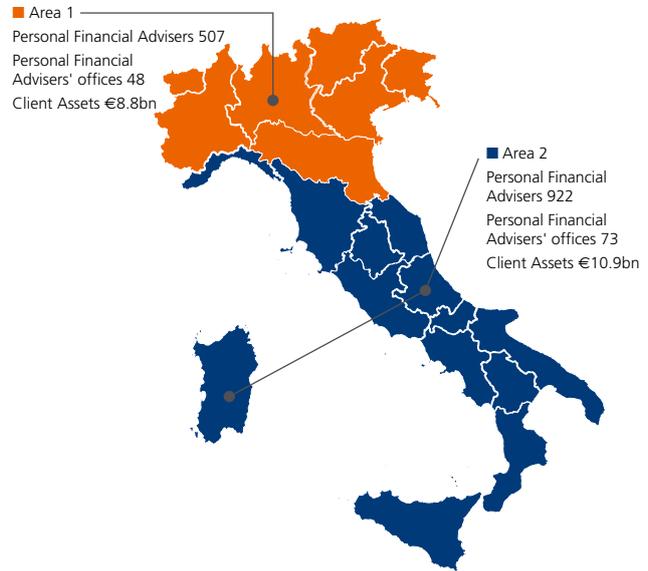


Sales Areas of the three Fideuram Group Networks

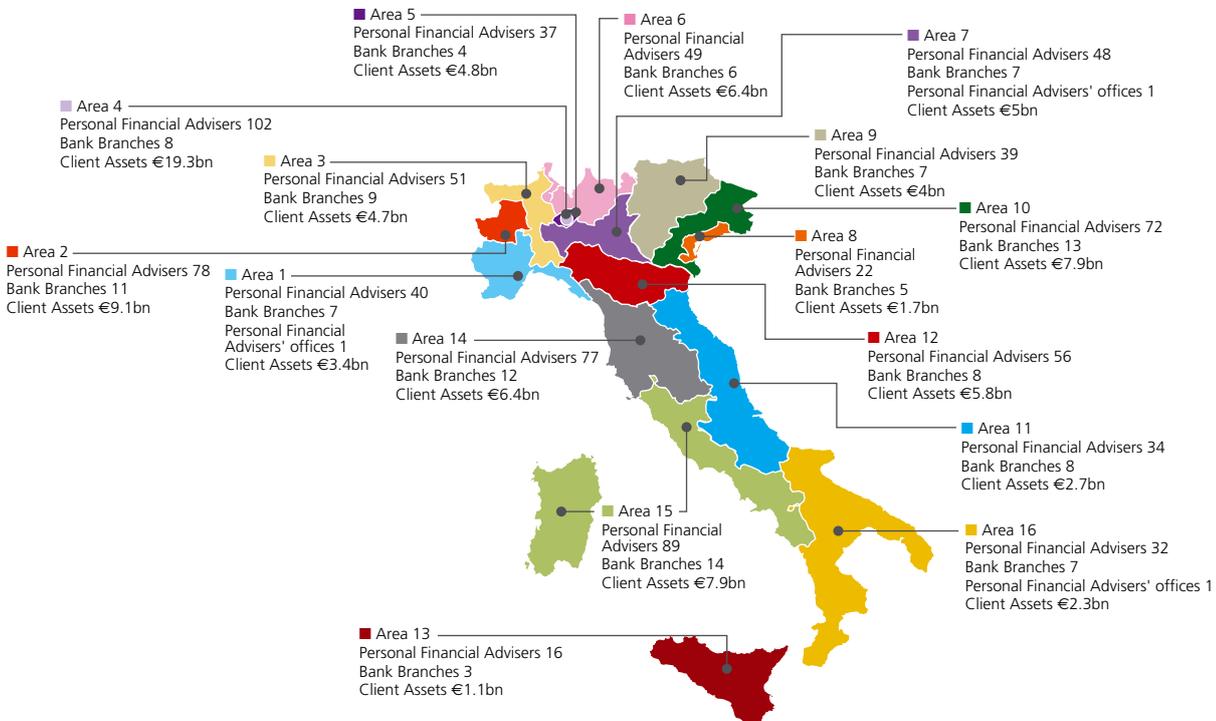
Fideuram Network



Sanpaolo Invest Network



Intesa Sanpaolo Private Banking Network



PRIVATE WEALTH MANAGEMENT

The Group consolidated its Private Wealth Management division during the year, formed in 2015 to serve and grow our business with High Net Worth Individual customers through a dedicated approach and holistic business model, supported by cross-sectoral expertise that leverages teamwork and shared best practice across the following core areas: Financial Advisory, Real Estate, Corporate Assets, Value Creation, Value Protection and Art & Luxury.

This advisory support is provided following a synergistic global approach that considers every aspect of a custo-

mer and their household unit's Wealth Management needs.

The aim is to provide an advisory service that operates alongside our Personal Financial Advisers, offering integrated support regarding financial assets, real estate, company shareholdings and family businesses with a view to increasing management and allocation efficiencies in succession management, asset management and wealth development. Access to the model provides continuous asset monitoring in the areas of greatest customer interest, while simultaneously facilitating access to a select network of professionals for specific needs.

The Group currently has dedicated offices providing this service in Milan, Turin, Padua, Brescia, Bologna, Florence, Rome, Naples, Bari and Catania, where the division's specialists can meet with our high-profile customers.

BRANCHES FOR HIGH NET WORTH INDIVIDUALS

During 2016, Intesa Sanpaolo Private Banking continued to consolidate its new service for High Net Worth Individuals (HNWI) - customers with financial assets potentially totalling in excess of €10m who have complex specific needs regarding not only the management of their personal assets, but also the wealth advisory structuring and protection of their total assets, including in respect of family businesses and succession management.

The management team has been strengthened as a HNWI Centre of Excellence able to draw on substantial cross-sectoral expertise in the provision of a proactive service to customers of high standing. This included the appointment of a Manager and the recruitment of 5 professionals from the market and other specialist units in the Intesa Sanpaolo Group.

The team is engaged in a constant quest for innovation in the products and services offered to this customer segment, aiming to provide targeted structured solutions serving the traditional private banking arena, such as dedicated private insurance solutions and alternative investments, etc..

The specialist HNWI network was likewise increased, opening new branches in Rome and Bologna in February, and in Padua in April, which joined the two HNWI branches opened in Milan and Turin in 2015.

The expansion of the network will be completed in the first quarter of 2017, with the opening of branches in Florence and Naples, bringing the total number of area HNWI branches in Italy to 7.



Intesa Sanpaolo Private Banking - Turin, HNWI Branch

4.7.3 Intellectual Capital

Intellectual capital includes knowledge-based intangible assets such as intellectual property (copyrights, rights and licenses), organisational capital (systems, procedures and area organisation) and the intangible assets associated with the brand and with the Group’s reputation.

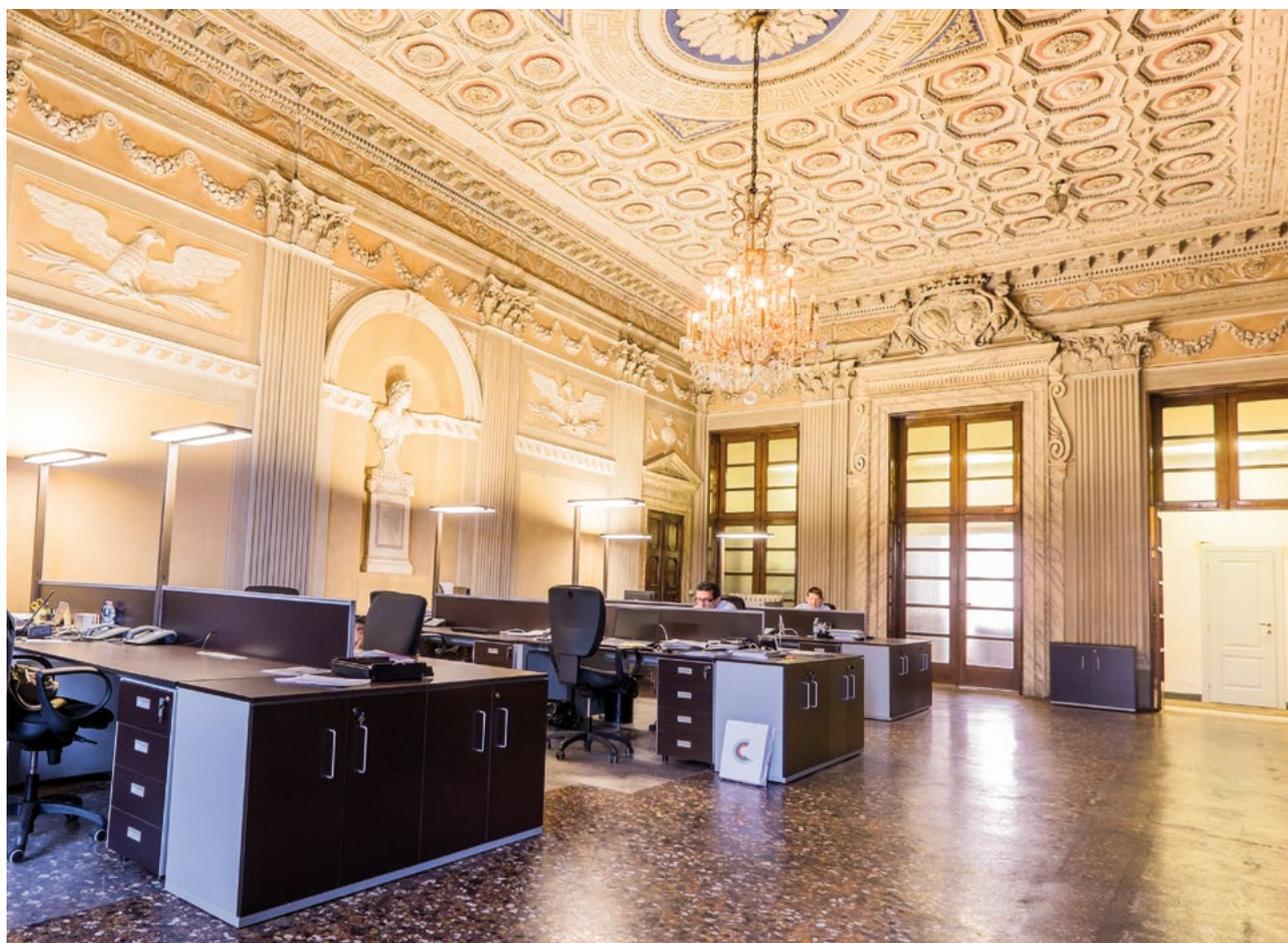
	2016	2015	2014
Customers subscribed to Advanced Advisory Service (No.)	68,327	67,677	62,001
Advanced Advisory Service Client Assets (€m)	34,106	32,572	30,311

GEOGRAPHICAL DISTRIBUTION OF NETWORKS

The Fideuram Group provides its investment services through three Personal Financial Adviser Networks, the Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking Networks, which cover the whole of Italy.

The Fideuram Network continued to be organised in 5 areas in 2016. There were no changes to the regions included in each area with the exception of Cremona being included in Area 2 instead of Area 3. At the beginning of the year,

the Sanpaolo Invest Network was changed slightly, incorporating Liguria in Area 2 instead of Area 1. The structure of the Intesa Sanpaolo Private Banking Network was also revised, reducing the number of sales areas from 18 to 16, incorporating the Friuli Venezia Giulia region and the Campania region in two existing sales areas at the beginning of the year to form the areas “South-East Venetia and Friuli Venezia Giulia” and “Latium, Sardinia and Campania” respectively.



Sanpaolo Invest - Verona Office

The current area structures of the three Networks are shown below.

Area Structure of the Fideuram Network

AREA	REGIONS
1	Piedmont, Valle d'Aosta and Liguria
2	Lombardy (excepting provinces of Brescia and Mantua)
3	Lombardy (provinces of Brescia and Mantua), Venetia, Trentino Alto Adige, Friuli-Venezia Giulia, Emilia Romagna (provinces of Ravenna, Forlì-Cesena, Rimini and Imola agency)
4	Emilia Romagna (excepting provinces of Ravenna, Forlì-Cesena, Rimini and Imola agency), Tuscany, Umbria, and the Marches
5	Latium, Sardinia, Campania, Abruzzo, Molise, Basilicata, Puglia, Calabria and Sicily

Area Structure of the Sanpaolo Invest Network

AREA	REGIONS
1	Piedmont, Valle d'Aosta, Lombardy, Friuli-Venezia Giulia, Trentino Alto Adige, Venetia and Emilia Romagna
2	Liguria, the Marches, Latium, Sardinia, Abruzzo, Campania, Calabria, Puglia, Molise, Sicily, Basilicata, Tuscany and Umbria

Area Structure of the Intesa Sanpaolo Private Banking Network

AREA	REGIONS
1	Liguria and Piedmont (provinces of Cuneo and Asti)
2	Piedmont (province of Turin)
3	Valle d'Aosta, Piedmont (provinces of Biella, Vercelli, Verbania, Novara and Alessandria)
4	Lombardy (Milan city council area only)
5	Lombardy (province of Milan excepting Milan city council area)
6	Lombardy (provinces of Varese, Lecco, Como, Sondrio and Bergamo)
7	Lombardy (provinces of Pavia, Lodi, Cremona, Brescia and Mantua)
8	Venetia (province of Venice)
9	Venetia (provinces of Verona, Vicenza and Belluno) and Trentino Alto Adige
10	Venetia (provinces of Treviso, Padua and Rovigo) and Friuli-Venezia Giulia
11	The Marches, Emilia Romagna (provinces of Ravenna, Forlì-Cesena and Rimini), Abruzzo and Molise
12	Emilia Romagna (provinces of Piacenza, Parma, Reggio Emilia, Modena, Bologna and Ferrara)
13	Sicily
14	Tuscany and Umbria
15	Latium, Sardinia and Campania
16	Puglia, Calabria and Basilicata



Fideuram - Modena Office

ADVISORY SERVICES

MAIN OBJECTIVES FOR 2016

Strengthen the SEI service model for Private Banking customers with further development of its business services and real estate advisory services.

Extend the needs analysis regarding wealth and household protection to also cover capital protection and income support and protection.

Launch the VIEW (Value Investing Evolution Wealth) Advanced Advisory Service at Intesa Sanpaolo Private Banking.

ACTIONS AND RESULTS ACHIEVED

Our principal business advisory service development projects included the development of a company assets diagnostic report and the launch of advisory services assisting business development and searches for financial resources and strategic partners, legal support and corporate tax support. The development of our real estate advisory services benefited from trials of a new real estate assets diagnosis and monitoring tool that involved around 800 Personal Financial Advisers and Managers. Our main projects in the area of wealth and household protection for customers with complex needs included the development of a diagnostic report, analyses of customers' asset protection needs in respect of legal, tax, business and household risk, support for succession planning and management, and the establishment of corporate vehicles.

Over 2,200 VIEW Advanced Advisory Service contracts were activated between April 2016 and the end of the year, with this strong take-up of the service testifying to its very positive reception by Intesa Sanpaolo Private Banking customers.

The Group decided to adopt an advisory operating model following the coming into force of the EU's Markets in Financial Instruments Directive (MiFID) and of the Italian Finance Consolidation Act that transposed it into Italian law. This takes the concrete form of providing investment services to customers who have decided to follow the Group's personalised recommendations and have therefore chosen our advisory support in conjunction with another investment service for any transaction carried out by our Branches or through our financial advisers or using remote communication technology. Our provision of investment advisory services involves acquiring in advance the information from each customer or potential customer that is needed to build a financial profile regarding their:

- Understanding and experience of financial products and/or investment services.
- Financial situation.
- Investment objectives.

Alongside a basic advisory service based on customer profiling for maximum risk level and on ascertaining that there is an appropriate match between each customer's financial profile and total asset risk, the Group offers three fee-paying advanced advisory services, the SEI Advanced Advisory Service provided through the Fideuram and Sanpaolo Invest networks, and the Active and VIEW Advisory Services provided through the Intesa Sanpaolo Private Banking network.

SEI ADVANCED ADVISORY SERVICE AND SEI "VERSIONE PRIVATE" FOR PRIVATE BANKING CUSTOMERS

The SEI Advanced Advisory service charges commission for activating the service and regular annual commission, each of which are calculated both in relation to the customer's assets managed by the Group and to their potential.

SEI customers receive regular clear and detailed statements which allow them to track their assets' progress towards their goals and to monitor the suitability of their asset risks with respect to their financial profile.

The "SEI method" is centred on the customer and their needs, which are segmented into six areas: protection, liquidity, reserve, pension, investment and excess return. SEI provides our Personal Financial Advisers with important support for analysing their customers' needs, for identifying optimum customised solutions that meet them and for monitoring their progress over time. Moreover, it does all this while at the same time constantly monitoring the

risk of each customer's total assets in accordance with the MiFID Directive.

A further strength of the service is that the process can be extended to provide a systematic analysis of all a customer's assets even if they are with other financial brokers, and include the customer's entire household in the diagnosis.

The innovative SEI advanced advisory model has been developed in two distinct versions, "SEI" and "SEI Versione Private" for private banking customers, enabling us to meet the needs of different types of customers through greater service level flexibility, with the latter offering exclusive benefits, including specialist tax, legal, real estate and succession management advisory services, priority access to Fideuram Fiduciaria's services and a dedicated contact centre. In addition, the regular statements and reports sent to customers were revised and special new content provided for the Private Banking version.

ACTIVE ADVISORY AND PRIVATE BANKING ADVISORY SERVICES

Intesa Sanpaolo Private Banking also offers fee-paying advanced advisory services: the Private Banking Advisory Service and Active Advisory Service.

The Private Banking Advisory Service provides a personalised, fee-paying advisory service with high added value, dedicated to customers who do not wish to delegate their investment choices fully but prefer to play an active role in their portfolio management in dialogue with top professionals.

VIEW ADVANCED ADVISORY SERVICE

Intesa Sanpaolo Private Banking launched the VIEW Advanced Advisory Service in 2016 to support the bank's Personal Financial Advisers in their work of identifying each customer's specific requirements, categorised by area of need, including with the assistance of customer "archetype" guideline profiles.

VIEW provides a complete advisory service, which in addition benefits from incorporating the Active Advisory Service as a dedicated option in the non-discretionary investments area. VIEW also allows the customer and their Personal Financial Adviser to identify investment strategies and solutions for each individual area of need in accordance with their risk/return profile and to monitor their wealth from a global standpoint over time.

SPECIALIST SERVICES

In addition, the Group also offers the following specialist advisory services:

- Tax, legal and succession advisory services for asset planning.
- Trust services, supported by Sirefid and Fideuram Fiduciaria.
- Advisory support to assist entrepreneurs manage the liquidity generated during significant business transitions, such as Mergers & Acquisitions or Initial Public Offerings.
- Art Advisory services provided with the support of external consultants.
- Real Estate Advisory services to support customers' real estate management needs both regarding disposable property and property of potential interest, conducting the related needs analyses internally or with the support of external consultants, including international consultants, for valuation and agency services supporting purchases and sales inside and outside Italy.
- Specialist Lending and Granting of Lines of Credit to support and develop the Group's lending business.

ASSET MANAGEMENT

The Fideuram Group strengthened its analysis of private banking customers' needs in areas such as asset management and succession management, extending its customer financial assets risk analysis to incorporate the analysis of non-financial risks as well.

Following the development of a new succession management report, a related IT tool was provided for Personal Financial Advisers in the SEI Advisory Service application and we released the iPad app "Fideuram Next", which helps customers gain a greater understanding of succession planning issues through simulations.

MAIN IMPROVEMENT OBJECTIVES FOR 2017

ADVISORY SERVICES

The main objectives for 2017 are as follows:

- Extend our integrated global advisory service model to affluent and Private Banking customers.
- Consolidate and improve the VIEW Advanced Advisory Service.

TOOLS SUPPORTING ADVISORY SERVICES

MAIN OBJECTIVES FOR 2016

ACTIONS AND RESULTS ACHIEVED

FIDEURAM ALFABETO

Complete the Fideuram Alfabeto digital presence management project for our Personal Financial Advisers, disseminating it across the entire network, opening it to customers and completing the set of functions provided, including dedicated apps.

Steadily rolled out the platform to support our Personal Financial Advisers in their provision of digital financial advisory support, and made it available to existing and potential customers. Published tablet and smartphone apps for Personal Financial Advisers and customers in app stores.

OPERATING PLATFORM

Streamline the Operating Platform to reduce the time required to complete proposals and manage orders, restyling the interface, improving usability and optimising the system for iPad use.

Launched the new Operating Platform 2.0 which reduces the time required to complete proposals and manage orders, while offering an improved user experience with a revised interface, improved usability and optimisation for iPad. Introduced biometric signatures for investment transactions with a new iPad app for our Personal Financial Advisers.

UNIFIED CUSTOMER SERVICE FRONT END

Develop a unified customer service front end and gradually roll it out to the Network, bringing all the functions of the systems currently used by the Network together in a single procedure for analysing customer positions, generating reports and preparing sales proposals.

Released a new Unified Advisory Platform which enables our Personal Financial Advisers to manage and monitor their customer portfolios from profiling to proposals using a single application. Special attention was focused on streamlining the operating process, rationalising the content, revising the interface and enhancing the SEI service with dedicated advanced functions.

PORTAL FOR PERSONAL FINANCIAL ADVISERS

Continue and further consolidate the work supporting our advanced advisory services, maintaining a constant focus on the provision of subject-specific information through Specials and dedicated areas, aided by constant coordination with Key TV and increasing integration with Alfabeto.

The portal for Personal Financial Advisers was revised in 2016 in line with the development of our service model, updating and creating new informational and showcase page content. The new clustering functions that were extensively used. The profiling tools proved indispensable when bringing the development of our Incentives Regulations in-house.

A number of functions were released during the Alfabeto roll-out phase which make it possible to access certain content approved for the platform directly from the portal, enabling Personal Financial Advisers to share material of interest to their existing and potential customers in real time.

KEY TV COMMUNICATIONS

Consolidate Key TV's role, in synergy with the Portal, as a communications channel between the Network and Head Office, providing comprehensive information on sales projects and strategic initiatives. Contribute to enhancing the multimedia information offered, including through ad hoc productions for the network to share through Alfabeto.

Key TV has proven to be an increasingly valid aid for our Networks, providing promptly and constantly updated information supporting the work of our Personal Financial Advisers with the involvement of guests from within and outside the Group. The production of multimedia content was increased, including through its extension to non-financial information.

FIDEURAM ALFABETO

The new digital platform Fideuram Alfabeto was created in 2016 to enhance the service model supporting the relationships between our Personal Financial Advisers and customers with a new advisory service channel.

Alfabeto takes the financial advisory services our Personal Financial Advisers provide through the Group's physical channels into the digital world, supporting the Personal Financial Advisers in their daily work so they can focus on the activities that generate value for their customers. Alfabeto is equally a cutting-edge channel for reaching new potential customers, supporting generational change.

Alfabeto provides a **web showcase** for each of our Personal Financial Advisers to build their own personal branding, publishing information about themselves and their profession, providing articles on financial matters, promoting financial culture to their customers and prospects, and establishing and consolidating their credibility.

A customer visiting their Personal Financial Adviser's showcase pages can update themselves on the financial world,

while a potential customer can start to form an impression of a Personal Financial Adviser before deciding to contact him over the platform.

Moreover, each Personal Financial Adviser can build up a **community** of customers on Alfabeto who are able to comment on and "Like" the articles on their showcase pages, as well as provide testimonials regarding their Personal Financial Adviser, thereby strengthening their customer relationships and increasing the opportunities for contact on Alfabeto.

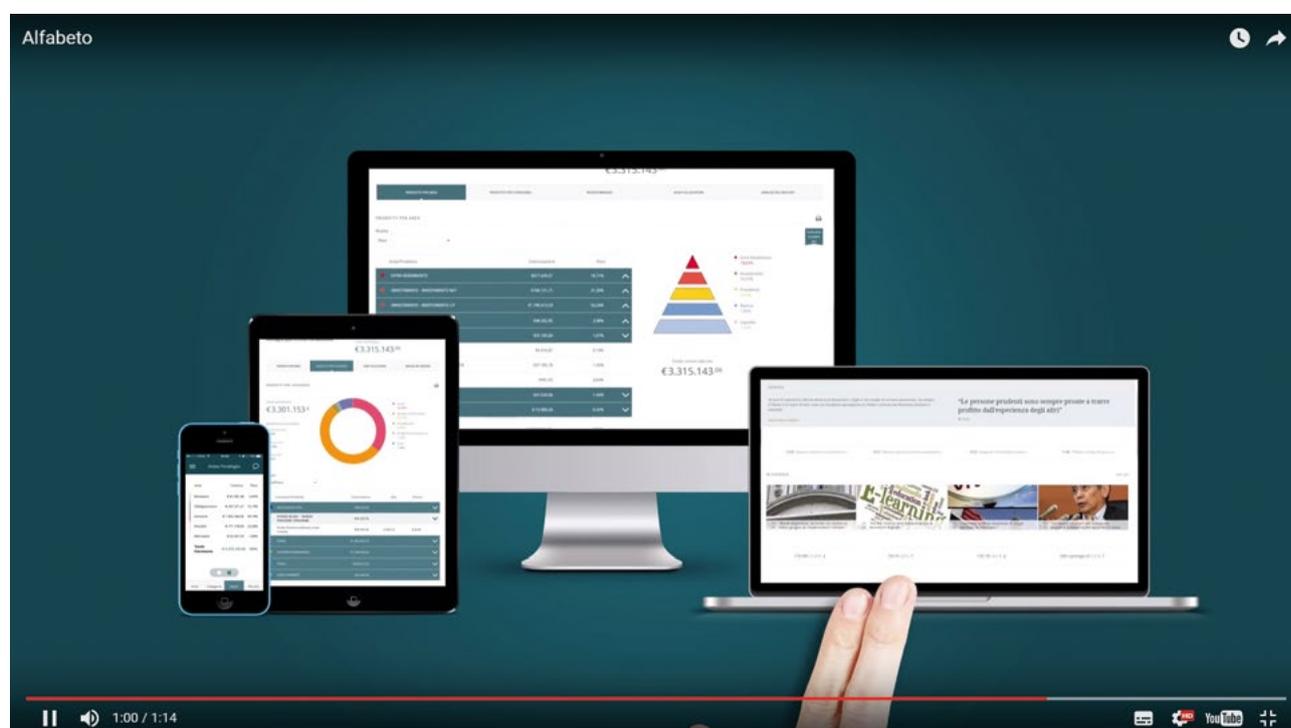
Alfabeto also has a **personal area** where authenticated customers can find information on their investment portfolios along with documents shared by their Personal Financial Advisers. This personal area is the core of the platform, providing an array of functions for customers to keep an eye on their portfolio, including views of their financial position, statements, reports, proposals, meeting documents and detailed information on the performance of their investments. Each Personal Financial Adviser can share articles and documents with individual

customers and engage them in a personalised dialogue.

Digital Office, provided in the personal area, equips our Personal Financial Advisers with a dedicated space to manage certain "face-to-face" moments in their customer relations digitally, interacting through chat and video chat functions at any stage from browsing investment positions and sharing documents to signing proposals. Alfabeto puts technology at the service of our Personal Financial Adviser-customer relationships.

Alfabeto is available both online and through dedicated **apps** for mobile devices which provide access to the platform's functions at any time, even when on the move.

Since going live in July 2016, **over 1,500 Personal Financial Advisers** have completed dedicated training and published personal web pages on the platform showcasing their professionalism and services to the **over 25,000 customers** now authorised to access the system.



PORTAL FOR PERSONAL FINANCIAL ADVISERS



Our portal for Personal Financial Advisers continued to play a key role in the collection and delivery of in-fo-training material for our networks in 2016. This included new sales material showcasing the strategic services provided using the new Alfabeto platform and Private Wealth Management Hub. We also developed new content for the Anti-money laundering section to draw attention to the related legislation and reorganised the sections reporting on our events. In the second half of the year, we developed Incentives Regulations that brought the documentation previously kept in a dedicated application in-house. This was achieved deploying the new clustering functions also used during the launch of Alfabeto to channel specific information to pilot groups of platform users. Lastly, we developed and fine-tuned content generation solutions in the year for drafting and publishing exclusive content for Alfabeto and content that is also shared directly by the Portal.

KEY TV COMMUNICATIONS



Key TV continued to be a source of timely, accurate information on subjects relevant to the work of our Personal Financial Advisers in 2016. In addition to providing constant updates on the markets and main economic and political events, Key TV extended the range of subjects covered with

in-depth programming on pensions, demographics, tax matters, behavioural finance and women's finance. Key

TV's output rose significantly, with over 280 programme episodes published in the year (compared with 250 in 2015), including content exclusive to Alfabeto and productions for other Group departments. The percentage of unique users likewise continued to grow, rising to around 78% (75% in 2015). On the infrastructure front, moving to a 16:9 aspect ratio offered improved quality and new graphic design made the programming more appealing.



Key TV Studio

THE FIDEURAM MOBILE SOLUTION PROJECT



The Fideuram Mobile Solution project has supported and streamlined the work of our Personal Financial Advisers for over 5 years, enabling them to dedicate more time to their customer relations.

Thanks to the use of the very latest technologies, our Personal Financial Advisers can access constantly-updated documents ready for use with their customers at any time, including on the move, and can acquire customers' personal documents in digital format using the Easy Doc smartphone app and Customer Compliance Dashboard application.

Fideuram Mobile Solution sees the Group deploying a single operating platform that completes the integration of our advisory service sales tools (basic and advanced services) and our platform for the execution of instructions. It enables our Personal Financial Advisers to use their laptops or iPads to prepare sales proposals, verify their suitability, obtain their customers' approval and execute their instructions. Our customers can accept these proposals by using digital signatures without printing out any forms, by signing pre-completed printed forms or by providing biometric signatures using a new dedicated app on their Personal Financial Advisers' iPads.

REMOTE BIOMETRIC AND DIGITAL SIGNATURES

Advanced Electronic Signature offers two ways of signing, available both in and away from the Group's branches:

- Biometric signature
- Digital Signature.

In both cases, customers sign the documents on a tablet computer for the purpose. Using the tablet to sign is simple and immediate, being comparable to the experience of signing a paper document and having the same legal status.



REMOTE AND OUT-OF-OFFICE SALES

Intesa Sanpaolo Private Banking has authorised those Personal Financial Advisers in the Network who are registered in the Italian Unified Register of Financial Advisers to promote and sell mutual funds, discretionary accounts, Group bonds, certificates and securities traded on the secondary market outside bank premises.

This "virtual" extension of the Personal Financial Adviser sphere of action enables them to interact remotely with customers using the home banking channel.

The availability of Biometric and Digital Signatures has enabled us to develop the digital side of our Provision of Products and Services Outside Bank Premises and to launch a Remo-

te Sales model offering significant benefits to our Personal Financial Advisers and customers.

The Provision of Products and Services Outside Bank Premises has benefited from Biometric Signatures in a variety of ways, from the optimised management, archiving and control of contract documents to the speed and convenience of customers being able to receive their own copies in digital format, simplifying their management and traceability over time.

Remote Sales enable our Personal Financial Advisers to offer value-added advisory support, sending investment proposals to their customers using remote communication techniques. Customers can look through propo-

sals directly in the private area of the bank's website and sign them using their digital signature certificates, with many important benefits for our customers and Personal Financial Advisers alike.

- Our Personal Financial Advisers are able to select the most appropriate communication channel for their customers' needs with a view to optimising the relationship, taking them through guided processes to the formulation of a sales proposal.
- Our customers can receive their copy of the contract in digital format, making it easier to manage and trace over time.

MAIN IMPROVEMENT OBJECTIVES FOR 2017

ALFABETO

The informational content provided for the public on the Alfabeto platform will be expanded through planning and developing new subject areas, some exclusive to Alfabeto and some shared with the Portal for Personal Financial Advisers, and by improving the organisation and functionality of information content alerts so that the content is easier to find with the increased volume provided and can be shared more promptly with existing and potential customers.

Supporting the roll-out of the platform, we plan to launch a series of activities for incentivising our Personal Financial Advisers through the sharing of best practices in a dedicated community, and a series of initiatives rewarding the best and most effective customer communications activities.

PORTAL FOR PERSONAL FINANCIAL ADVISERS

Maintain the centrality of the Portal for Personal Financial Advisers as an info-training channel serving our Personal Financial Adviser Networks. Keep the content constantly updated, focusing in particular on sales, product and economic matters.

KEY TV COMMUNICATIONS

Ensure, together with the Portal, that all company information supporting our Personal Financial Advisers in their work, from strategic to sales and training initiatives, is made available to them as soon as possible.

Tell the story of our Personal Financial Adviser Networks through a multimedia production presenting the events, contests and initiatives run in the various areas.

Support the steady roll-out of Alfabeto and the population of our Personal Financial Advisers' web showcases through the production of increasingly numerous and diverse contributions that are also suitable for existing and potential customers.

MARKET RESEARCH



Fideuram again participated in the joint GfK Eurisko and **Prometeia Household Savings Outlook** survey in 2016 with the aim of gaining a fuller understanding of its economic and competitive situation.

The research shows that, whereas there was a recovery in Italian households' satisfaction with their economic situation at year-end 2015, this fell slightly in early 2016. They still do not see themselves as having come through the crisis and household heads look to the future with increased uncertainty, in part due to Brexit. Investments reflect this changing situation, marked by contrasting sentiments and developments, both positive and negative, that engender uncertainty and fear, demanding further focused efforts to reassure a disorientated customer base that has lost its historical bearings.



There were some changes in the product mix held, with households reallocating assets from Government securities, bonds and products that households perceive to offer greater solidity and security, such as Italian Post Office Bonds (*buoni postali*).

The survey analysis highlights this as an opportunity for the Financial Industry to get closer to the market as an expression of its customer commitment, countering sentiments of distrust and the temptation to move away from investments and advisory support. The Financial Adviser Networks, which follow sales policies that are more sensitive to shifts in the market, increased their focus on managed assets, especially in the second half of the year.

Households increased their savings more than they realised, with disposable income rising but the increase only flowing partially into consumer spending due to declining confidence. After this year's increase, however, household savings are likely to rise modestly in the coming years on the assumption that once the current period of uncertainty has passed, consumer spending will rise more closely in line with disposable income.

Prometeia's forecasts see the outlook for household financial portfolios and the managed asset market being that Italian households will continue to make changes in the asset mix of their financial portfolios, but that these will be smaller and less frequent than in the past. The continuation of low interest rates for the foreseeable future will stimulate demand for higher-return investment solutions over lower-risk investments with very low returns, consolidating a shift towards managed asset products to obtain increased portfolio diversification, including geographical diversification.

Italian Banks will continue to prioritise managed asset products for household investments due to the lower reliance on customer funding involved and to maintain strategies for reallocating income to the services area. Net inflows will be lower than in recent years because the non-managed assets from which most banking customers currently draw to invest in managed asset instruments have already decreased considerably. The outlook for the financial adviser networks is more favourable, with the potential for inflows to return to their historical averages, partly as a result of reallocation from liquid assets, which increased in the early months of this year.

MAIN OBJECTIVES FOR 2016	ACTIONS AND RESULTS ACHIEVED
<p>ONLINE SERVICES</p> <p>Strengthen instruction and information functions and update services.</p>	<p>The process of fine tuning the bank and securities statements and reports section was completed for the entire Division during the year, bringing our online services into line with new legislation.</p>
<p>WEBSITE</p> <p>Revise the Group Networks' public web presence, enhancing the instruction and reporting functions provided.</p>	<p>The Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking Networks' websites were completely redesigned and two new websites were published, one for the Group and one for the Alfabeto digital platform.</p>

ONLINE SERVICES

+11%
 Customers were subscribed to Fideuram Online (on 2015)

Internet services continued to achieve solid growth in 2016, both in the total number of customers subscribed to the services, which was up around 11% on 2015, and in the total number of transactions completed online.

Fideuram and Sanpaolo Invest customers performed over 80% of their payment and trading transactions online, a 6% increase on 2015. Internet services also accounted for a significant proportion of transactions for the third member of the Division, Intesa Sanpaolo Private Banking, with 60% of instructions performed online.

Committed to constantly improving our customer service, we continued the work of enhancing our information functions. The take-up of our Online Statements and Reports service continued to grow, with over half our online customers having now activated

the service, peaking at 80% for Intesa Sanpaolo Private Banking.

Fideuram and Sanpaolo Invest saw take-up grow steadily, with Statements and Reports for Advisory Services and Products up 20% on 2015 and Bank Statements and Securities Reports up over 17%. The latter benefited from the completion of our work to deliver a uniform service across the entire Division in 2016, enabling the provision of archived data going back 10 years while allowing customers to personalise the management of their documents by creating their own archive folders.

Lastly, we continued to implement the plan for developing and enhancing the instruction and configuration functions of the Intesa Sanpaolo Private Banking internet platform, launching a function for subscribing to bonds and certificates on the primary market and streamlining the process for creating a Digital Signature.

WEBSITE

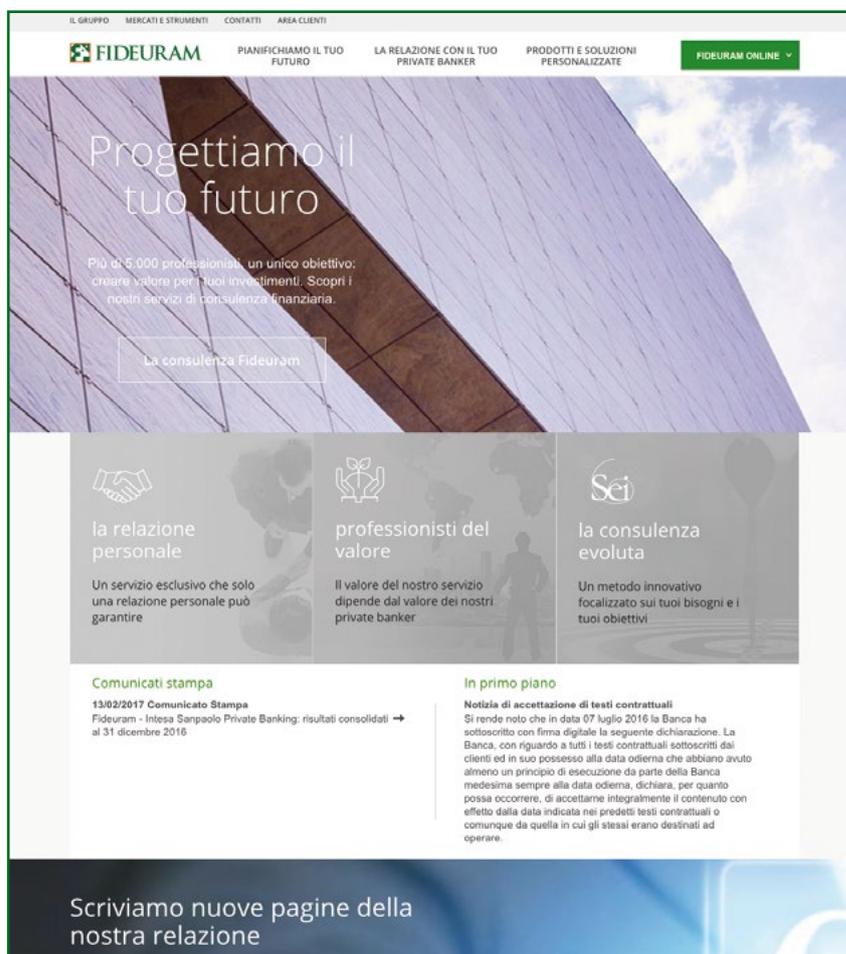
FIDEURAM

2016 was an extremely important year for our internet presence. In June, the Fideuram and Sanpaolo Invest websites were completely redesigned with new interface graphics and navigation procedures, and we launched a new website for the Fideuram - Intesa Sanpaolo Private Banking Group. The extensive redesign has brought a distinctive, immediately-recognisable look and feel, innovative organisation of the site content that makes it particularly easy to use, and a completely new user experience, enhanced by a fully-responsive design which ensures every part of the site can be easily consulted using any device - PC, smartphone or tablet.

The images used, which play a core role in the design of these new web pages, were chosen to convey the concept of planning for the future.

The home pages have been designed to convey the values on which our customer relationships are based, and showcase the tools and services available to our Personal Financial Advisers to leverage their expertise and professionalism, which feature prominently in the new design with a clear and effective message.

Our web presence has been extensively updated with the creation of a dedicated website for our corporate communications, designed with very specific targets in mind - public authorities, administrative authorities, financial institutions, academic institutions, opinion leaders and news and media outlets. It consequently adopts a distinctive style and content that is organised to provide immediate ap-



propriate information on our values and organisational structure. The site is organised in separate sections for economic, financial and company data that are quick and simple to navigate.

July saw the launch of a website presenting the unique innovative features of Alfabeto - the new digital platform

supporting the relationships between our Personal Financial Advisers and customers. This new website makes intensive use of graphical content and digital videos to show the extensive support the platform provides for our professionals' skills, expertise and customer relations.

INTESA SANPAOLO PRIVATE BANKING

The new Intesa Sanpaolo Private Banking website went live in December.

The bank's relationship with its customers is a core element of its service model, based on an in-depth understanding of its customers and the ability to meet their needs, which are the principal reasons for its leadership.

The project, which involved all the bank's main organisational units, led to a complete re-envisioning of the design and content of the website with the aim of positioning the bank closer to its customers, their needs and expectations, in line with its branding.

The entire project is linked by a common thread - people - reflected in the choice of images, style of content and highly-innovative, user-friendly approach.

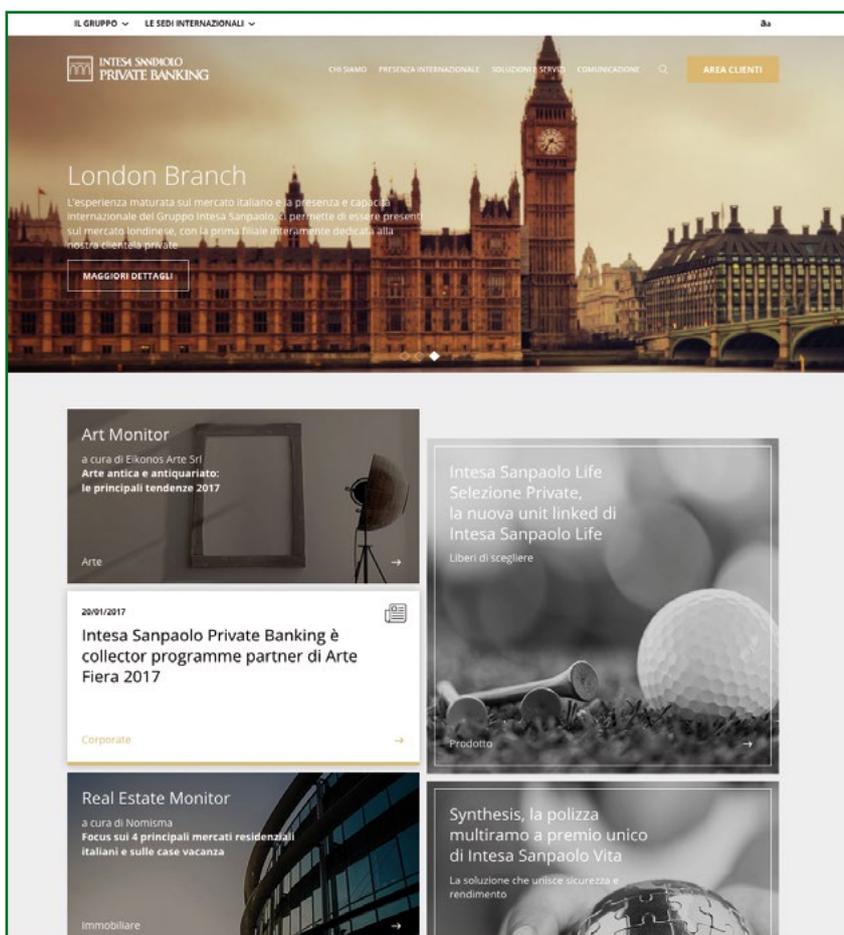
The home page features impactful images to capture the user's attention and highlight key messages.

An extensive articles section provides targeted active information on financial and non-financial matters, including important data and information on the bank and markets, updates on the range of products and services offered, news on the art world and market provided in conjunction with Eikonos Arte, and in-depth reports on real estate developments delivered in partnership with Nomisma - Società di Studi Economici. Site navigation is simpler and more intuitive, forefronting the bank's strengths of solidity, exclusivity, tran-

sparency and confidentiality which are at the heart of its customer relations, the ambition expressed in its launching international projects, the expertise underlying its Personal Financial Advisers' professionalism, the complete range of solutions and services offered, and its communications and events initiatives.

The footer features a convenient branch search tool that makes it easy for users to find their nearest branch.

Lastly, the new design is fully responsive, offering users easy access to every area of the site even from a smartphone or tablet.



MAIN IMPROVEMENT OBJECTIVES FOR 2017

ONLINE SERVICES

The Group will continue to develop its online services in 2017 as follows:

- Develop our payment systems' identity and security infrastructure to ensure compliance with forthcoming regulations and integrate online services in our business model.
- Further develop our payment services.
- Extend our Online Statements and Reports.

WEBSITE

Extend and develop our web content, creating two websites dedicated to the profession in our networks, explaining what it means to be a Personal Financial Adviser in our Group and providing an opportunity to contact us.

BELOW-THE-LINE COMMUNICATIONS

Our below-the-line communications supporting the development of the Group's product range continued to follow the "sguardi" ("looks") approach which has been consolidated over the years and is now recognised as a distinctive feature of our direct and transparent product communications, based on close personal relations between our Personal Financial Advisers and customers.

In 2016, this work consisted of updating material supporting the development of our product range. New product brochures were produced to support the launch of the new Fideuram Vita multi-class policy **Fideuram Gemini**, the Old Mutual Wealth Italy S.p.A. unit-linked policy **Fideuram In Persona**, the Class I policy **Fideuram Vita Garanzia e Valore Flex3** and the new product **Fai Private Debt Special Opportunities**, Fideuram's first alternative investment fund.

Outside the "sguardi" umbrella, we prepared leaflets providing customers with a clear and simple overview of how **Fideuram Step-IN** operates, offering a new way of gradually investing in the markets, available for a number of target Consilia portfolios in the Fideuram Omnia line. Lastly, having sent all our customers detailed information on the Bail-In

regulations now in force in Italy, we produced a leaflet entitled **"Quanto sono solide le fondamenta del tuo partner finanziario"** ("How sound are your financial partner's foundations?") setting out the main facts that testify to the solidity of the Group.

Our work to provide Customers with increasingly clear, transparent and comprehensive information likewise continued at Intesa Sanpaolo Private Banking in 2016, accompanied by the production of corporate communications on the core services and service models the bank offers its different target customers. We also produced a brochure on the VIEW Advanced Advisory Service in line with our corporate image and Private Banking communications, using images that evoke a fully comprehensive vision of a customer's assets.

Our Wealth Management presentation was updated and produced in versions tailored to the core services offered to High Net Worth Individual customers, and the bank's corporate presentation was given a new format to highlight the business model's strengths and the range of services offered.



OPERATIONS OUTSIDE ITALY

Fideuram Asset Management (Ireland) dac continued to act as manager of the Fideuram Group's collective investment products in 2016 (Luxembourg, Irish and Italian collective investment undertakings) and of the products developed by the Group's insurance companies (Italian pension fund and Irish unit-linked policies). The Irish mutual funds' new fund offers ended on 23 November 2016. Client assets in the Luxembourg products offered by Fideuram Asset Management (Ireland) totalled €41.9bn at 31 December 2016, an increase of €1.1bn on 31 December 2015 (€40.8bn).

Fideuram Bank (Luxembourg) S.A. plays a key role in the Group's opera-

€41.9bn

Client assets managed
by Fideuram Asset
Management (Ireland) dac

rating structure as the Depository Bank and Administrative Agent (calculation of Net Asset Value and keeping of subscriber register) of our Luxembourg funds. The bank operates through a select yet extensive network of worldwide correspondent banks, while also acting as Securities Lending Agent for the portfolio, playing a significant role in providing treasury and liquidity risk management services for the Group's Luxembourg funds.

Lastly, the bank also provides technological and organisational support in the form of IT and administrative services for a number of its affiliated companies in other countries.

Intesa Sanpaolo Private Bank (Suisse) S.A. is a Swiss bank specialising in investment services for private individuals. Its head office is in Lugano and its client assets totalled CHF1.145m (€1.066 m) at 31 December 2016. In recent years, the bank has centred its business activities on the growth of managed assets, which account for nearly 50% of client assets, in order to stabilise its income flow.

Rationalising the Fideuram Group's representation in France, we completed the merger of subsidiary Euro-Trésorerie S.A. with **Financière Fideuram S.A.** on 1 July 2016. The treasury and

finance business previously conducted by Euro-Trésorerie S.A. is now carried out by Financière Fideuram S.A., which took over the related organisational unit. Its securities holdings totalled €2.4bn at 31 December 2016, compared with €1.7bn at the end of 2015.

In December 2016, Fideuram participated in the establishment of a Wealth Management company in China to offer financial products to high-end customers. The new company, **Qingdao Yicai Wealth Management** ("Italian Talent") is wholly-owned by Intesa Sanpaolo Group companies (25% Fideuram, 20% Eurizon Capital and 55% Intesa Sanpaolo) and was established to tap into the opportunities of the Wealth Management market in China, a country with high economic growth, a flourishing financial services market and sustained growth in the High Net Worth Individual segment that is expected to continue in the future.

€2.4bn

Securities holdings
of Financière Fideuram

ORGANISATION AND SYSTEMS MANAGEMENT

ORGANISATION AND SECURITY

The Organisation Department is responsible for directing the development of the organisational model with respect to organisational units, sizing and processes, working with the Operating Strategies Unit to ensure that project plans are respected and monitored, full information is relayed to top management and the departments concerned, and that any cross-project impacts are managed effectively.

During 2016, Organisation assisted Management in developing and implementing a new organisational structure following the establishment of the Private Banking Division, drawing up the Department Duties Chart and Regulations on Interdepartmental Committees, analysing the work carried out by all the different Division units and adapting the operating processes to the new situation.

In line with the strategic objectives of the Intesa Sanpaolo Group's 2014-2017 Business Plan, Organisation has been engaged in many business and legislation-related planning initiatives, constantly monitoring the progress and production of the related deliverables and intervening with the units responsible at the onset of any critical issues, facilitating communication and collaboration between the different work groups.

The main initiatives managed in 2016 were as follows:

- Launch of the Division's MiFID II project, completion of the assessment phase and publication of the initial regulations.
- Opening of the Intesa Sanpaolo Private Banking London branch and management of the growth project for Intesa Sanpaolo Private Bank (Suisse) S.A.
- New service model for institutional customers and development of a dedicated offering.
- Development and launch of the new VIEW Advanced Advisory Service for Intesa Sanpaolo Private Banking customers.

- Deployment of the Intesa Sanpaolo Private Banking High Net Worth Individuals Organisational Model.
- Implementation of the action plan for strengthening our anti-money-laundering management and enhancing the efficiency of the related processes.
- Development of a new organisational model for managing complaints and Information for Customers.
- Management of regulatory projects (Capitalisation of interest, PSD2, IFRS 9 and Common Reporting Standard).

Organisation also oversees the development and maintenance of the Group's internal regulations, consisting of Governance Documents which govern the running of the Group (By-Laws, Code of Ethical Conduct, Group Regulations, Authority and Powers, Guidelines, Department Charts and Organisation Charts), and operational regulations which govern its corporate processes, single activities and related controls (Rules, Operating Guides and Communications to the Personal Financial Adviser Networks). As part of this work during the year, we updated our Governance Documents regarding the areas of responsibility of units with control duties (Compliance, Risk Management and Financial Management Governance), extending their remit to cover the entire Private Banking Division.

As a delegated department, Organisation is responsible for the operational coordination of the activities assigned to the Contact Person for the Private Banking Division's Sector Operational Continuity Plan, interfacing with the Group Operational Continuity Unit. During the year, this saw the department perform all the Operational Continuity management activities provided for in the Intesa Sanpaolo Group Organisational Model for Crisis Management and Operational Continuity Plan Rules. In particular:

- The Disaster Recovery solution underwent its annual test session successfully in October 2016, passing the operational continuity tests specified by the Bank of Italy to obtain the related certification.

- The periodic operational continuity test session was carried out in November 2016, simulating "Inaccessibility of premises" and "Non-availability of essential personnel" scenarios to test the effectiveness and suitability of the solutions planned.

Lastly, Organisation's work of managing the service contracts governing the activities outsourced to Intesa Sanpaolo and Intesa Sanpaolo Group Services saw the department coordinate the service level monitoring carried out by the units concerned in the form of regular audits of the Key Performance Indicators (KPIs) for the services provided. During this work, a number of improvements were identified to align the KPIs with operational developments.

INFORMATION SYSTEMS AND OPERATIONS

The Fideuram Group's leadership and innovation depend on the constant development of the technologies supporting our business model, centred in particular on the role of our Personal Financial Advisers, on our Advisory Services and on our support for Private Banking customers.

Acting to sustain the constant growth of our business and to identify and leverage the opportunities presented by technological innovation, the development and rationalisation of our systems largely focused on two main areas in 2016:

- Growth and development of the business.
- Projects to develop and rationalise the architecture and efficiency of our operating processes.

The most significant projects in the former area were as follows:

- **Fideuram Alfabeto:** Our new digital space was launched, providing an innovative multi-channel solution to enhance the interactions between our customers and their Personal Financial Advisers. Alfabeto allows our Personal Financial Advisers to develop their own "self-branding" in the Network using

a personal web page and to provide Advisory Services for their customers using innovative methods such as a Digital Office, while also offering the option of managing the entire sales relationship cycle in digital form.

- **New Advanced Advisory Platform:** We totally revised the user experience of our Advanced Advisory Platform, streamlining it and making it faster to use with responsive technology that enables convenient use from mobile devices. The new application enables all the basic advisory service and SEI Advanced Advisory Service functions to be brought together in a single scalable system.
- **Systems supporting Private Wealth Management:** We launched the design work on the IT systems supporting the Private Wealth Management (PWM) Hub that manages advisory services for the Private Banking customer clusters and all the statements and reports provided by the service model.
- **Roll-out of VIEW (Value Investing Evolution Wealth):** We launched the roll-out of the new VIEW Advanced Advisory Service for Intesa Sanpaolo Private Banking customers. The new platform is natively integrated with our existing Advisory services to offer customers complete advisory support across every area of their assets.
- **Systems supporting High Net Worth Individual customers (HNWI):** We launched the implementation phase of the management platform for the Intesa Sanpaolo Private Banking network's HNWI service model, releasing the initial modules handling Integrated customer analysis, Customer action plan development and monitoring and Opportunity Management.

We progressed the development and implementation of the many projects launched the previous year as part of a wider architecture development programme to achieve the full integration of the Private Banking Division:

- **Biometric signature:** This project aims to extend the range of paperless signatures used at Fideuram with the adoption of a Biometric Signature option on iPad tablet computers. The solution was first tested on a pilot group of Personal Financial Advisers and then extended to the entire Network

prior to commencing the onboarding of customers in our paperless signature solutions.

- **Customer Onboarding:** A new app for fully-digital customer onboarding using biometric signature technology on iPad tablets has been designed and is currently under development. We plan to launch it on the Personal Financial Adviser Network in the first quarter of 2017.
- **Extension of Fideuram Mobile Solution:** The range of transactions offered was further extended, prioritising those with the highest volumes, and the Operating Platform was enhanced with "Customer Management" which has decentralised and digitised the process of making changes to personal data and contracts. We also ported our Operating Platform to Oracle Linux to improve its stability and increase its scalability and speed of use.
- **Service layer (Enterprise Service Bus - ESB):** In 2015 Fideuram decided to implement an ESB to provide a layer of abstraction between its front-end applications and back end systems. The project included a feasibility study, selection of the software vendor, Tibco, development of ESB governance guidelines and implementation of the ESB as part of the Alfabeto project. We subsequently launched the gradual porting of our Web Services to the new architecture, which will continue into 2017.
- **Product database:** This project was launched in response to the need to centralise all the Division's financial and insurance product information in a single database. The first phase revised the process for recording and making changes to Fideuram Group products, developing a new application and using Tibco's Master Data Management (MDM) software.
- **Rules Engine:** This project was conceived to centralise the management of all our "purchase controls", which are currently scattered across our application chains and not always parametrised in a database. The new central rules engine will be used by Fideuram systems such as Advisory, the Operating Platform and Alfabeto, and subsequently by other Intesa Sanpaolo Private Banking systems, enabling all the controls to be reused.

Information Systems and Operations managed a total of 60 development projects to brief and deadline in the year with a total investment of approximately €34m.

In the Governance area, we completed the integration of the ICT expenditure management and authorisation process at Private Banking Division level with the release of a new ICT Demand Management System that supports the rolling and planning phases, developed to provide a process that is efficient and effective for all the different parties involved in the conception and launch of planning initiatives, as well as in their financing and the management of the related liabilities cycle. The tool, which can also be used on iPads, will in addition speed up internal management processes and reduce paper consumption.

Our work on the ICT project portfolio saw us complete the integration with Intesa Sanpaolo Private Banking, bringing the management of all projects and their work plans together in a single system used for real-time monitoring and to support the fortnightly Project Committee meetings attended by the Chief Operating Officer, their first-line managers and all the area IT managers. Using this information, we also developed a Dashboard to support the Management Committee in meeting sessions dedicated to the Division's strategic projects, which enables Project Business Managers to build the information into progress reports.

The Contact Centre providing assistance to the Network recorded similar contact volumes to the previous year.

The support provided the Networks was once again valued highly during the year, achieving a very large number of positive assessments by our Personal Financial Advisers in their annual perceived quality survey.

4.7.4 Human capital

Human capital includes the skills, abilities and knowledge of the people who work in the Group.

	2016	2015	2014
Fideuram Network - Ratio of Customers to Personal Financial Advisers	148:1	144:1	140:1
Sanpaolo Invest Network - Ratio of Customers to Personal Financial Advisers	98:1	95:1	91:1
Intesa Sanpaolo Private Banking Network - Ratio of Customers to Personal Financial Advisers	43:1	43:1	43:1
Ratio of Client Assets to Personal Financial Advisers (€m)	34	32	31

PERSONAL FINANCIAL ADVISERS

MAIN OBJECTIVES FOR 2016

The Group will continue to focus on recruitment as a strategic lever for growth, concentrating its efforts even more closely on candidates with strong sales and professional track records from the banking sector and other networks.

Develop dedicated products and services designed to meet customer asset management and protection needs.

Complete the Fideuram Alfabeto digital presence management project for Personal Financial Advisers.

ACTIONS AND RESULTS ACHIEVED

The volume growth of the Personal Financial Adviser Networks was achieved through recruitment activities focused above all on banking sector professionals with outstanding potential. Significantly, the Personal Financial Advisers recruited in 2016 achieved higher per-capita inflows than their predecessors in prior years, testifying to the increased quality of the individuals recruited.

In 2016, we further extended our offering to meet customer asset management and protection needs, launching products conceived to contain the portfolio impact of market volatility and capital guarantee insurance solutions.

The platform supporting our Personal Financial Advisers in the provision of digital financial advisory support was gradually rolled out to the Network and extended to customers and prospects. The related app for Personal Financial Advisers and customers was made available in tablet and smartphone app stores.

Continued overleaf >>

>> PERSONAL FINANCIAL ADVISERS *continued from previous page*

MAIN OBJECTIVES FOR 2016

ACTIONS AND RESULTS ACHIEVED

Simplify the Operating Platform.

Launched our new Operating Platform 2.0, which reduces the time required to complete proposals and manage orders, while offering an improved user experience thanks to a revised interface, improved usability and iPad optimisation. Introduced biometric signatures for investment transactions with a new iPad app for our Personal Financial Advisers.

Develop a unified customer service front end and roll-out to the Network.

We released a new Unified Advisory Platform, which enables our Personal Financial Advisers to manage and monitor customer portfolios, from profiling to proposals, using a single application. Special attention was focused on streamlining the operating process, rationalising the content, revising the interface and enhancing the SEI service with dedicated advanced functions.

Significantly increase the sales force.

The volume growth of the Networks continues to be an essential strategic lever. Our recruitment activities in the year brought 309 new financial advisers into the group, while also conducting a search and selection process followed by training for young "New Talent" to induct into the profession of Financial Adviser. This saw us deliver our course "Essere Fideuram, Essere Consulente" (Being Fideuram, Being a Financial Adviser) for the seventh consecutive year in 2016, in conjunction with the Università Cattolica del Sacro Cuore. The course maintained its established format of alternating class-based training and field training over six months for approximately 40 young people, 34 of whom joined the Network.

SIZE OF NETWORKS

The Group's Networks (Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking Networks) totalled 5,848 Personal Financial Advisers at 31 December 2016, compared with 5,846 at 31 December 2015, as shown below:

Group Personal Financial Advisers

	BEGINNING OF PERIOD 1.1.2016	IN	OUT	NET	END OF PERIOD 31.12.2016
Fideuram Network	3,589	150	168	(18)	3,571
Sanpaolo Invest Network	1,436	72	79	(7)	1,429
Intesa Sanpaolo Private Banking Network	821	87	60	27	848
Total	5,846	309	307	2	5,848

Fideuram Personal Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1.1.2016 - 31.12.2016	3,589	150	168	(18)	3,571
1.1.2015 - 31.12.2015	3,572	164	147	17	3,589
1.1.2014 - 31.12.2014	3,569	168	165	3	3,572

Sanpaolo Invest Personal Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1.1.2016 - 31.12.2016	1,436	72	79	(7)	1,429
1.1.2015 - 31.12.2015	1,472	73	109	(36)	1,436
1.1.2014 - 31.12.2014	1,535	73	136	(63)	1,472

Intesa Sanpaolo Private Banking Personal Financial Advisers (*)

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1.1.2016 - 31.12.2016	821	87	60	27	848
1.1.2015 - 31.12.2015	807	78	64	14	821
1.1.2014 - 31.12.2014	813	74	80	(6)	807

(*) The Intesa Sanpaolo Private Banking Network currently numbers 817 Personal Financial Advisers who are salaried employees registered in Italy's Unified Register of Financial Advisers and 26 freelance professionals on agency contracts. The 2016 figures also include 5 Personal Financial Advisers at Intesa Sanpaolo Private Bank (Suisse) stated as of 2016.

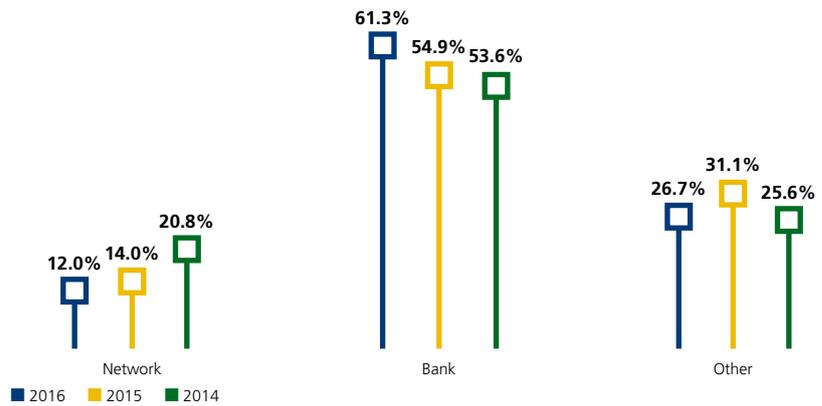
Our recruitment programme brought 309 new Personal Financial Advisers into the Group in 2016, compared with 315 in 2015. A total of 307 Personal Financial Advisers left the Group during the year, only 25% of whom, however, moved to competitor networks.

The recruitment programmes were conducted with the greatest rigour and professionalism by the managements of the Group's three Networks, and focused on finding Personal Financial Advisers of high standing in line with the role of market leader which has always distinguished the Group.

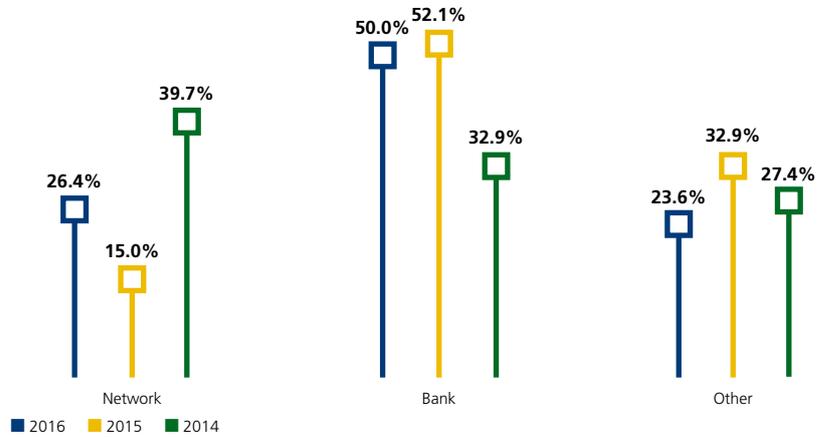
The training and work of our Personal Financial Advisers are guided by the principles of ethics and transparency which differentiate the Group and aim, amongst other things, to secure customer loyalty through the support of financial advisory services that are tailored to each customer's personal investment needs and risk profile.

The strong results achieved were also assisted by the Group's investments in innovative projects, training programmes and tools that support our advisory services.

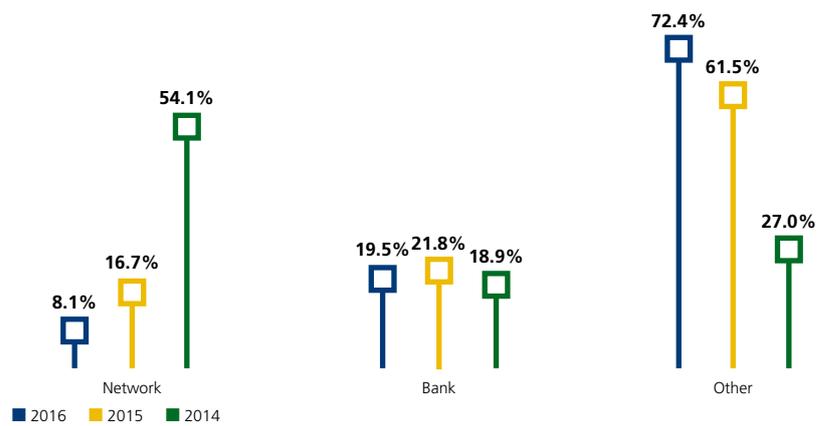
Origin of professionals joining the Fideuram Network



Origin of professionals joining the Sanpaolo Invest Network



Origin of professionals joining the Intesa Sanpaolo Private Banking Network



TURNOVER BY AGE AND GENDER, 2016

Fideuram Network

GENDER	JOINED		LEFT	
	NUMBER	%	NUMBER	%
Men	113	3.8	152	5.1
Women	37	6.6	16	2.8
Total	150	4.2	168	4.7

AGE	JOINED		LEFT	
	NUMBER	%	NUMBER	%
under 30	25	28.1	5	8.2
30 to 50	86	6.9	43	3.7
over 50	39	1.7	120	5.4
Total	150	4.2	168	4.7

Sanpaolo Invest Network

GENDER	JOINED		LEFT	
	NUMBER	%	NUMBER	%
Men	53	4.7	67	5.9
Women	19	6.5	12	4.1
Total	72	5.0	79	5.5

AGE	JOINED		LEFT	
	NUMBER	%	NUMBER	%
under 30	7	25.9	5	18.5
30 to 50	41	7.2	26	4.6
over 50	24	2.9	48	5.7
Total	72	5.0	79	5.5

Intesa Sanpaolo Private Banking Network

GENDER	JOINED		LEFT	
	NUMBER	%	NUMBER	%
Men	55	9.9	38	6.8
Women	32	11.0	22	7.6
Total	87	10.3	60	7.1

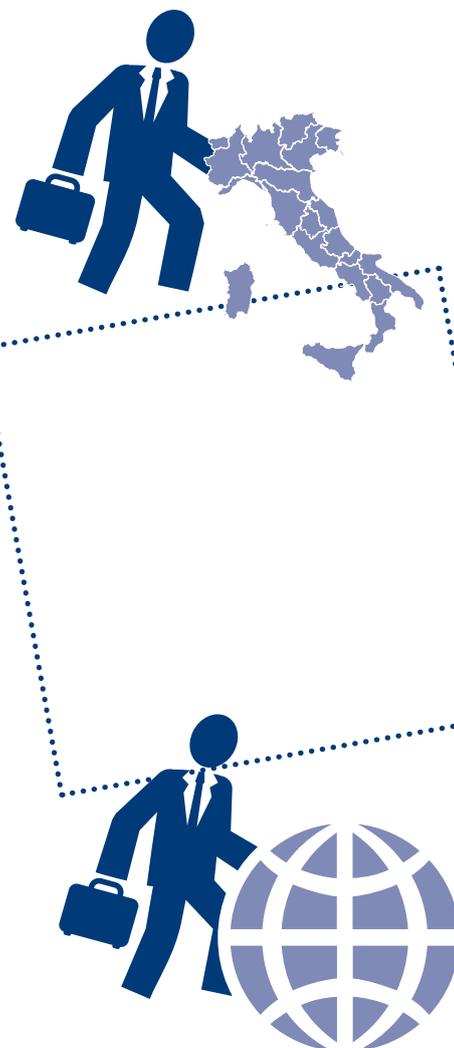
AGE	JOINED		LEFT	
	NUMBER	%	NUMBER	%
under 30	-	-	-	-
30 to 50	62	14.2	36	8.2
over 50	25	6.1	24	5.9
Total	87	10.3	60	7.1

MARKET COVERAGE

The table below shows the regional distribution of our Personal Financial Advisers and the market penetration achieved by the Group.

Fideuram Network - Area Coverage - Number of Personal Financial Advisers in each region and outside Italy

REGION	2016	2015	2014
Piedmont	775	765	761
Valle d'Aosta	11	11	11
Liguria	294	289	281
Lombardy	1,172	1,166	1,170
Venetia	491	482	474
Friuli-Venezia Giulia	123	123	121
Trentino Alto Adige	52	50	54
Emilia Romagna	535	539	535
Tuscany	536	532	527
Umbria	81	80	78
The Marches	132	132	124
Latium	732	733	755
Abruzzo	94	101	104
Molise	18	19	19
Campania	346	348	348
Basilicata	15	17	17
Puglia	139	144	149
Calabria	36	40	41
Sicily	192	206	213
Sardinia	68	69	69
OUTSIDE ITALY			
Intesa Sanpaolo Private Banking London branch	1	-	-
Intesa Sanpaolo Private Bank (Suisse)	5	-	-
Total	5,848	5,846	5,851



ORGANISATIONAL STRUCTURE

The Group has set out its Network Management Organisational Model in detail with the aim of making it increasingly effective for responding optimally to future market challenges and supporting the needs of our Personal Financial Advisers.

Proceeding in accordance with our highly-successful established Organisational Model, the Group focused on the roles, responsibilities and principal activities of the individual management positions.

Our management initiatives can thus be summarised in the following six main functional areas:



FIDEURAM

INTESA SANPAOLO PRIVATE BANKING

GROUP MANAGEMENT AND DEVELOPMENT

Management and guidance of Personal Financial Advisers supervised.

VOLUME GROWTH

Growth of own group of Personal Financial Advisers in area through the selection, induction and development of new professionals.

NETWORK QUALITY DEVELOPMENT

Management actions focused on the direction and guidance of change processes that have a medium- to long-term strategic impact.

BUSINESS GROWTH

Management actions to guide and support the qualitative and quantitative growth and development of the client assets managed by the group of Personal Financial Advisers supervised.

SERVICE QUALITY DEVELOPMENT

Management actions to support growth and to improve the quality of service offered.

PROFESSIONAL DEVELOPMENT

Management actions to support the professional development of our Personal Financial Advisers through the acquisition and consolidation of distinctive skills and abilities.

The main responsibilities and duties of each individual management position in the **Fideuram** and **Sanpaolo Invest Networks** are summarised below:

POSITION	RESPONSIBILITIES
AREA MANAGER	<p>Strengthen role of providing strategic guidance to maximise sustainable growth in territory and strategic leadership of activities carried out in own Area.</p> <p>Notify their Managers of Area strategies and targets.</p> <p>Share territory action plan with their Managers regarding activities, timing and priorities, also indicating the organisational procedures to be implemented in the Area.</p> <p>Supervise and ensure the dissemination of Best Practices identified in the Area for each development area.</p> <p>Periodically verify progress in different development areas, discussing quali-quantitative results and progress of initiatives with Managers, specifying and monitoring any realignment actions necessary.</p> <p>Ensure values of professionalism, propriety and appropriate business behaviour are applied across area by Personal Financial Advisers.</p>
DIVISIONAL MANAGER	<p>Consolidate role as business contact with the aim of maximising business growth, professional development and quality of service.</p> <p>Implement management actions for guiding and supporting the qualitative and quantitative growth and development of client assets.</p> <p>Responsible for management activities supporting Personal Financial Advisers to acquire and consolidate competencies and improve distinctive modes of behaviour.</p> <p>Responsible for management activities guiding and monitoring quality of service offered and provided, along with customer perceptions of service quality.</p>
REGIONAL MANAGER	<p>Consolidate role as management contact for Personal Financial Advisers, increasing support activities directed towards maximising development and growth of own group.</p> <p>Implement management actions regarding the management, guidance and support of the group of Personal Financial Advisers supervised.</p> <p>Achieve expansion of own group in territory through constant recruitment drive for high-quality Personal Financial Advisers.</p> <p>Responsible for professional growth of newly-recruited Personal Financial Advisers, providing support in the post-induction phase.</p> <p>Responsible for quality of own group of Personal Financial Advisers, implementing all the management actions required to manage and monitor Network change processes with medium- to long-term strategic impact.</p>

The main responsibilities and duties of each individual management position in the **Intesa Sanpaolo Private Banking Network** are summarised below:

ROLE	RESPONSIBILITIES
PRIVATE BANKING COORDINATOR	<p>Ensure business growth and the achievement of economic, business and risk management objectives in their area through monitoring and coordinating the work of the Private Banking and HNWI Branches, supporting their actions where necessary.</p> <p>Ensure strong brand affirmation.</p>
HNWI AND PRIVATE BANKING BRANCH MANAGER	<p>Represent the Bank in their area and ensure achievement of economic, business and risk management objectives in Private Banking and HNWI Branches.</p> <p>Manage their Private Banking and HNWI Branch, implementing business policies and appropriate lending procedures, and coordinating the personnel reporting to them.</p> <p>Ensure high quality in service provision and in long-term customer relations, and foster the actions required to develop existing customers and acquire new customers.</p>
GLOBAL RELATIONSHIP	<p>Manage, develop and acquire HNWI customers, ensuring provision of outstanding service and interfacing with HNWI Management units and other bank and Group departments to satisfy the most complex customer needs.</p>
TEAM LEADER	<p>Manage their team, implementing business policies and coordinating the personnel reporting to them.</p>

The following tables show the 2016 data for each of the three Personal Financial Adviser Networks, analysed by rank and gender, average age and average length of service.

Fideuram Network

	MEN	WOMEN	TOTAL	AVERAGE AGE	AVERAGE LENGTH OF SERVICE
Area Managers	5	-	5	60	24
Divisional Managers	19	-	19	56	28
Regional Managers	95	3	98	54	21
Group Managers	311	19	330	53	16
Personal Financial Advisers	2,578	541	3,119	52	15
Total	3,008	563	3,571	53	15

Sanpaolo Invest Network

	MEN	WOMEN	TOTAL	AVERAGE AGE	AVERAGE LENGTH OF SERVICE
Area Managers	2	-	2	58	13
Divisional Managers	10	-	10	55	21
Regional Managers	45	1	46	53	16
Group Managers	147	18	165	52	15
Personal Financial Advisers	934	272	1,206	52	11
Total	1,138	291	1,429	52	12

Intesa Sanpaolo Private Banking Network

	MEN	WOMEN	TOTAL	AVERAGE AGE	AVERAGE LENGTH OF SERVICE
Private Banking Branch manager	85	26	111	52	26
Global Relationship Managers	5	3	8	51	29
Team Leaders	54	22	76	51	27
Executive Personal Financial Advisers	32	25	57	49	23
Personal Financial Advisers	357	212	569	48	21
Personal Financial Advisers ISPB London branch	1	-	1	41	-
Freelancers on agency contracts	23	3	26	63	6
Total	557	291	848	49	22

TEAM FIDEURAM

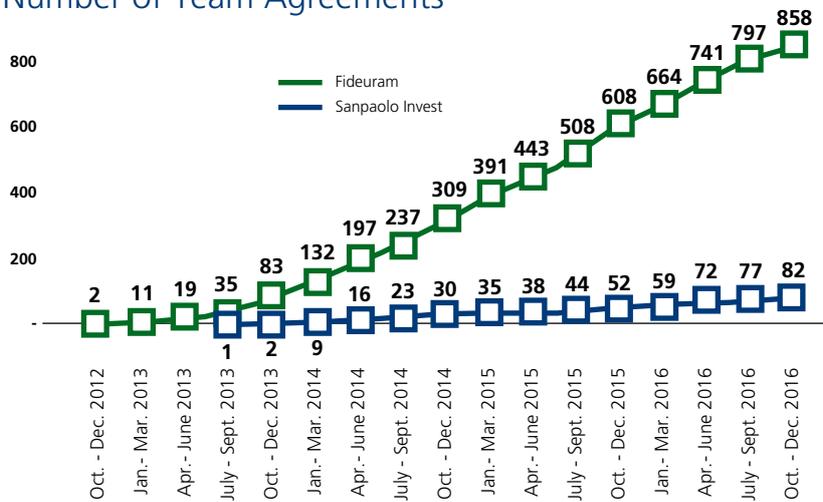
The Team Fideuram project is an agreement between several Personal Financial Advisers - a "Team Leader" and one or more "Team Partners" - who decide to work together to increase and support their customers, each contributing their professional expertise and experience.

Three years on from its launch, more than 740 Personal Financial Advisers are working together in Team Fideuram (around 16% of the Personal Financial Advisers in the Fideuram and Sanpaolo Invest Networks), jointly managing a total of around €6.2bn assets for over 59,000 customers.

This constant rapid growth confirms that Team Fideuram meets a real need in the Networks and that its teamwork approach is set to become the new model for the Personal Financial Adviser profession in the coming years.

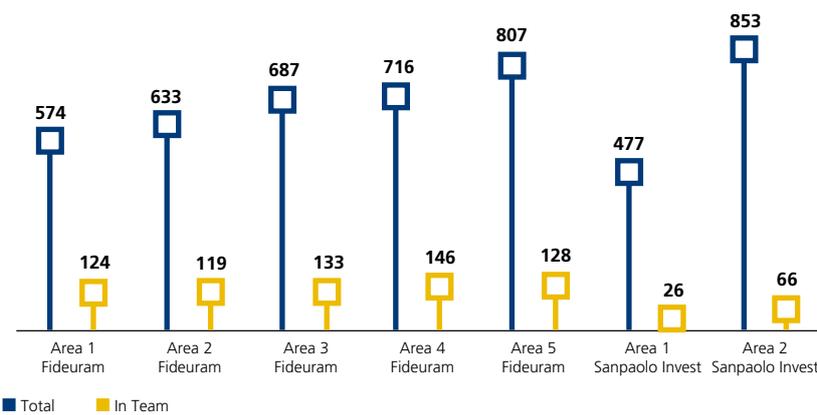
940
agreements signed since the launch of Team Fideuram
Trend of continuous growth

Number of Team Agreements



Team Fideuram

(Number of Personal Financial Advisers)



Managers and Trainee Financial Advisers are not included in the totals.

495
Team Leaders
and
513
Team Partners
742
Personal Financial Advisers

There may be more than one agreement between a Team leader and Team Partner

CONTRACTUAL RELATIONS



Relations with the Fideuram and Sanpaolo Invest Networks' Personal Financial Advisers are governed by an open-ended agency contract, without representation, based on Italy's Collective Economic Agreement for Agents in the Commerce sector. This contract both stipulates the basic collective provisions for our Private Bankers and further benefits which supplement their remuneration, social security and pension provisions, principally by linking them to the achievement of annual sales targets.

The Personal Financial Advisers at Intesa Sanpaolo Private Banking are direct employees of the Bank in the same way as other branch positions. A small number are however agents (26 at 31 December 2016) with agency contracts.



Fideuram and Sanpaolo Invest - Bari Office

REMUNERATION AND INCENTIVES

Fideuram and Sanpaolo Invest

Since our Personal Financial Advisers are freelancers on agency contracts, their remuneration is variable and consists mainly of commission remitted from the principal company's income from the contracts in the Personal Financial Adviser's customer portfolio, as well as bonus payments for meeting sales targets.

The remuneration paid to the personal financial advisers is made up of the following:

- A recurring component, which is the most stable and routine part of their remuneration
- A non-recurring component which is the part taken in to account for bonus calculations, but does not in itself constitute an incentive.

The recurring component, which is linked to the size of the portfolio managed by the Personal Financial Adviser, is calculated as a predetermined percentage of the recurring and one-off gross income earned by the company in the form of the fee and commission income that customers pay on the various different products. These percentages differ depending on the type of product or service and are governed by the agency contract.

The recurring remuneration of Network Managers is made up of:

- Supervision commission for coordinating and supervising a group of Personal Financial Advisers operating in a particular area of responsibility. This commission is based on the manager's specific role and calculated as the related percentage of the commission accrued by the Personal Financial Advisers supervised.
- Growth commission, for the development and volume growth of their group of Personal Financial Advisers.

In addition to this recurring remuneration, and in line with market practice, the distribution networks are rewarded with incentives designed to guide sales activities towards the achievement of specified targets that take the Group's long-term strategies and objectives into due account so

as to reward the results actually achieved, taking risk (including legal and reputational risk) into full account and prioritising proportionality criteria that promote and foster respect for high standards of conduct and care for each customer's interests.

These incentives are both monetary (bonuses) and non-monetary (e.g. annual contests which award prizes in the form of travel or convention attendance, etc.)

Dedicated Regulations are provided every year, notifying the Networks of the mechanisms that will be used to incentivise them to achieve their business targets.

In line with the provisions of the Supervisory Authorities, the bonuses are:

- Limited to inflows from transactions that are in accordance with the customer's suitability profile.
- Subject to controls over a long-term time horizon and therefore based on maintaining effective and lasting medium-term results.

Intesa Sanpaolo Private Banking

Intesa Sanpaolo Private Banking also operates a bonus scheme for its employees in addition to paying fixed remuneration. This annual bonus scheme is based on merit and outstanding performance, and depends on the Group achieving specified asset targets.

The bonus is linked to the quantitative and qualitative results achieved both at individual and team level, measured using specified indicators. These indicators regard aspects typical of the assets managed (total net interest and trading income, growth of financial assets), including in terms of securing customer loyalty and achieving/maintaining high quality standards (customer satisfaction and service quality).

NETWORK EVENTS IN 2016

FIDEURAM CUP

On the 18th and 19th of September, our established annual fixture, the Fideuram Cup yacht race, took place in freshwater northern climes for the very first time, at Salò on Lake Garda. It was a distinctively different and complex regatta, with the crews representing the 7 Network areas and head office treating everyone present to nail-biting moments of tense competition on water, followed by convivial and relaxed social occasions on land. Fideuram Network Area 3's crew from Trieste won the trophy this year, with second place also going to a crew of the Area 3 hosts, who have been frequent stars in the history of the yacht race, with consistently outstanding performance.



MOTIVATIONAL EVENTS

Our programme of internal motivational events included a meeting in October, held at the Costa Navarino resort in Greece, for the Intesa Sanpaolo Private Banking Network with the participation of several of the leading investment companies that are partners of the Bank. 550 employees from all the Bank's Italian branches and from Management took part. The event was a stimulating opportunity to share experiences and insights on the markets and the bank's strategic choices and objectives. During the meeting, called "Insieme per l'eccellenza" ("Together for excellence"), the Personal Financial Advisers, Directors and management personnel were able to explore the core subjects of the year, participating directly in round table discussions on the markets and in the business session the following day.



TENNIS MEETING

Montecarlo's exclusive Country Club hosted the third Fideuram and Sanpaolo Invest Tennis Meeting from the 17th to the 19th of June.

A total of 80 players took part in eight teams, one for every area of both Networks plus one mixed team, competing in 5 categories - Unranked, Open and Over 50s singles, Open Doubles and Mixed Doubles - over a three-day tournament that ended in a splendid prize-giving gala dinner.

The Fideuram Network Area 4 team continued their winning streak after a gripping five-set final against Fideuram Network Area 1, while the Consolation Tournament went to Sanpaolo Invest Network Area 1.

Players and spectators alike thrilled to the tense competition and high quality of play, consolidating the Tournament's reputation in an unforgettably beautiful setting.



CHRISTMAS PARTY

Intesa Sanpaolo Private Banking again organised "White Christmas Night" in 2016 to celebrate the year's results, held on 14th of December at Teatro Vetra in Milan. The evening featured a sit-down dinner accompanied by a spectacular light show, "Feeding the Fish", and a dance and percussion performance by D.W.E.CO. The after-dinner entertainment by Barbara's Band and DJ Set got the guests up and dancing. Around 400 Personal Financial Advisers and Managers attended.



IBIZA

Ibiza was chosen as the location for the Fideuram and Sanpaolo Invest Plenary Convention. Between the 22nd and 29th of May, the city hosted approximately 900 participants in our biggest meeting of the year. The resort, located on the seafrent to the south of the city, made it possible to hold all the week's activities in a single venue, including professional workshops on new business developments, marketing strategies and the themes of the innovation workshop on new technologies.

The convention days included unmissable sporting events - an 'Olympics', Tennis Tournament and the 10km FideuRun - which benefited from record participation by attendees.

The immense Ibiza Conference Centre (FECOEF) brought a touch of originality to Convention Day.



FESTA DELLA NEVE



The 6th Fideuram and Sanpaolo Invest Festa della Neve ("Snow Party") and 27th Gara Sociale annual skiing competition took place between the 10th and 13th of March, returning to the splendid slopes of Bormio.

Many of our Personal Financial Advisers took part, from incentive contest winners to skiing enthusiasts, joining in four days of sport, team spirit and leisure. Over 300 competitors took part in the various events of the Gara Sociale, fighting it out to a two-round final to win a place in the Top 15. The Team Parallel Slalom brought the events of a fantastic competition to a close. Over 800 invitees attended the celebratory dinner at the Bormio Pentagono that crowned the event with a prize-giving ceremony.

SUPERVIAGGIO IN MYANMAR



A fascinating topical destination was chosen for the voyage awarded to the overall winners of the Annual Contest - enchanting Myanmar, far from the tourist crowds. Professional workshops were included in the voyage itinerary.



GfK EURISKO MARKET RESEARCH SURVEYS

GfK EURISKO PF MONITOR 2016

The **GfK Eurisko PF Monitor** annual market research survey confirmed that the Fideuram Network continued to lead the sector in 2016 for its standing among Italian financial advisers, finding that the Fideuram Network:

- Had an exceptionally high percentage of **satisfied Personal Financial Advisers at 98%**, securing it an outstanding position compared with other companies in the sector.
- Was considered the best financial advisory network by 57% of respondents.
- **Was the outright leader for brand awareness.**

In addition, Fideuram was also ranked number one for:

- Professionalism and dependability.
- Growth potential of the bank in its reference market.
- Management excellence.
- Placing Financial Advisers at the centre of strategic decisions.
- Focus on network training and financial advisory services.

In a market scenario that continues to be challenging for Italy's banks and financial institutions, recognition such as this is especially significant and a source of great satisfaction.

GfK EURISKO PRIVATE BANKER MONITOR 2016

GfK-Eurisko also conducted a survey of the Italian Private Banking sector in the year (**GfK Eurisko Private Banker Monitor 2016**) through a substantial number of interviews with Managers and Financial Advisers in the sector to identify the best-practice organisations in terms of product offering, Financial Adviser satisfaction, and the image and attractiveness of Private Banks in Italy.

For the **fourth year running**, the Intesa Sanpaolo Private Banking network came **first in the final ranking** as the bank that is best known and most highly-considered by professionals in the Private Banking sector.

98%

Personal Financial
Advisers satisfied

FIRST

for the **fourth** time

MAIN IMPROVEMENT OBJECTIVES FOR 2017

Based on the excellent results achieved, the Group will continue to focus on recruiting candidates of high professional standing in 2017, considering this a key strategic lever for the Group's constant objective of sustainable growth.

A distinctive element of this strategy is our ongoing support for the continuing professional development of young professionals of merit through dedicated training courses that bring them the development opportunity to transition from business support to playing a sales role with high added value.

In addition, the Group also plans to:

- Further develop the Unified Customer Advisory Service Front End to support the roll-out of global wealth management advisory services to our customers.
- Continue to develop Alfabeto with:
 - The release of an application for the digital acquisition of new customers, and the launch of marketing initiatives to support this.
 - The enhancement of the platform for recruiting Personal Financial Advisers, enriching candidate interactions and the Network Managers' showcase web pages.
 - Further development of the tools supporting digital advisory services.
 - The Group will continue to focus on the selection of new Personal Financial Advisers as a strategic lever for growth, concentrating its efforts even more closely on candidates with a strong sales and professional track record from the banking sector and other networks.
 - The Group will consolidate its search and selection of potential candidates focused on young people with high potential to strengthen the Network and facilitate succession management, using dedicated initiatives including the relaunch of the "Essere Fideuram, Essere Consulente" (Being Fideuram, Being a Financial Adviser) project.

NETWORK TRAINING

MAIN OBJECTIVES FOR 2016

Training in the use of Fideuram's "Alfabeto" platform to enhance and advance customer relations.

Customise our training offering, enabling Network Managers to develop a dedicated training plan for each Personal Financial Adviser.

Support short- and medium-term sales strategies.

Promote further training initiatives aimed at maximising the new VIEW advanced advisory service model and step up the support provided to develop business competencies that improve customer relationships.

Provide effective support for the Personal Financial Adviser recruitment plan, developing training initiatives to promote effective integration and the adoption of professional styles aligned to our operating context.

Constantly develop a culture and understanding of corporate compliance, ensuring not only prompt compliance with regulations, but equally the adoption of a distinctive professional style focused on building increasingly clear and transparent business relations.

ACTIONS AND RESULTS ACHIEVED

The launch of the "Fideuram Alfabeto" application marked the beginning of its mass roll-out to our Personal Financial Advisers, which is on schedule for completion in the first half of 2017. The dedicated training course developed enables our Personal Financial Advisers to add web-based customer relationship management to their traditional customer service. In 2016, approximately 2,400 Personal Financial Advisers were involved.

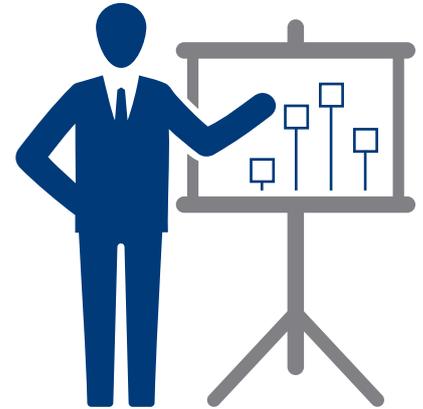
A comprehensive training catalogue of approximately 50 regularly updated courses has enabled our Network Managers to create training programmes tailored to the professional and marketing needs of the Personal Financial Advisers in their area. All our Personal Financial Advisers were involved, taking training courses on a variety of subjects over the year.

In 2016, we continued using the format that combines training activities, shadow training and monitoring for a set period of time, achieving excellent results in professional and sales development. During the year, approximately 900 Personal Financial Advisers received training in four main subject areas: advanced advisory services, wealth management advisory services, life planning and new customer development.

We developed a dedicated training platform on the company Intranet for the VIEW Advanced Advisory Service, completing the class-based training delivered to the entire Network to disseminate and leverage excellence-focused business approaches.

We provided in-depth training meetings on the bank's operating mechanisms and ensured timely involvement in initiatives for the Network designed to develop the business competencies.

Completed a three-year anti-money laundering plan and launched monitoring and updating actions regarding the main developments in sector legislation.



386,819

Training hours

FIDEURAM CAMPUS: CONSOLIDATING THE ROLE OF OUR PERSONAL FINANCIAL ADVISER TRAINING SCHOOL



Fideuram Campus has become both a benchmark and a place of assembly for Personal Financial Advisers and Management alike, facilitating communication and exchange, and promoting the sharing of corporate strategies and best practices.

TRAINING PROGRAMMES AND INITIATIVES

The main initiatives implemented in 2016 were as follows:

- The top-performing Personal Financial Advisers in terms of professionalism and service personalisation for customers were supported with a course on the "Alfabeto" platform, which enables them to complement their traditional face-to-face support with a portal for providing customers with real-time information, updates and service (including remotely), using a variety of devices.
- Personal Financial Advisers who had achieved solid growth and shown strong development potential in the previous three-year period were supported with four different programmes providing in-depth training on:
 - The basic advisory model for helping customers with limited liquid assets to rationalise their target financial flows.
 - The advanced advisory model for supporting customers in their financial planning, following diversification strategies that take their risk profile and preferred time horizon into account.
 - The wealth management advisory model for customers with significant financial resources and assets, and a broad range of needs, including outside the financial sphere.
 - The acquisition and development of new customers.

These courses not only provide technical and financial knowledge, but also focus on relational and methodological competencies, in particular with respect to the exploration of customer needs. The courses were delivered over a six-month period. The sales results achieved testify to the effectiveness of this format.

- New colleagues took the 'Entry to the Profession' course, beginning with a Welcome Day presenting the Group and our service model, and sharing our corporate mission and values. Our new colleagues also received support to help them prepare for the exam that qualifies them for registration in the Italian Financial Advisers' Organisation (Organismo dei Consulenti Finanziari - OCF) and were enrolled in a dedicated course to support their registration in the Italian Unified Register of Insurance Brokers (Registro Unico degli Intermediari Assicurativi).
- The training provision for the Personal Financial Advisers in the Intesa Sanpaolo Private Banking Network saw the training course supporting the roll-out of the **VIEW advanced advisory service model** completed, while a key initiative was developed for the entire Network to develop and share skills and methods for developing the business, in line with previous business growth initiatives. In addition, we continued to deliver corporate compliance training on the following subjects:
 - **"2016 CF Update"**, for Personal Financial Advisers to maintain their registration in Italy's Unified Register of Financial Advisers.
 - **"IVASS"** (the Italian Insurance Regulator: Istituto per la Vigilanza sulle Assicurazioni), providing basic and refresher training in line with the requirements of the Italian Unified Register of Insurance Brokers.
 - **"Anti-money laundering"**, which largely completed the 2014-2016 training plan for the entire Network, thanks in part to the support of leading experts in the field.
 - **Reporting of Suspicious Transactions and Embargoes**, subjects on which we organised

dedicated meetings for the staff most involved in managing these areas.

- The following initiatives were provided for newly-recruited Intesa Sanpaolo Private Banking Network Personal Financial Advisers:
 - **"Financial Adviser Training"** to help prepare for the exam that qualifies for registration in the Italian Unified Register of Financial Advisers.
 - **"Certification of technical financial skills"** in conjunction with the Italian Private Banking Association, aimed at consolidating the professional knowledge and expertise of every Network professional with a view to further raising the profile of the role of Personal Financial Adviser, with the contribution of leading university and financial experts.
 - A course on **"Emotional dynamics in relationships"** to prepare colleagues from Assistant positions to meet the challenges of their new professional context with informed confidence.
 - **"Welcome to ISPB"**, an initiative for Personal Financial Advisers recruited to the Network in the year, designed to familiarise them with their new corporate context and promote a swift and thorough understanding of the Bank's key operating mechanisms and organisational aspects.

IN-AREA TRAINING INITIATIVES

A number of in-area training initiatives were delivered in the year to meet the professional and sales needs of our Personal Financial Advisers:

- Training to develop the knowledge and skills to meet customers' needs, including outside the financial sphere, providing in-depth coverage of tax matters, asset protection from non-financial risks, succession management and the needs of business customers.
- Training to develop our Personal Financial Advisers' ability to play the social role of "financial educator", focusing on storytelling and public speaking skills as well as technical content.

Financial education continued to be a key training focus in 2016, supported by experiential workshops to prepare for customer meetings on economic, financial and pension matters.

- The launch of Fideuram Alfabeto, together with the extensive restyling of the basic and advanced advisory services platform, required a substantial commitment to deliver the training courses on the related applications in close collaboration with IT.

INITIATIVES FOR NETWORK MANAGERS

Network management took part in the training on the new Fideuram Alfabeto platform, focused in particular on digital relationships and social selling.

We provided dedicated training for Intesa Sanpaolo Private Banking Network management figures in the year, with initiatives designed to help them achieve a fuller understanding of leadership as guidance for colleagues and to consolidate a strong working knowledge of behavioural finance and corporate finance.

ONLINE LEARNING

In 2016, the new distance learning platform Campus Online was launched, offering a user-friendly interactive experience structured around the designated competencies and training paths of each cluster of Personal Financial Advisers.

A wide range of online insurance and pensions training courses was created for all the Personal Financial Advisers in our Networks, in accordance with the new regulations of the Italian In-

surance Regulator, Istituto per la Vigilanza sulle Assicurazioni (IVASS). The subjects covered include the customary refresher training to update on the regulatory framework, plus an analysis of Italian households' need for security and the tools for protecting investments and assets from financial risk. Online courses were added, providing training and refresher training on compulsory regulatory and legal matters and on our product range.

Fostering the commitment of Personal Financial Advisers to developing their professional competencies, Fideuram supported its €fa-certified Personal Financial Advisers by creating specialist training programmes and insurance and pensions training programmes to help them meet the requirements necessary to maintain their certification. Support in the form of Study Grants was also provided for those Personal Financial Advisers who passed the certification exam in the year.

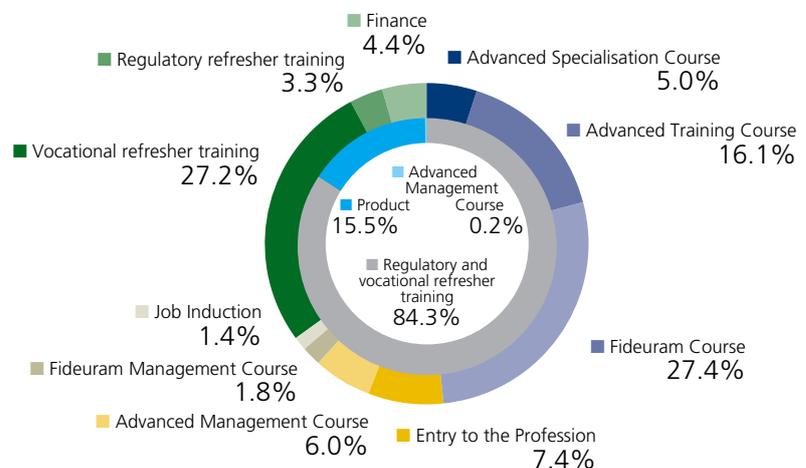
NEW TEACHING YEAR OF "ESSERE FIDEURAM, ESSERE CONSULENTE"

Continuing our commitment to offering employment and cultural growth opportunities to motivated young people of merit who have chosen to embark on the profession of Personal Financial Adviser, we delivered our programme "Essere Fideuram, Essere Consulente" (Being Fideuram, Being a Financial Adviser) for the seventh successive year in 2016, in conjunction with the Università Cattolica del Sacro Cuore. The programme continued its established format of alternating class-based training and field training for approximately 40 young people.

The training activities above resulted in a total of 386,819 hours of training being delivered in 2016, including online and class-based learning.

Personal Financial Adviser training is analysed in the graph below, with the inner ring showing online training and the outer ring showing class-based training.

Group training hours in 2016, analysed by Training Area (%)



MAIN IMPROVEMENT OBJECTIVES FOR 2017

Our main improvement objectives include the following:

- Complete the roll-out of “Fideuram Alfabeto” user training to all Fideuram and Sanpaolo Invest Network Personal Financial Advisers, providing training not only on personal branding but also on the marketing aspects of developing new customers and supporting existing customers using the Web channel.
- Build a complete, structured training programme to provide refresher training in and develop the advisory method, from mapping customer needs to creating the personalised financial and asset management solutions that meet them.
- Continue offering personalised training agreed with the Network Managers to build a professional development plan for each Personal Financial Adviser that is centred equally on developing competencies and mastering the advisory method.
- Repeat the initiative to draw the Intesa Sanpaolo Private Banking Network into fully adopting the VIEW advanced advisory model through training focused on the sales and technological opportunities involved.
- Complete the “Business growth” initiative focused on concrete returns in business and customer relationship development.
- Cascade collective professional and customer relations training experience to personnel across the different organisational units forming the Private Banking Division.
- Continue to maintain a strong focus on corporate compliance as a distinctive characteristic of the Group’s business approach.

EMPLOYEES

Our human resources play a key role in enabling us to achieve our corporate objectives. To this end, we constantly invest in the professionalism of our employees through organisational and training initiatives that aim to enhance individual competencies and promote their development in the Group.

Total Group staff, including secondments to and from other companies in the Intesa Sanpaolo Group not included in the consolidation of the Fideuram Group as well as atypical staff, came to 3,010 at 31 December 2016 compared with 2,928 at 31 December 2015, an increase of 82. The breakdown of employees by gender continued to be largely unchanged from the previous financial year, with female employees accounting for 44% of total Group staff while male employees accounted for 56%. Group personnel working in Italy accounted for 95% of total employees, while those working outside Italy accounted for 5%.

		31.12.2016	31.12.2015	31.12.2014 (*)
Fideuram - Intesa Sanpaolo Private Banking	ITALY	1,323	1,297	1,163
Intesa Sanpaolo Private Banking	ITALY	1,314	1,267	1,338
Sanpaolo Invest SIM	ITALY	49	52	53
Sirefid	ITALY	56	58	60
Fideuram Fiduciaria	ITALY	24	23	19
Intesa Sanpaolo Private Bank (Suisse)	SWITZERLAND	25	23	22
Financière Fideuram (**)	FRANCE	4	4	4
Asset Management		215	204	206
Fideuram Asset Management (Ireland)	IRELAND	58	52	52
Fideuram Bank (Luxembourg)	LUXEMBOURG	65	65	67
Fideuram Investimenti SGR	ITALY	92	87	87
Total		3,010	2,928	2,865

(*) Restated taking the changes in the scope of consolidation into account so that straight comparisons can be made. The figures in particular take into account the employees of Intesa Sanpaolo Private banking, Sirefid and Intesa Sanpaolo Private Bank (Suisse), which became part of the Group from 30 June 2015.

(**) Including the employees acquired following the merger with Euro-Trésorerie with effect from 1 July 2016.

Fideuram Group employees

	2016	2015	2014
Directors	76	71	73
Executive Management	1,827	1,766	1,761
Professional Areas	1,076	1,065	1,028
Temporary work agency and project work contracts	31	26	3
Total	3,010	2,928	2,865

Men

	2016		2015		2014	
	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY
Directors	58	9	54	9	57	9
Executive Management	1,097	54	1,060	52	1,067	50
Professional Areas	401	46	412	34	390	35
Temporary work agency and project work contracts	11	-	12	-	2	-
Total	1,567	109	1,538	95	1,516	94

Women

	2016		2015		2014	
	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY
Directors	9	-	8	-	7	-
Executive Management	649	27	627	27	618	26
Professional Areas	606	23	597	22	578	25
Temporary work agency and project work contracts	19	1	14	-	1	-
Total	1,283	51	1,246	49	1,204	51

EMPLOYEES BY CATEGORY AND GENDER



3,010
employees

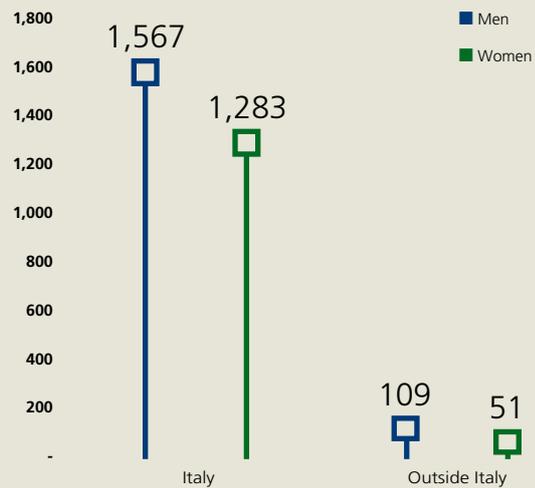


EMPLOYEES BY GEOGRAPHICAL AREA AND GENDER



44%
Women

56%
Men



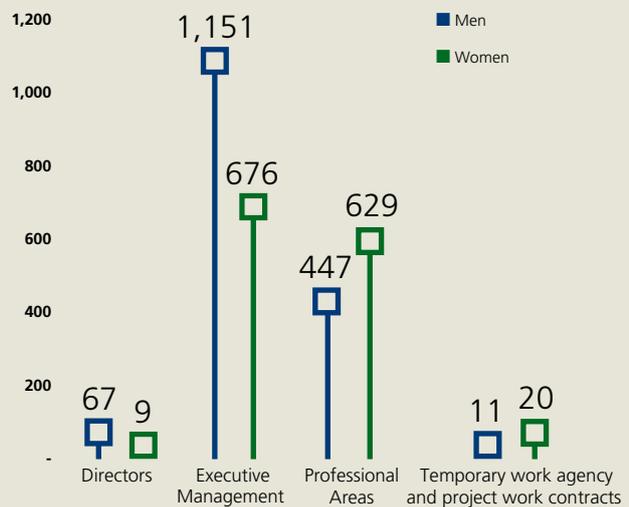
EMPLOYEES BY CATEGORY AND GENDER



3% Directors

61% Executive Management

36% Professional Areas



Staff contracts

98.9% of Group staff were employed on open-ended contracts (98.7% in 2015).

	MEN			WOMEN			TOTAL		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Open-ended	1,664	1,614	1,603	1,312	1,277	1,250	2,976	2,891	2,853
Fixed-term	1	6	4	2	3	3	3	9	7
Apprenticeship contracts	-	1	1	-	1	1	-	2	2
Temporary work agency and project work contracts	11	12	2	20	14	1	31	26	3
Total	1,676	1,633	1,610	1,334	1,295	1,255	3,010	2,928	2,865

Full-time/Part-time split

A total of 249 people, amounting to approximately 8.3% of all employees, were on part-time contracts, 97.6% of them women, to whom this type of contract appeals due to the flexibility it offers in one's work and therefore to meet family commitments.

	MEN			WOMEN			TOTAL		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Full-time staff	1,670	1,627	1,605	1,091	1,053	1,007	2,761	2,680	2,612
Part-time staff	6	6	5	243	242	248	249	248	253
Total	1,676	1,633	1,610	1,334	1,295	1,255	3,010	2,928	2,865

Personnel by age group

Personnel aged under 50 accounted for 57.2% of all staff at the end of 2016, while 54.6% of staff were in the 30-50-year-old age group.

	DIRECTORS			EXECUTIVE MANAGEMENT			PROFESSIONAL AREAS			TEMPORARY WORK AGENCY AND PROJECT WORK CONTRACTS			TOTAL		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Up to 30	-	-	-	1	-	1	67	63	57	11	8	-	79	71	58
30 to 50	27	26	27	869	920	985	729	751	761	18	17	-	1,643	1,714	1,773
Over 50	49	45	46	957	846	775	280	251	210	2	1	3	1,288	1,143	1,034
Total	76	71	73	1,827	1,766	1,761	1,076	1,065	1,028	31	26	3	3,010	2,928	2,865

Average age of personnel

	2016	2015	2014
Men	48	48	47
Women	46	46	45
Directors	52	52	52
Executive Management	50	49	48
Professional Areas	43	42	41



47

Average age of personnel

Personnel by length of service

Employees with more than 20 years of service accounted for 47.6% of all personnel. 30.8% of employees had between 10 and 20 years' service, while the remaining 21.6% had under 10 years' service.

	DIRECTORS			EXECUTIVE MANAGEMENT			PROFESSIONAL AREAS			TEMPORARY WORK AGENCY AND PROJECT WORK CONTRACTS			TOTAL		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Up to 5 years	6	6	5	86	45	33	146	139	127	31	26	3	269	216	168
5 to 10 years	9	8	12	109	157	182	264	297	301	-	-	-	382	462	495
10 to 15 years	23	24	19	218	232	294	181	178	227	-	-	-	422	434	540
15 to 20 years	15	8	7	321	276	208	169	147	77	-	-	-	505	431	292
20 to 25 years	5	10	12	213	285	379	70	74	104	-	-	-	288	369	495
Over 25 years	18	15	18	880	771	665	246	230	192	-	-	-	1,144	1,016	875
Total	76	71	73	1,827	1,766	1,761	1,076	1,065	1,028	31	26	3	3,010	2,928	2,865

Average length of service of personnel

	2016	2015	2014
Men	20	20	19
Women	19	19	18
Directors	17	17	18
Executive Management	23	22	18
Professional Areas	15	15	14



Education

45.6% of staff have a university degree and/or postgraduate qualification.

	MEN			WOMEN			TOTAL		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Degree, Masters or Diploma	758	715	682	616	586	554	1,374	1,301	1,236
Secondary School	821	823	832	648	643	639	1,469	1,466	1,471
Other	97	95	96	70	66	62	167	161	158
Total	1,676	1,633	1,610	1,334	1,295	1,255	3,010	2,928	2,865

TURNOVER

In 2016, 183 new appointments were made. Of these, 55 related to inter-company transfers within the Intesa Sanpaolo Group, while the remaining 128 were recruited from the market. 59.6% of these new employees were male and 40.4% female.

A total of 101 employees left their posts, 24 as the result of transfers within the Intesa Sanpaolo Group and 77 due to termination of service. 65.3% of these employees were male and 34.7% female.

183

new employees

Turnover by geographical area

	2016				2015				2014			
	JOINING		LEAVING		JOINING		LEAVING		JOINING		LEAVING	
	NUMBER	%										
Italy	156	5.6	90	3.2	164	6.0	100	3.7	121	4.4	122	4.5
Outside Italy	27	18.8	11	7.6	16	11.0	17	11.4	13	8.7	17	11.4
Total	183	6.3	101	3.4	180	6.3	117	4.1	134	4.7	139	4.8

Turnover by gender and age

	2016				2015				2014			
	JOINING		LEAVING		JOINING		LEAVING		JOINING		LEAVING	
	NUMBER	%										
Male	109	6.7	66	4.0	100	6.2	77	4.8	78	4.8	89	5.5
Female	74	5.7	35	2.7	80	6.4	40	3.2	56	4.5	50	4.0
Total	183	6.3	101	3.4	180	6.3	117	4.1	134	4.7	139	4.8

	2016				2015				2014			
	JOINING		LEAVING		JOINING		LEAVING		JOINING		LEAVING	
	NUMBER	%										
Up to 30	37	52.1	17	23.9	43	74.1	10	17.2	9	9.4	4	4.2
30 to 50	112	6.5	50	2.9	112	6.3	56	3.2	98	5.1	93	4.9
Over 50	34	3.0	34	3.0	25	2.4	51	4.9	27	3.1	42	4.8
Total	183	6.3	101	3.4	180	6.3	117	4.1	134	4.7	139	4.8

Positive turnover (joined 2016 / staff at beginning of year) was 6.3%, while negative turnover (left 2016 / staff at beginning of year) was 3.4%.

Total staff turnover (joined+left / average staff) was 9.6% in 2016 (8.7% in Italy and 25% outside Italy).

The Group companies outside Italy do not have any internal policies regarding the nationality of recruits or that favour local people.

CAREER DEVELOPMENT

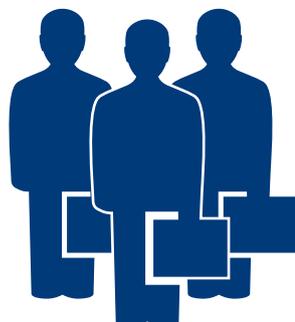
Career development is focused on merit, assessed in relation to results achieved, competencies possessed and individual ability.

Where higher-level appointments are concerned, the management competencies possessed are assessed prospectively to ensure they are aligned with the related job requirements and accompanied by appropriate abilities and attitudes.

Career development

	2016					2015					2014				
	MEN	%	WOMEN	%	TOTAL	MEN	%	WOMEN	%	TOTAL	MEN	%	WOMEN	%	TOTAL
Promotions to Director	2	2.4	2	2.4	4	-	-	-	-	-	3	4.2	-	-	3
Promotions within Executive Management	34	41.5	21	25.3	55	7	28.0	4	12.1	11	9	12.7	10	20.8	19
Promotions to Executive Management	22	26.8	11	13.3	33	1	4.0	7	21.2	8	15	21.1	7	14.6	22
Promotions within Professional Areas	24	29.3	49	59.0	73	17	68.0	22	66.7	39	44	62.0	31	64.6	75
Total	82	100.0	83	100.0	165	25	100.0	33	100.0	58	71	100.0	48	100.0	119

Almost all employees on open-ended contracts who are not in managerial assessment systems undergo an annual performance review if they have been present for a period of more than 110 working days in the reference year.



CONTRACTUAL RELATIONS

The National Collective Bargaining Agreement covers all our employees in Italy, who account for 95% of total Group staff.

The Italian companies in the Group adhere to the following collective bargaining agreements:

- Agreement for Directors employed by credit, financial and operating institutions (approximately 2% of employees).
- Agreement for executive managers and professional area personnel employed by credit, financial and operating institutions (approximately 98% of employees).

In Italy, collective bargaining agreements provide for the prior information of and consultation with workforce representatives in cases of significant restructuring, with a procedure that has a total duration of 45 days at company level and 50 days at Group level.

The basic remuneration of female staff provided for by the National Collective Bargaining Agreement does not differ from that paid to male staff where either grading or seniority is concerned.

The minimum remuneration applicable in the Group for new recruits is likewise that provided for by the sector National Collective Bargaining Agreement for the different personnel categories in question. Outside Italy, they are aligned with the regulatory provisions and cost of living in the countries concerned.

RELATIONSHIPS WITH TRADE UNION ORGANISATIONS

In 2016, information and discussion meetings, focused on matters of specific company interest, were held with Trade Union Organisations.

We held the annual meetings provided for in the National Collective Bargaining Agreement and in the Group Agreement to present our corporate data and position, and also addressed specific problems regarding staff and work organisation in the local meetings held in accordance with the former said agreement.

The supplementary welfare agreements provide for a complex series of measures to support Group personnel and their families, including:

- A Time Bank that builds up a pool of paid leave contributed in part by the Group and in part by employees in the form of voluntary time donations for the benefit of colleagues who may need to take more than the contractual supplementary leave to cope with serious personal and/or family situations.
- Measures to incentivise the take up of paternity leave, leave for person-

Disciplinary action

	2016	2015	2014
Written warning and verbal or written reprimand	6	5	8
Reduction in pay	-	-	6
Suspension from service without pay (from 1 to 10 days)	3	9	2
Dismissal for cause or justified reason	1	-	-
Disciplinary penalties for corruption of colleagues	-	-	-
Dismissals for corruption	-	-	-

nel with serious diseases to attend specialist medical appointments, leave to assist children with learning difficulties, and voluntary additional leave at 35% remuneration up to a maximum of 15 working days.

- Flexible working from home, from Group hubs closer to home or at customers.

A number of changes were made to the supplementary health care support provided by the Group's Health Care Fund to meet the needs of larger families and to cater for substantial dental expenses, as well as to limit the outlay of spouses receiving survivor's pensions.

Approximately 50.2% of staff are members of a trade union. Employees spent the equivalent of 855 working days on trade union activities in 2016.

The Group's company regulations improve on the provisions of Italy's national collective bargaining agreements, with special provisions regarding flexible working hours, reduced lunch breaks, area mobility, leave for family/personal reasons and study, part-time employment, pensions and insurance cover.

VULNERABLE EMPLOYEES

Staff belonging to categories of vulnerable persons as defined by Italian law No. 68/1999 totalled 178 as follows:

ITALY (*)

	2016	2015	2014
Disabled	127	123	113
Other	51	51	52
Total	178	174	165

(*) Law No. 68/1999 only applies to the Group's Italian companies.

Approximately 3,600 days of leave were granted in the year to employees with serious illnesses or to care for family members with serious diseases.

DEVELOPMENT OF HUMAN RESOURCES



The results and leadership of the Private Banking Division in 2016, achieved through the efforts of all our colleagues, have been accompanied by further strengthening of the training and development schemes put in place to ensure our people offer technical and behavioural competencies in keeping with the Division's positioning and the increasingly complex legal challenges of our operating context.

This training has consolidated a shared vision and supported strategies linked to the development of our business and quality of customer service, focusing special attention on innovation, lean banking and the promotion of a *modus operandi* based on care in and the enhancement of relationships, trust and the pursuit of the common good.

An overview of the major training provided is presented below:

- **Management training programmes** to disseminate a shared corporate culture and create a common knowledge base of our organisational context, including:
 - **Risultati 2015 e prospettive 2016 - Costruire futuri possibili: la forza delle scelte (Results 2015 and outlook 2016 - Building possible futures: the power of choice)**, where top management gave a presentation to first and second level Managers on the Group's outstanding performance in the previous financial year and the likely scenarios for 2016. The event included a talk by a former world-class football referee on the ability to make quick decisions in difficult situations, a theme of particular relevance to managers, followed by extensive discussion.
 - **Team building day** for the Division's first and second level Managers, which provided a further opportunity to engage with the themes of integration and teamwork, both key factors in furthering the Division's objectives.
 - **Half-yearly meetings for Operational and Financial Governance Department Managers** to analyse the progress and results of development and innovation projects. Both meetings provided stimuli for reflection on themes of interest to the company, including through the use

of original methods and viewpoints, with contributions by external professionals. The first meeting, called "Fare squadra...per fare strada" ("Teamwork ... to get on"), took its cue from the hundredth anniversary of Sir Ernest Shackleton's legendary voyage to the South Pole, examining the importance of human values in the face of extreme challenges through the words and experiences of the world-famous explorer. At the second meeting, two specialists in the application of artificial intelligence in our business provided an interesting overview of the main technological innovations that are transforming customer relations systems in the financial sector.

- **Initiatives for specific organisational units**, designed to provide opportunities to share professional experience and to foster a greater awareness in people of the organisational mission of their unit, regarding both its operational dynamics and the activities it manages. In particular:
 - **Administration and Reporting Department initiative** for around 70 staff, involving a class-based modular course called "Consapevolezza e cura della relazione" ("Awareness and care of relationships") and an outdoor team building experience.
 - **Initiative for Finance and Treasury**, providing opportunities for participants to further their understanding of and exchange ideas about the main projects in progress and on the development of their professional area.
 - **Meeting for Fideuram Fiduciaria personnel: "Come cambiano le Società Fiduciarie: incontriamoci per capirlo insieme" (Changes in trust companies: let's meet to understand them together)**, at which the principal changes in the sector were analysed and best practices shared to make the company's contribution increasingly effective, including through suggested improvements put forward by the participants for concrete application in their daily work.

The events were held in suitable venues offered by organisations active in humanitarian and social solidarity projects, creating opportunities to provide material support for their work.

- **"Lean Banking" training project** for the Chief Operating Officer Department, conceived to build internal Six Sigma competencies to help achieve appropriate autonomy over time in the management of actions to improve the efficiency of our operating processes while simultaneously maintaining high service quality. The project was delivered in conjunction with a consultancy specialising in the field, providing two class-based teaching sessions and practical work, enabling concrete results to be achieved in the management of the Operations unit's activities. At the end of the project, the 16 participants were awarded internationally-recognised «Green Belt Six Sigma» certification.

Aiming to build on the positive results of this pilot project, we launched a two-year training programme in November, funded by the Fondo Banche Assicurazioni, designed both to consolidate the competencies of personnel who have already been certified and to disseminate knowledge of the Six Sigma method to other company departments.

- **Development of IT competencies**, through a programme of meetings with consultancies that are particularly active in the field of technological innovation, at which the main sector trends in machine learning, agile planning, data governance and big data were analysed and applied to Fideuram's business context.
- **Fideuram training catalogue initiatives**, both behaviour-centred and specialist, which employees from all the Division's different departments were always encouraged to attend, with the aim of developing integration and virtuous knowledge sharing.
- **Professional development** for staff at Fideuram branches and at Intesa Sanpaolo Private Banking branches, consisting of training tailored to the needs of the areas in which they work, focusing special attention on internal transactions, lending and finance.
- **Sector regulations**, specifically addressing training needs regarding: (a) Anti-Money Laundering, for which a training plan has been put in place specifically for branch staff, consisting of local class-based sessions headed by the Deputy Manager of each area,

and (b) Italian Legislative Decree No. 231/2001 and Safety, on which a new online course customised for Fideuram has been released. Lastly, again regarding safety, we continued to deliver basic aid training, First Aid refresher training and training for members of staff with formal health and safety duties.

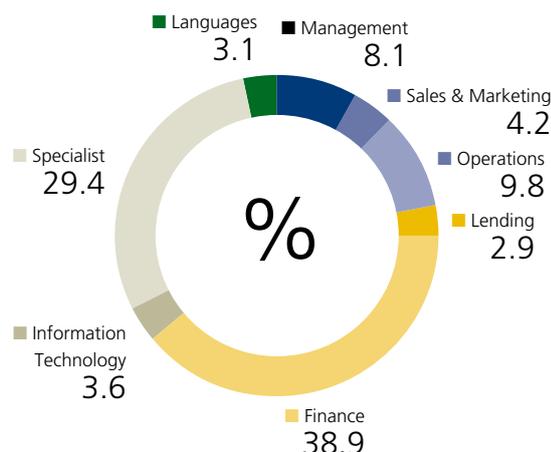
- **Language training**, in some cases provided with financial support from sector funds, with initiatives for staff with specific needs relating to their area of responsibility. We also launched a new phase of WEnglish for a wide spectrum of personnel, for whom a process preparing them to access telephone-based and online training was rolled out from late 2016.

Special attention has been focused on involving vulnerable employees in the Parent company's initiatives.

Lastly, it is important to note that:

- A significant part of this training was made possible thanks to the commitment and professionalism of colleagues who contributed in a teaching role, sharing with colleagues their own competencies in specific subjects of company interest.
- Our individual business executive coaching programmes for management were also continued, run by certified internal coaches accredited by the International Coach Federation. The aim of these programmes is to provide the opportunity for an open and productive dialogue through which managers can identify the best ways to maximise their personal and professional potential, learning to see themselves in their work context from different viewpoints, with the aim of achieving greater empowerment and wellbeing, with virtuous impacts on their work and team.

Training by subject matter



Training by type of delivery

	2016	2015	2014
Class-based training	56,335	65,554	57,679
Distance learning	66,660	53,159	52,708
Total hours of training delivered	122,995	118,713	110,386
No. of participants	2,784	2,843	2,530
Average hours per participant (no.)	44	42	44

Training by category and type

(average hours per person)

	2016	2015	2014
Directors			
Men	37	46	32
Women	33	27	31
Executive Management			
Men	51	46	49
Women	48	44	49
Professional Areas			
Men	40	37	40
Women	32	35	30

Health and safety training

	2016	2015	2014
Training hours (no.)	5,810	6,185	1,144
No. of participants	1,014	992	204

Dedicated induction training programmes are provided for new staff, and targeted refresher training programmes are provided for staff who are changing positions.



Special attention was dedicated to training initiatives focused on preventing corruption, including the continuation of our class-based and distance training regarding Italian Legislative Decree. No. 231/2001.

Dedicated corruption prevention training

(%)

	2016	2015	2014
Directors	1.1	1.8	1.7
Executive Management	58.9	61.4	72.2
Professional Areas	40.0	36.8	26.1
Training hours (no.)	8,465	6,181	4,690
No. of participants	1,832	1,894	1,294

Training on Italian Legislative Decree No. 231/2001

	2016	2015	2014
Training hours (no.)	1,926	1,780	161
No. of participants	1,153	1,341	87

EMPLOYEE HEALTHCARE, PENSIONS AND SERVICES

In line with Intesa Sanpaolo's human resource management policies and related tools, we offer a complete spectrum of staff benefits and concessions, including:

- Supplementary pension scheme.
- Supplementary health care.
- Accident insurance covering activities at work and outside work.
- Company obligations in the event of the death in service or total permanent disability of employees.
- Special staff conditions for bank transactions and loans.

The Group includes company welfare in its internal regulations, offering its employees flexible work solutions such as leave, parental leave, flexible start and finish times, part-time work, flexible working and a time bank. Provision is also made for special economic terms and benefits, including for families of children with disabilities and for recreational and sports clubs. These benefits are the same for full-time and part-time employees.

Parental Leave

	2016	2015	2014
ITALY			
Number of employees who took parental leave	181	216	179
Men	28	31	7
Women	153	185	172
Number of employees who returned at end of leave	156	188	135
Men	28	31	7
Women	128	157	128
Number of employees who returned and were still employees of the bank for the next 12 months	195	154	161
Men	30	7	9
Women	165	147	152
Parental leave return rate ¹	86%	87%	75%
Men	100%	100%	100%
Women	84%	85%	74%
Retention rate of returned employees who were still employees ²	90%	86%	98%
Men	97%	100%	100%
Women	89%	85%	98%

1. Calculated as the number of employees who returned to work at the end of their leave over the number of employees who took parental leave.

2. Calculated as the number of employees who took parental leave in 2015, returned to work in the following 12 months and were still employed on 31.12.2016 over the number of employees who took parental leave in 2015.

SUPPLEMENTARY PENSION FUNDS



Almost all the employees of Fideuram and the Italian companies in the Group pay voluntary contributions to Supplementary Pension Funds.

The supplementary pension scheme offers employees the benefits of company contributions, the option of early withdrawals and tax relief at the marginal rate on contributions paid.

Outside Italy, subsidiaries Fideuram Asset Management (Ireland) and Fideuram Bank (Luxembourg) have each set up a defined-contribution supplementary pension scheme for their employees. The related group policies, which comply with all the relevant local supplementary pension scheme legislation, have been taken out with life insurance companies authorised to operate in Ireland and Luxembourg.

HEALTH AND SAFETY



The Group's commitment to occupational health and safety starts with the creation and management of working environments to ensure respect for all the relevant regulations and standards, including full compliance with current legislation. The Accident Prevention, Safety and Environmental Protection Service ensures that occupational health and safety, and environmental protection laws and regulations are complied with correctly.

A total of 107 occupational health and safety inspections were carried out across the Group in 2016. During the year, 834 working days were lost due to work-related accidents involving 49 employees. Only 12 of these accidents happened in the workplace, while the remaining 37 happened while travelling between home and work.

No employees in the Group were engaged in professional activities where a high percentage of practitioners suffer from or are at a high risk of acquiring specific diseases.

There were no raids on Fideuram premises in 2016.

Health and Safety: Rates (*)

	2016				2015				2014			
	ITALY		OUTSIDE ITALY		ITALY		OUTSIDE ITALY		ITALY		OUTSIDE ITALY	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Accident rate	1.78	2.27	-	4.75	1.02	1.36	3.83	2.47	1.76	2.42	2.58	2.38
- at work	0.31	0.76	-	-	0.08	0.19	1.28	-	0.16	0.50	-	-
- travelling	1.47	1.51	-	4.75	0.95	1.17	2.55	2.47	1.60	1.91	2.58	2.38
Occupational illness rate	-	-	-	-	-	-	-	-	-	-	-	-
Accident severity rate	41.07	28.06	-	14.85	24.43	42.41	48.48	9.89	33.10	44.10	2.58	4.75
Absentee-rate	3.71%	5.30%	2.18%	3.55%	3.81%	5.68%	3.00%	3.80%	3.28%	5.12%	1.42%	4.93%

(*) The accident rate is the ratio of the total number of accidents in the year to the total number of theoretical working hours, multiplied by 200,000.

The occupational illness rate is the ratio of the total number of occupational illness cases to the total number of theoretical working hours, multiplied by 200,000.

The accident severity rate is the ratio of the total number of working days lost (due to accidents at work or occupational illnesses) to the total number of theoretical working hours, multiplied by 200,000.

The absentee rate is the ratio of the total number of days lost (due to illness, accidents, public service leave, leave for blood donations etc., leave pursuant to Italian Law 104/92 and trade union meetings/strikes) to the total number of theoretical working days of employees at period end, shown as a percentage.

The standardisation factor of 200,000 adopted is as provided for by the Global Reporting Initiative and derived from 50 working weeks at 40 hours per 100 employees.

There were no occupational illness claims by or serious accidents involving employees.

Accident by type

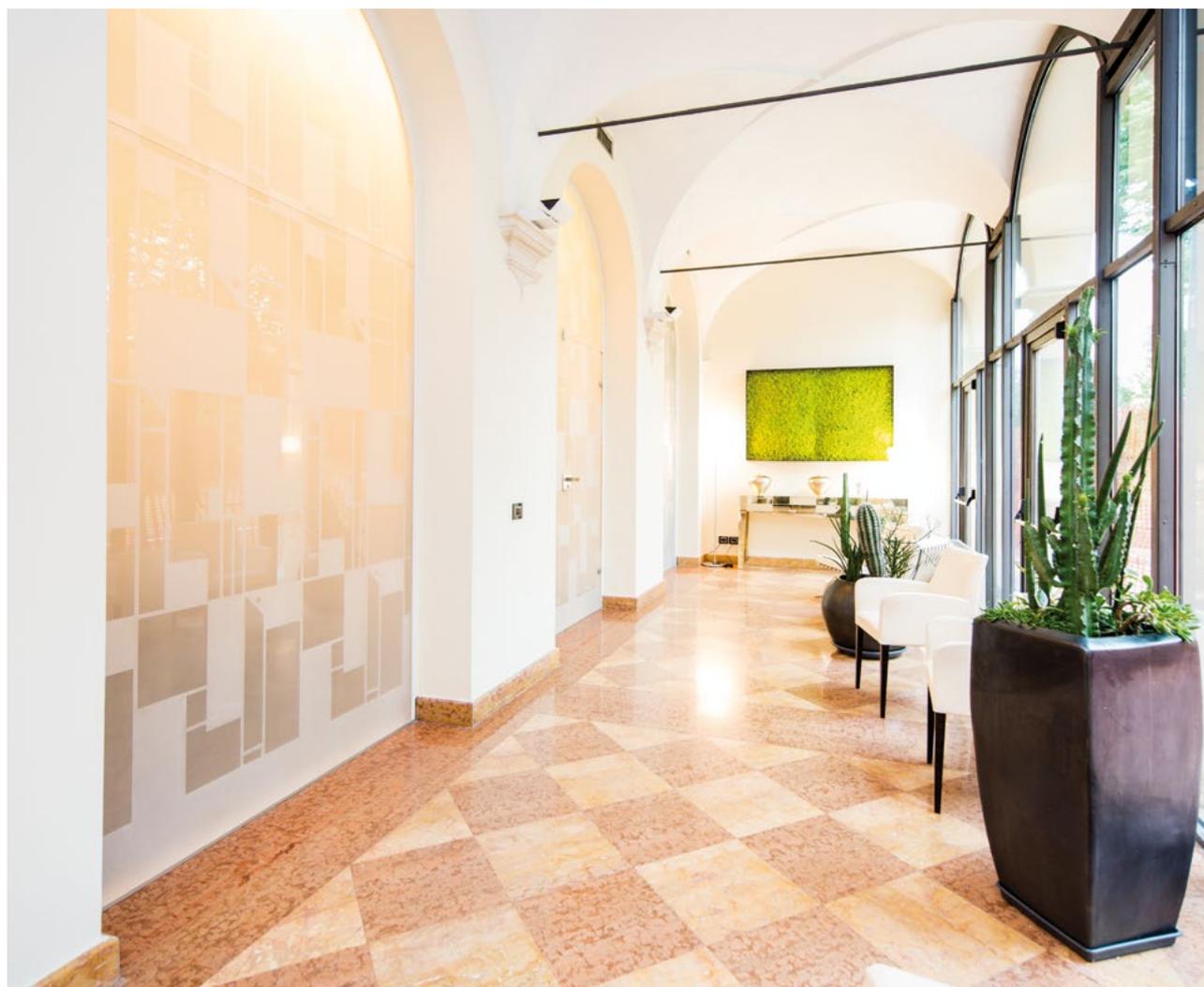
	2016		2015		2014	
	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY
Accidents driving vehicles	25	1	13	2	22	2
Falling/Slipping	15	1	9	2	18	1
Raids	-	-	-	-	-	-
Other	7	-	5	-	6	-

Absence rate by reason (out of theoretical working days) (*)

(%)

	2016		2015		2014	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Illness	2.69	3.71	2.74	3.82	2.33	3.60
Accidents	0.14	0.10	0.10	0.15	0.12	0.16
Personal and family reasons	0.26	0.68	0.20	0.66	0.27	0.49
Public service leave	-	-	-	-	0.01	-
Blood donor leave	0.07	0.02	0.07	0.02	0.07	0.02
Leave pursuant to Italian Law No. 104	0.42	0.70	0.39	0.70	0.31	0.78
Other	0.01	0.01	0.06	0.02	0.02	0.01

(*) The absence rate is the ratio of the total number of days absent to total theoretical working days (220) shown as a percentage.



Fideuram and Sanpaolo Invest - Bologna Office

SOCIAL, ENVIRONMENTAL, AND REPUTATIONAL RISK CONTROL

Effective risk management and control are essential to ensure the dependable and sustainable creation of value to protect the Group's financial soundness and reputation. The 231/2001 Model include environmental offences, including those which entail administrative responsibility if committed by an employee, and supplemented with a protocol setting out the principles all employees are required to adopt to prevent the risk of committing environmental offences.

SOCIAL AND ENVIRONMENTAL RISK MANAGEMENT IN LENDING: ENVIRONMENTAL OFFENCES

The assessment of environmental risk in lending is not limited to large projects, but extends to all the loans granted to any of our different types of customers. A thorough assessment of these potential risks also mitigates the risk of environmental offences being committed. Model 231/2001 has for years included environmental offences as a sensitive area, recognising that offences in environmental criminal law entail the administrative responsibility and consequentially indirect responsibility regarding our customers' actions.

CONTROVERSIAL SECTORS

Underlining the importance Fideuram attributes to ethics and consistent conduct marked by rigour and integrity, we have adopted the Intesa Sanpaolo S.p.A. Code of Ethical Conduct and Group Internal Code of Conduct, assuming our responsibilities as a financial intermediary and adopting a specific Environmental Policy.

ASSESSMENT AND MANAGEMENT OF REPUTATIONAL RISK

Fideuram recognises the extreme importance of reputational risk, which is assessed in the compliance risk management system, in the conviction that respect for the law and regulations, together with high standards of propriety in all business relations, are essential in banking.

Fideuram has adopted the Intesa Sanpaolo Group Code of Ethical Conduct with the objective of explicitly managing certain reputational risks connected with its stakeholder relations. The Code establishes a framework of voluntary commitments to all our stakeholders, in accordance with which we have committed to international standards, issued policies for the most sensitive areas, and set improvement objectives every year as part of our sustainability reporting management process.

Following this decision, we have put in place a series of tools to monitor implementation of the related commitments and achievement of the specified improvement objectives.

OPERATIONAL AUDIT UNIT

Intesa Sanpaolo Private Banking has an internal Operational Audit Unit that coordinates the audits and operational supervision of the network and reports directly to the General Manager.

In addition to monitoring the Network's prompt compliance with line audits, the Unit's operational supervision includes performing remote audits and on-the-spot investigations directly on the Network's operations.

A branch rating system has been developed and is currently being rolled out to monitor branch operations and identify any potential risks, making it possible to obtain short-form risk assessments of our points of sale so that the Operational Audit Unit can engage in risk-driven planning of its on-the-spot investigations on the Intesa Sanpaolo Private Banking sales network.

Network audits are conducted both through on-the-spot investigations and through dedicated audits for different operating areas (Anti-Money Laundering, Investment Services, Insurance Services, Loans and Operations). In 2016, a total of 34 on-the-spot investigations were carried out on the Intesa Sanpaolo Private Banking sales network, including the newly opened London Branch, examining 31,251 cases relating to 81 audits.

4.7.5 Relational capital

Relational capital includes resources attributable to the Group's relations with its key stakeholders, necessary to enhance its image, reputation and customer satisfaction.

	2016	2015	2014
Fideuram and Sanpaolo Invest Networks - The average length of customer relationship (years)	13.0	12.8	12.7
Intesa Sanpaolo Private Banking Network - The average length of customer relationship (years)	11.1	11.3	11.0
Complaints (No.)	1,225	1,131	1,488
New Fonditalia Ethical Fund customers (No.)	1,026	1,623	652
New customer net inflows into Fonditalia Ethical Fund (€k)	4,820	9,512	6,031

CUSTOMERS

MAIN OBJECTIVES FOR 2016

ACTIONS AND RESULTS ACHIEVED

Organise local customer events that examine matters of current interest and support a greater understanding of them.

A number of customer events were organised during 2016 with the aim both of consolidating the loyalty and of developing new contacts. These initiatives all helped strengthen personal relationships and create a stronger financial culture.

Enhance the diagnostic tools used on our customers' real estate assets.

A series of improvements were made to the diagnostic tool our Personal Financial Advisers use to analyse their customers' real estate assets.

Complete the Fideuram Alfabeto digital presence management project for our Personal Financial Advisers, rolling it out across the entire network, opening it to customers and completing the set of functions provided, including dedicated apps.

The platform was progressively opened to customers and the smart phone and tablet apps were published in app stores, enabling the platform to be accessed from mobile devices.

Strengthen customer segmentation and specialisation of competencies process.

An array of different projects enhancing our service model for High Net Worth Individual (HNWI) customers was embarked on in the year, with the launch of a series of global and specialist advisory services.

We also created a Personal Financial Adviser segment with direct access to Private Wealth Management services (Private Wealth Adviser), supported by dedicated training activities.

Lastly, we developed our banking services for HNWI customers.

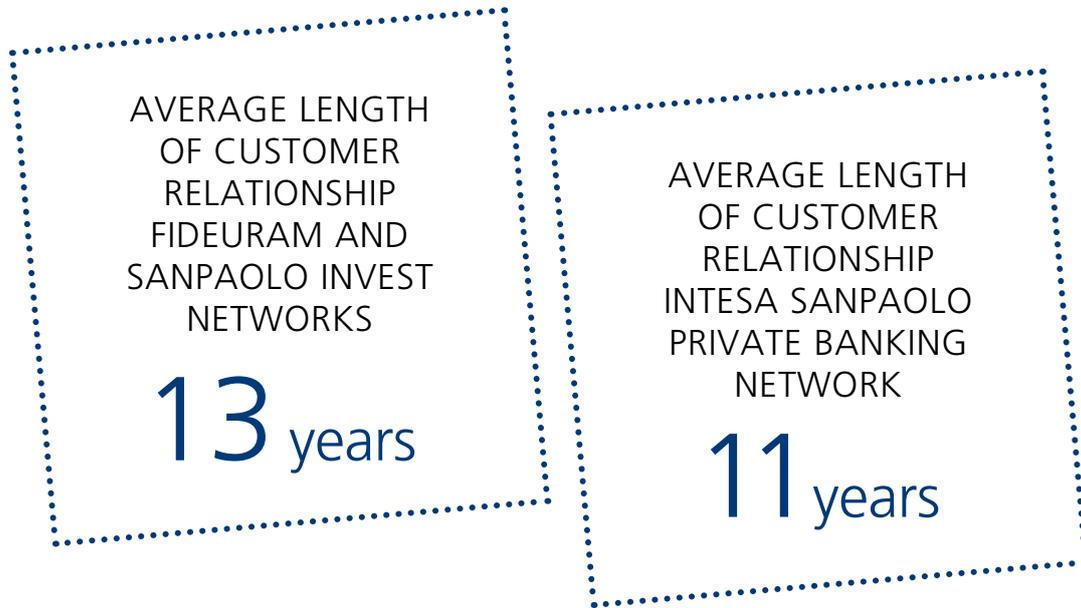
International growth of the sales network.

In 2016, we progressed the initiatives making the London branch accessible to customers with interests in the UK financial market and established a Wealth Management company in China in partnership with Eurizon Capital and Intesa Sanpaolo.

The Group has developed its own distinctive customer service model over the years, characterised by the completeness and quality of support provided. The Group principally operates in the Private Banking and

High Net Worth Individual segments, providing a service that offers substantial added value in the form of advisory support delivered through highly-professional Personal Financial Advisers.

Analysis and a close understanding of our customers, enhanced by the insights of the main market research initiatives, enable the Group to extend and develop its services in line with its customers' evolving needs.



CUSTOMER PROFILE

Fideuram and Sanpaolo Invest Networks

	2016	2015	2014
No. of Customers (thousands)	669	652	636
Client Assets (€m)	100,037	94,647	90,161

Intesa Sanpaolo Private Banking Network

	2016	2015	2014
No. of Customers (thousands)	36	35	35
Client Assets (€m)	92,880	89,361	83,475

DISTRIBUTION OF CUSTOMERS BY AGE

The age profile of our customers has not changed significantly in recent years, with the majority being in the 53 - 67 age group (32% of customers with the Fideuram and Sanpaolo Invest Networks and 28% with the Intesa Sanpaolo Private Banking Network) and in the over 67 age group (29% of customers with the Fideuram and Sanpaolo Invest Networks and 50% with the Intesa Sanpaolo Private Banking Network), segments of the population that combine high income with substantial assets and property.

Fideuram and Sanpaolo Invest Networks

No. of customers (thousands)

	2016	%	2015	%	2014	%
up to 32 years	49	7	46	7	42	7
33 - 42 years	71	11	73	11	75	12
43 - 52 years	139	21	142	22	144	23
53 - 67 years	208	32	201	32	196	31
over 67 years	188	29	178	28	168	27
Total (*)	655	100	640	100	625	100

(*) excluding legal persons.

Intesa Sanpaolo Private Banking Network

No. of customers (thousands)

	2016	%	2015	%	2014	%
up to 32 years	4	11	1	3	-	-
33 - 42 years	1	3	1	3	1	3
43 - 52 years	3	8	4	11	3	9
53 - 67 years	10	28	11	31	11	31
over 67 years	18	50	18	52	20	57
Total	36	100	35	100	35	100

DISTRIBUTION OF CUSTOMERS BY LENGTH OF RELATIONSHIP

The average length of relationship in 2016 was 13 years for the Fideuram and Sanpaolo Invest Networks and 11 years for Intesa Sanpaolo Private Banking, testifying to the strong customer loyalty built over years of stable relationships with our Personal Financial Advisers.

Fideuram and Sanpaolo Invest Networks

No. of customers (thousands)

	2016	%	2015	%	2014	%
0-1 years	78	12	79	12	75	12
2-4 years	109	16	102	16	96	15
5-7 years	80	12	71	11	70	11
8-10 years	61	9	61	9	55	9
11-20 years	202	30	206	32	216	34
over 20 years	139	21	133	20	124	19
Total	669	100	652	100	636	100

Intesa Sanpaolo Private Banking Network

No. of customers (thousands)

	2016	%	2015	%	2014	%
0-1 years	2	5	-	-	-	-
2-4 years	6	17	6	17	4	11
5-7 years	14	39	4	12	6	17
8-10 years	5	14	5	14	4	12
11-20 years	5	14	16	46	17	49
over 20 years	4	11	4	11	4	11
Total	36	100	35	100	35	100

DISTRIBUTION OF CUSTOMERS BY GEOGRAPHICAL AREA

As in prior years, the majority of our customers in 2016 were residents of the Central and Northern Regions of Italy, where most of the country's wealth is concentrated (87% of customers with the Fideuram and Sanpaolo Invest Networks and 92% with the Intesa Sanpaolo Private Banking Network).

Fideuram and Sanpaolo Invest Networks

No. of customers (thousands)

	2016	%	2015	%	2014	%
North-East	141	21	136	21	132	21
North-West	253	38	246	38	240	38
Central	188	28	184	28	179	28
South	56	8	55	8	54	8
Islands	31	5	31	5	31	5
Total	669	100	652	100	636	100

Intesa Sanpaolo Private Banking Network

No. of customers (thousands)

	2016	%	2015	%	2014	%
North-East	8	22	8	23	7	20
North-West	20	56	18	51	19	54
Central	5	14	5	14	5	14
South	3	8	3	9	3	9
Islands	-	-	1	3	1	3
Total	36	100	35	100	35	100

Geographical distribution of Fideuram and Sanpaolo Invest customers in 2016



Geographical distribution of Intesa Sanpaolo Private Banking customers in 2016

Customers

- 0 - 5,000
- 5,000 - 10,000
- 10,000 - 20,000
- 20,000 - 50,000
- 50,000 - 100,000
- 100,000 - 150,000



COMPARACONTI

Fideuram and Intesa Sanpaolo Private Banking continued to support the main Quality Commitments of the Italian Banking Association's Osservatorio ComparaConti (Account Comparison Monitoring Centre).

The Quality Commitments consist in a series of rules, tools and services adopted by the banks subscribing to ComparaConti in order to promote transparency in customer dialogue and facilitate comparisons of and transfers between products.

Fideuram and Intesa Sanpaolo Private Banking are currently subscribed to the following ComparaConti initiatives:

CONTI CORRENTI A CONFRONTO (CURRENT ACCOUNTS COMPARED)

- Comparison engine for current accounts.

TRASFERIBILITÀ DEI SERVIZI (TRANSFER OF SERVICES)

- Transfer of payment services (Italian law 33/2015).
- Automatic transfer of securities portfolios.
- Automatic collection order transfer.

Fideuram and Intesa Sanpaolo Private Banking provided detailed information on their websites and all the info-training aids for their customers, employees and networks required to meet these Commitments.

EXTERNAL COMMUNICATIONS

The Group's external communications were mainly focused on the following in 2016:

- Publicising the successful growth of our SEI advanced Advisory Service as a continuation of the campaign already launched in previous years, with the aim of increasing visibility with our target group of high-end Private Banking customers, supporting our Personal Financial Adviser Networks in their advisory work and facilitating recruitment.
- Communications from our networks as part of local and online marketing initiatives.
- Participation in conferences on major Private Banking topics.
- Highlighting our VIEW advanced advisory service and Private Banking Advisory Service.

- Wealth Management, which saw us continue to open dedicated branches in Italy and consolidate the position of the London Branch, offering products and services designed for the High Net Worth Individual segment and global wealth management, with a strong focus on Real Estate Advisory, Art Advisory and succession management.

- Our Open Architecture services platform and a distinctive market offering that also includes managed asset and insurance solutions, aided by our synergies with major players on the Italian and international markets and with companies in the Intesa Sanpaolo Group.

- The awards received during the year that confirm the Group's leadership in the Private Banking market.

The Group continued to advertise its SEI Advanced Advisory Service during the year, supporting its solid growth with an advertising campaign centred on a slogan that puns on the fact that SEI not only means "you are" but is also the number six in Italian: "SEI is a prime number". Drawing on the internal communications expertise of the Intesa Sanpaolo Group and the support of the advertising agency stv DDB, the campaign highlighted the values of excellence and superior support that have constantly distinguished the services the Group provides its most exacting customers. The campaign appeared in leading titles of the financial press and sector magazines.

Our commitment to offering customers increasingly clear, transparent and comprehensive reporting also continued, as did our support for the Networks through the production of corporate communications on the core services and service models that the Group offers its different target customers.

We continued to make targeted use of the Intesa Sanpaolo Private Banking corporate website homepage and of ad pages for our VIEW and Art Advisory services, produced in a new format in the year, aligned with Intesa Sanpaolo Group advertising and designed specifically for the Private Banking market.

Our Personal Financial Advisers continued their personal local communication initiatives. In addition to sports events, our Personal Financial Advisers and network managers sponsored a large number of cultural events to raise the profile of our Group brands. We also increased the number of seminars and conventions on new financial policy developments of greatest interest to customers, organised to develop financial culture.

The Networks continued to take a keen interest in social and professional networks offering new solutions for contacting prospective customers and for consolidating and innovating relations with established customers. These initiatives complemented the Fideuram Alfabeto project.

RECOGNITION OF THE GROUP



ITALY'S PRIVATE BANKING AWARDS 2016

Italy's Private Banking Awards 2016, a new event organised by Blue Financial Communication. Paolo Molesini, Managing Director and General Manager of Fideuram - Intesa Sanpaolo Private Banking, won the "Italian Private Banker" category.



CITYWIRE ITALY FUND MANAGER AND GROUP AWARDS 2016

The **Citywire Italy Fund Manager and Group Awards 2016** for asset management excellence are an important international mark of recognition, awarded to the top management companies and most talented asset management people worldwide at the service of Italian investors and the professionals who select them for their customers. The **Citywire Best Fund Manager Awards** in recognition of outstanding fund managers able to consistently generate alpha extra return in the category Equity – Italy went to Luigi Degradà Fideuram. The **Citywire Best Group Awards** in recognition of asset management company expertise and fund management team talent at creating value in the category Equity – Italy went to Fideuram.



ITALIAN CERTIFICATE AWARDS 2016

The **Italian Certificate Awards 2016** awarded Intesa Sanpaolo Private Banking the prestigious **Special Prize for Best Private Banking Distribution Network** for the fifth year in a row. The selection panel of independent professionals examined the Bank's extensive offering of certificates, underlying assets and product types, and gave Intesa Sanpaolo Private Banking the award for having distributed 16 certificates in the year based on 11 different underlying assets, alternating 5 different types of payoffs and bringing in around one third of the total value of the primary market.



FINANCECOMMUNITY AWARDS 2016

These awards, now in their second year, recognise excellence in the Italian finance sector in financial advisers, investors, banks, private-equity funds and asset management companies. The awards were presented on 24 November at the Leonardo da Vinci National Science and Technology Museum in Milan.

Intesa Sanpaolo Private Banking won **"Team of the year"** as one of the top Groups for client assets and among the outright market leaders.

EUROMONEY 2016

The **"Euromoney 2016"** survey once again ranked Intesa Sanpaolo Private Banking among the outright leaders in Italy and first in the Italian Private Bank category.

PROMOTING A FINANCIAL CULTURE

The Fideuram Group believes it is important to disseminate a solid financial culture among its customers. Increased financial awareness helps foster a common language and strengthen the dialogue between our customers and their Personal Financial Advisers, which has always been a cornerstone of the Group's mission and service model. Financial Culture means awareness in relations, in setting objectives, in clarity of choice and in a shared understanding of the associated risks and opportunities.

We therefore organised a wide range of initiatives promoting financial culture for existing and potential customers in 2016.

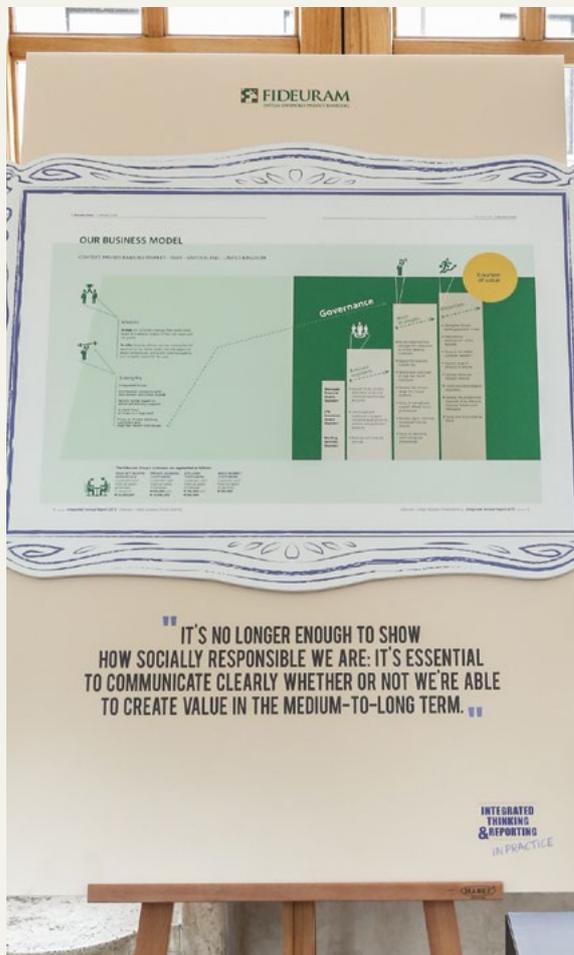
These **events** included financial workshops, **financial conferences** involving leading asset management companies, and a series of **working dinners** held at exclusive venues throughout Italy, designed to provide information on subjects of particular importance and relevance to our customers, such as Bail-in, the New Normal and succession management, with a view to bringing the world of asset management closer to our customers. All the above involved the contribution of professionals from both inside and outside the Group, including academics, internal fund managers and the Group's most prestigious regular partners.

In addition, we organised and **sponsored events** throughout Italy, including a rich programme of **cultural events and evenings in major theatres**, which attracted many customers, creating significant opportunities to meet, discuss financial and cultural matters in depth and simply consolidate relationships by sharing interests and passions.

We also continued to publish:

- **"Private News"**, a regular newsletter designed and produced by Fideuram exclusively for "SEI Versione Private" customers. Each issue takes an in-depth look at a specific topic, selected to suit the distinctive characteristics of high-end customers. We produced two issues of the magazine in the year, both covering subjects of strong topical interest, the first on financial risk, the risk/return ratio and Bail-In, while the second looked to the future, at technologies, FinTech and how different generations approach technical change.
- **"Private Top"**, Intesa Sanpaolo Private Banking's monthly global wealth management newsletter, with contributions from the Intesa Sanpaolo Research Division and quarterly reports on the property market from Nomisma and on the art market from Eikonos Art.





Integrated Thinking & Reporting in Practice, a conference organised with the collaboration of Fideuram by Mercurio GP and Luiss University in Rome on the 17th and 18th of November 2016, dedicated to how “Integrated Thinking” is currently implemented in companies, and how organisations can rethink their business models and management, accounting and reporting processes to increase their competitiveness and sustainable growth.

Integrated Reporting provides a picture of an organisation’s operations, performance, risks and opportunities, enabling more sustainable management and guiding the process of creating value in the long term.

The conference included presentations by a number of speakers from world-leading organisations that advocate and promote integrated reporting. Their direct pioneering experience formed the basis of an in-depth exploration that ranged from an analysis of the state of the art to envisioning the future challenges for Integrated Thinking and Reporting, the role of Accounting Manager and the financial department in general.

The event was also the occasion of the first **Leading Reports Exhibition®** at which the leading examples of Integrated Reporting best practice were exhibited as “Works of Art”.

CUSTOMER EVENTS

STRENGTH OF THE FIDEURAM MODEL. BAIL-IN AND THE NEW NORMAL

A series of meetings dedicated specifically to Bail-In, which came into force in Italy on 1 January 2016 with new regulations common to all EU countries to prevent and manage banking crises. These meetings for existing and potential customers were organised all over Italy, with presentations by eminent speakers including Fabrizio Crespi of the Università Cattolica of Milan and the University of Cagliari, and Alessandro Gallo, a strategic consultant and trainer at Value & Strategies. The meetings focused on the values of excellence and reliability which distinguish our brand and on our financial and pensions advisory services. More than 100 such events were organised in Italy's major cities, attracting over 12,000 existing and potential customers.



SUCCESSION MANAGEMENT AND HOUSEHOLD ASSET MANAGEMENT

We continued to hold meetings on succession management and household asset management, focusing on protecting and transferring assets under the new tax rules.

These meetings were organised locally in conjunction with Alessandro Gallo, a strategic consultant and trainer at Value & Strategies. Fifteen major events were held, attended by a total of more than 1,400 guests, including customers, professionals and Personal Financial Advisers from the Fideuram and Sanpaolo Invest Networks.



BEHAVIOURAL FINANCE

A series of meetings on Behavioural Finance were organised for existing and potential customers to equip them with tools to manage the emotional aspects of financial market performance. The close support and professionalism of our Personal Financial Advisers also plays an invaluable role in this area. The subject was explored by financial experts including Ruggero Bertelli, lecturer in Economics of Financial Intermediation at the University of Siena, Giuseppe Riccardi from Fondi&Sicav and speakers from our main third-party partners. More than 21 such events were organised in Italy's major cities, attracting over 2,000 existing and potential customers.



FINANCIAL APERITIFS

A series of events for existing and potential customers, designed to make the world of asset management more accessible using a transparent comparative approach. Organised in conjunction with our main third-party partners, the meetings focused on aspects of market performance and strategies for managing periods of high volatility effectively, while also providing detailed information on the investment process and Fideuram's service model. A number of meetings included round-table discussions moderated by an independent authority on the funds market, in which customers played an active role, asking questions on current market scenarios. More than 40 such events were organised, attracting over 3,300 participants.



WINE & FINANCE

We continued to hold evening events for existing and potential customers organised with Fondi&Sicav on the subject of "Wine & Finance - Knowing how to choose makes all the difference", using this well-received and delightfully innovative format to strengthen personal relationships. Drawing on an amusing parallel with the world of finance, held in splendid venues and benefiting from the convivial atmosphere of refined social occasions, they feature an expert who talks the guests through the rudiments of wine-making and the main techniques of wine-tasting, highlighting the importance of having an adviser to turn to, whether you want to find your way around the world of finance or choose the best wine. At the request of our network managers, we organised 32 events throughout Italy, attracting more than 3,050 guests, including almost 1,000 existing and potential customers. The outstanding venues for these events included the Stupinigi Hunting Lodge in Turin, the Lecce History Museum in Puglia, the Villa Antona Traversi in Meda and the Fornaci Baghin Museum Park at Castelfranco Veneto.



CONFERENCES ON "INVESTING IN THE REAL ECONOMY THROUGH PRIVATE MARKETS"

Eight conferences for our Private Banking customers were organised in Italy's major cities to present FAI Private Debt Special Opportunities, our innovative product for real economy investment in private markets. The events were organised in partnership with Fideuram Investimenti and the Partners Group. Some of Italy's most extraordinary and prestigious venues were chosen for these meetings with Personal Financial Advisers and customers of high standing, including Bologna's Palazzo Pepoli and History Museum, the Palazzo Giureconsulti in Milan, Villa Foscarini Rossi in Stra and the Palazzo della Luce in Turin. Over 600 existing and potential customers attended as guests.



MEETINGS AT THE PREMISES OF OTHER COMPANIES

Eighteen financial meetings for customers were organised with leading asset management companies. These meetings, entitled "Economia e mercati finanziari: prospettive e opportunità" (The economy and financial markets: prospects and opportunities), attracted a total of around 1,800 customers in the cities of Mestre, Como, Lodi, Naples, Rome, Milan, Stresa, Pollenzo, Taormina, Florence, Legnano, Ancona, Vicenza, Parma, Treviso, Catanzaro, Padua and Turin. We also organised a meeting in conjunction with Studio Bastia for the second year running, held at the CARISBO head office in the Sala dei Cento in Bologna, on the subject "Valore e continuità nell'impresa di famiglia" (Value and continuity in family businesses). Approximately 100 existing and prospective customers attended the event.

WORKING DINNERS

A series of working dinners at exclusive venues were organised to examine market scenarios and provide occasions to reflect on the opportunities for investment, with the contribution of the Intesa Sanpaolo Research Division. These evening events, which attracted 450 customers across Italy, were held at Le Lanterne al Fortino in Trani, Villa Mosca in Alghero, Palazzo Moroni in Bergamo, Palazzo Carisbo in Bologna, Villa Trivulzio in Omate, Ca' del Bosco in Erbusco, Palazzo Visconti and the Canali Showroom in Milan, Santa Maria La Nova in Naples, Villa Borromeo in Padua, the Yacht Club in Punta Ala, Tenuta Polvaro in San Donà di Piave, Giunchetto in Sanremo, the Egyptian Museum in Turin and the Palazzo Verità Poeta in Verona.



FIDEURAM GOLF CUP PIEDMONT

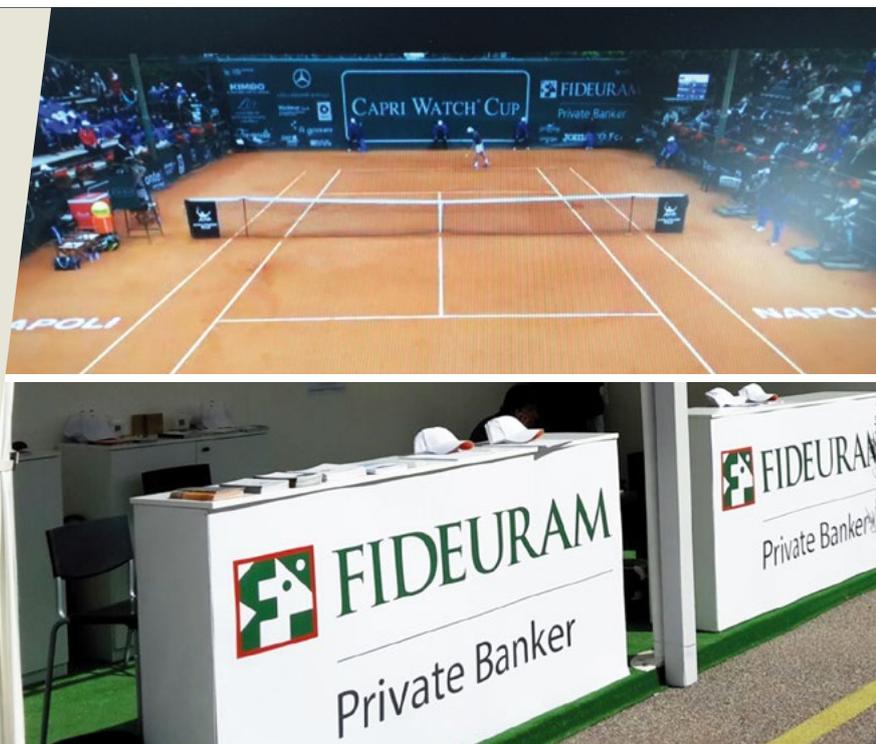
Fideuram, always mindful of the healthy values of sport, was the title sponsor of the Piedmont Golf Federation 2016 Tour, involving and incentivising relations between the Group, our customers and Personal Financial Advisers on all the golf courses in Piedmont.

Crowning 7 months' play in 34 tournaments at the region's main golf clubs, the Fideuram Golf Cup final, hailed as the biggest amateur golf event of the season, was held in November. The 42 finalists fought it out for the final victory over two days at the prestigious La Mandria e Royal Park I Roveri club.



CAPRI WATCH TENNIS CUP (NAPLE)

The ATC Challenger class Capri Watch Cup tournament was held at the Naples Golf club in April. As main sponsor, Fideuram decided to extend the tournament beyond international young talent to include young people from disadvantaged areas of Naples, offering scholarship prizes of tennis courses and equipment. After the tournament, existing and potential customers were invited to a gala evening at the HBTOO Design Club in Naples, where they savoured a cocktail dinner and were entertained by the show "Made in Sud" (Made in the South). The around 400 guests included various authorities who commended the initiative, which brought together private individuals and members of the business and financial communities.



VILLEGGENDO (VICENZA)

The second Villeggendo festival was held in June. Fideuram was the Main Sponsor of this festival, created to combine the joys of reading with the beauty of the Berici Hills and the architectural splendour of the local villas. The festival events brought Fideuram high visibility through featuring in all communications materials, especially those of our Personal Financial Advisers based in Vicenza, Schio, Thiene and Valdagno, who were involved in all the evening events. Villeggendo 2016 involved prominent figures from the world of literature and the arts and was a great public success.



INTESA SANPAOLO PRIVATE BANKING EXPO INVITATIONAL GOLF TOUR

The Intesa Sanpaolo Private Banking Golf Tour teed off in May with a tournament at the Castelconturbia Golf Club in Novara. The five tournaments plus the Top Pro-Am were held in the most exclusive golf clubs across Italy. Around 450 existing and prospective golfer customers took part. In addition to Castelconturbia, the clubs involved were Des Iles Borromées in Verbania, Colline del Gavi in Tassarolo, La Mandria in Turin, Alberoni in Venice and Villa D'Este in Como.



SPORT

Intesa Sanpaolo Private Banking reserved a sky box for the Milan, Inter and Juventus championship and cup matches as well as a number of seats for the Torino matches.



BANK AND ART TOGETHER

Many exclusive evening gatherings were held at leading artistic and cultural events throughout Italy.

TURIN - TEATRO REGIO PREVIEW PERFORMANCE OF "CARMEN"

In keeping with the Fideuram Group's ongoing commitment to supporting significant cultural events, this year saw us once again sponsor a production by Turin's Teatro Regio, one of Italy's best-known and most historic theatres, in this case "Carmen", the famous four-act opera by Georges Bizet, with performances from 22 June to 3 July.

In recognition of this support, the Teatro Regio put on a preview performance exclusively for our Group on 21 June. The performance was attended by over 1,400 guests, many of them Fideuram and Sanpaolo Invest customers and Personal Financial Advisers.



ROME – CAPITOLINE MUSEUMS AND TERRAZZA CAFFARELLI

Rome's Capitoline Museums hosted an evening of private tours of this jewel of Italian art and culture exclusively for Fideuram on 30 June, with a talk by the renowned art critic Vittorio Sgarbi. Having admired the Museums' masterpieces, our guests were welcomed to Terrazza Caffarelli, a beautiful terrace with breath-taking views of the capital, for a delicious convivial gala dinner. Two hundred guests attended, made up of existing and prospective Private Banking customers and Personal Financial Advisers from Fideuram Network Area 5.



ROME – NECROPOLIS, VATICAN GROTTOS AND SAINT PETER'S BASILICA

In October and November, we organised three exclusive guided tours for a select number of Fideuram and Sanpaolo Invest customers to visit the Necropolis, Vatican Grottoes and St Peter's Basilica. It was an unforgettable occasion rich in culture, from the history of the Basilica to St. Peter's tomb below the Papal Altar, Bernini's baldachin canopy above it and Michelangelo's Pietà. The 80 customers fortunate enough to attend were enraptured by the sites and the guides' talks.



© Fabbrica di San Pietro in Vaticano

FLORENCE – "IL NUOVO RINASCIMENTO" AT PALAZZO BELLINI

The exclusive event "Il Nuovo Rinascimento" (The New Renaissance) was held on 29 September 2016 in the unique setting of Palazzo Bellini in Florence. The private museum was opened exclusively to Fideuram guests for a preview of the works of art in the following day's charity auction and photography exhibition dedicated to Nausicaa (the work chosen as a symbol of "Il Nuovo Rinascimento"). The evening continued with a gala dinner in the museum rooms among splendid masterpieces by artists such as Michelangelo, Donatello, Beato Angelico, Paolo Schiavo, Gianbologna, Andrea della Robbia, De Chirico and many more. Professor Bellini represents the twentieth generation of a family of antiquarians who have built an impressive private collection of major international importance over the years. The event was attended by 150 existing and potential Private Banking customers from Fideuram Area 4.



MILAN – LEONARDO’S LAST SUPPER AND CONCERT IN SANTA MARIA DELLE GRAZIE

Exclusive guided tours were organised on 7 November for small groups of Fideuram customers to visit the Last Supper, Leonardo da Vinci’s masterpiece in the refectory of the 15th century monastery Santa Maria delle Grazie in Milan. This was followed by a classical musical concert for our guests, with a performance of Gabriel Fauré’s Requiem conducted by Matteo Baxiu in the Basilica of Santa Maria delle Grazie. The event was attended by 130 existing and potential Private Banking customers from Fideuram Area 2.



BRESCIA – CONCERT IN THE CHURCH OF ST. FRANCIS

An exclusive event was held on 4 November in the splendid Romanesque-Gothic church of St. Francis of Assisi in Brescia for 150 customers and Personal Financial Advisers, our guests for a concert performance of Gabriel Fauré’s Requiem with Matteo Baxiu conducting the Arteviva Chamber Orchestra and Coro Polifonico Theophilus Choir led by Giovanni Duci.

ART AND THEATRE ON TOUR

Intesa Sanpaolo Private Banking organised a series of events of great artistic interest for its customers, including an exclusive visit to the Hayez exhibition and two evening events at the 17th exhibition of restored art “Restituzioni” (Restitutions), both at the Gallerie d’Italia in Milan, the exhibition “Alfons Mucha e le atmosfere Art Nouveau” (Alfons Mucha and Art Nouveau atmospheres) at the Palazzo Ducale in Genoa, “Correggio e Parmigianino. Arte a Parma nel cinquecento” (Correggio and Parmigianino. Art in Parma in the 16th century) at the Scuderie del Quirinale in Rome, “Da Poussin agli impressionisti. Tre secoli di pittura francese dall’Ermitage” (From Poussin to the impressionists. Three centuries of French painting from the Hermitage) at Palazzo Madama in Turin, “Da Lotto a Caravaggio” (From Lotto to Caravaggio) at the Palazzo Ducale in Mantua and the Broletto museum in Novara, and “Venezia, gli Ebrei e l’Europa 1516/2016” (Venice, the Jews and Europe 1516-2016) at the Palazzo Ducale in Venice. The visits were always combined with social occasions that strengthened the relationships between our Personal Financial Advisers and customers.

Around 1,100 existing and prospective customers attended these evenings, which included a buffet or dinner.

We reserved a number of seats for the opening nights of every opera and ballet at the following leading Italian theatres: the Teatro San Carlo in Naples, the Teatro La Fenice in Venice, the Verona Arena, the Teatro Petruzzelli in Bari and La Scala in Milan, as well as at the Festival dei Due Mondi in Spoleto for the performance of “Filumena Marturano”.

An evening event was organised for the performance of “Carmen” that opened the 94th Opera Festival at the Verona Arena. In addition, we also organised an evening event at the Teatro Olimpico in Vicenza for a performance of The Marriage of Figaro, an evening event at the Teatro San Carlo in Naples for a performance of the opera Adriana Lecouvreur by Francesco Cilea and to attend the Soirée Roland Petit with Eleonora Abbagnato at the Teatro Massimo in Palermo. A total of around 1,200 customers were invited.

NEW OFFICES OPENED

The companies in the Group continued opening new offices in 2016. On 5 May 2016, we held an event to mark the opening of Sanpaolo Invest's new Genoa office at 1 Via Martin Piaggio, inviting Personal Financial Advisers and customers to a preview performance of Giacomo Puccini's *Tosca* at the historical Teatro Carlo Felice. Over 1,500 customers, Personal Financial Advisers and managers attended the event, strengthening the Group's growth in Liguria.

Sanpaolo Invest likewise increased its representation in Padua with the opening of new offices. On 12 May,

Sanpaolo Invest moved from its historical premises to new offices in Via Tommaseo that can accommodate 21 professionals, offering our customers even greater comfort in modern surroundings. After the opening and a cocktail reception in the new offices, guests attended an exclusive concert at the Cesare Pollini Conservatory, where the talented young musicians of the Sodalizio Armonico Chamber Orchestra performed Vivaldi's *Four Seasons*. Lastly, on 9 June Fideuram and Sanpaolo Invest opened their new Piacenza office in Via Giuseppe Manfredi. An evening of music and entertainment marked the occasion,

attended by 200 customers and Personal Financial Advisers.

Intesa Sanpaolo Private Banking opened new HNWI Branches in Bologna, Rome and Padua for customers with potential financial assets of more than €10m. The High Net Worth Individual (HNWI) segment has complex specific needs regarding not only the management of each customer's personal assets, but also the wealth advisory structuring and protection of their total assets, including family businesses and succession management.



Sanpaolo Invest - Genova Office

310,000
customer contacts

CUSTOMER ASSISTANCE SERVICE

Our Customer Assistance Service provides information on the Group's products and services, and on each customer's overall position, which can also be viewed on the Fideuram Online website.

A number of operating procedures were streamlined in 2016 as part of our efforts to continuously improve customer service, including:

- A customer authentication solution for faster and more secure recognition by operators.
- Customers can manage their Fideuram Online access credentials quickly and independently 24/7, without needing to call up the service to ask for codes.
- Customers who lose their PIN numbers can get them sent by text message rather than by ordinary post, allowing them to use Fideuram Online immediately.

Customer service calls was in line with the previous year. Perceived quality of service was high, as was the level of service delivered, in terms of the percentage of calls processed out of the total received.

Intesa Sanpaolo Private Banking's Commercial Due Diligence service permeated our corporate culture during the year, becoming a key feature of our customer relations. The service is provided to approximately 20% of our customers every year and involves both the preparation of a Due Diligence Report based on the Personal Financial Adviser's personal knowledge of the customer and their perceptions (the due diligence is performed by the Personal Financial Adviser preparing the report, assessing the progress of the relationship by verifying financial/asset indicators and behavioural aspects), and a meeting between the customer and a third person who is hierarchically above the Personal Financial Adviser preparing the report, and validates, amends or adds to the analysis and perceptions set out by the Personal Financial Adviser who prepared the report. Careful preparation for and management of this meeting can identify new development opportunities and areas for improving everyday customer relations.

This work contributes to our Personal Financial Advisers' professional growth, as they on the one hand become familiar with analysing their customers' behaviour and attitudes on a regular basis and on the other share professional approaches and skills with more experienced colleagues, to the benefit of their customers. The depth and breadth of the information gathered during Commercial Due Diligence, complemented by the findings of regular Customer Satisfaction Surveys, enables us to closely monitor the quality of service offered with the aim of constant improvement.

CUSTOMER FEEDBACK

The Group's Italian companies received a total of 1,214 customer complaints in 2016, which was a slight increase on 2015 (+7%).

Response times continued to be below the maximum times specified by the relevant legislation, with an average of 19 days (30 days legal maximum) for banking service complaints and 44 days (90 days legal maximum) for investment service complaints.

At 31 December 2016, there had also been 170 complaints for misconduct by Personal Financial Advisers.

Complaints to the Banking and Financial Services Ombudsman increased compared with the previous financial year, rising from 36 to 46, as did complaints to the Banking Ombudsman "Jury", which totalled 12 compared with 6 last year.

44 days

Average processing time for investment service complaints (*)

(*) Compared with 90 days maximum legal requirement.

Complaints by type

(No.)

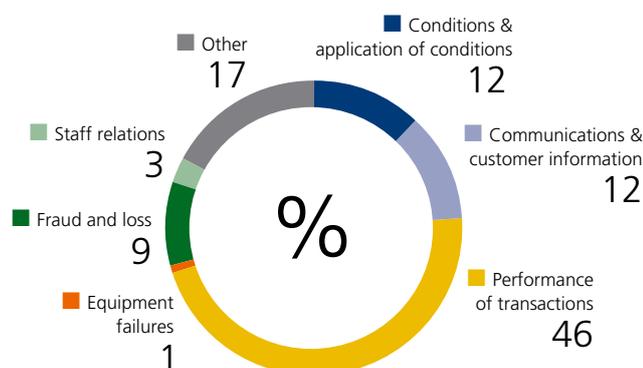
	2016	2015	2014
Complaints regarding investment services	311	305	330
- of which securities in default	16	18	46
- of which structured securities	15	1	5
Cheques and bills	57	32	39
Transfers, wages and pensions	46	50	54
Cards	169	131	277
Loans	8	5	9
Current and deposit accounts	283	311	393
Mortgages and special loans	2	2	5
Insurance products	3	1	3
Remote banking	91	77	90
Other	244	217	288
Total	1,214	1,131	1,488

The type "Other" for the most part consists of customer complaints regarding general aspects of customer relations with the Group that are not directly connected with the provision of investment services or banking and financial services. These include customer complaints regarding privacy, listed in the table below:

Other complaints

	2016	2015	2014
For Privacy	5	13	3
For Capitalisation of interest due	-	2	-

Complaints by reason, 2016



TRANSPARENCY WITH CUSTOMERS

The regulations on the transparency of banking transactions and services allowed us to present the information we provide our customers in every phase of their relations in a manner that is clearer and easier to understand.

Simplicity of language and transparency of information have been core objectives in:

- Analysing all our products and taking any corrective actions necessary to make them easier to understand.
- Rewriting all the transparency documents provided for our customers to make it easier for them to understand the products and services offered, their features, risks and financial terms and conditions, together with the entitlements offered and procedures for exercising them.
- Drafting the periodic summary document presenting updated financial terms and conditions so that it does so consistently. The structure and wording of all our documents were revised and new report and overview documents produced as well as being made available to all customers online.
- Enhancing bank statements with condensed statements (“Annual expenditure statements”) that make it easy to see the total costs of the services received, presenting them in uniform expenditure categories that can be compared year on year.

The in-house training provided for branch staff consists both of traditional tools and innovative solutions, including Intranet communications, supplementary material supporting training catalogue courses, Web TV and e-learning modules.

MAIN IMPROVEMENT OBJECTIVES FOR 2017

CUSTOMERS

Our main improvement objectives include the following:

- Organise local customer events that examine matters of current interest and support a greater understanding of them.
- Further develop the Unified Customer Advisory Service Front End to support the roll-out of global wealth management advisory services to our customers.
- Continue the development of Alfabeto with the release of an application for the digital acquisition of new customers and the launch of marketing initiatives to support this, and continue to enhance the tools assisting our digital advisory support.

SUPPLIERS

MAIN OBJECTIVES FOR 2016

Fine tune Intesa Sanpaolo's procurement centralisation process, extending the procurement rules to all companies in the Fideuram Group and ensuring they are complied with.

Create synergies where possible between different Personal Financial Adviser offices to reduce costs.

ACTIONS AND RESULTS ACHIEVED

The Group Procurement Guidelines issued in 2016 were adopted by Fideuram and its subsidiaries, enabling improved supplier management and standardisation of the sourcing process. The Fideuram Group mostly uses the same suppliers as Intesa Sanpaolo, bringing greater savings.

The process of creating synergies between different offices continued in 2016, in some cases merging offices, bringing Personal Financial Advisers together and consequently reducing their operating costs.

PROFILE OF SUPPLIERS

The work of rationalising the phases in our goods and services procurement procedures was completed in 2016 in line with our internal spending regulations. The Group had business dealings with over 1,700 suppliers during the year for a total value of approximately €232m. A total of 142 of these part-

ners were classed as Large Suppliers, meaning they each supplied goods or services with an annual value in excess

of €150k, accounting for €211m altogether. Almost all our Large Suppliers are located in Italy.

	2016	2015	2014
Total sales by Large suppliers (€m)	211	176	165
Large Suppliers (No.)	142	126	142

SUPPLY CHAIN MANAGEMENT

The Fideuram Group pursues economic growth in a manner consistent with safeguarding the environment and respecting human rights and workers' rights. This enhances the quality of our relationships with suppliers and our procurement policies.

The process of centralising procurement at Intesa Sanpaolo was fine-tuned in 2016. The project allowed us to unify procurement rules and processes, applying a uniform model to all Group companies and raising awareness of aspects related to social and environmental responsibility. This saw Fideuram - Intesa Sanpaolo Private Banking adopting the "Guidelines for Group Purchases" and related Operational Guides, applying the same criteria as Intesa Sanpaolo and aligning the social and environmental awareness and responsibility processes of every department involved in the sourcing process, from requests for quotations to calls for tenders and supplementary information.

The procurement centralisation project made the process of identifying suppliers more consistent through the signing of contracts and agreements with Intesa Sanpaolo's suppliers. Fideuram informed suppliers of the new processes and new business relations procedures, thus increasing the transparency of relationships and providing the necessary information for inclusion in Intesa Sanpaolo's Register of Suppliers.

Fideuram was able to use Intesa Sanpaolo's Suppliers Portal in 2016 to access the latter's Register of Suppliers, enabling it to manage its tenders online and continue the work of standardising its suppliers, thus making its supplier relations fairer and more transparent.

SELECTION POLICIES

The Group continued its work improving quality standards by selecting suppliers on the basis of legal and ethical integrity, technical and professional suitability, reliability with respect to data confidentiality and commercial competitiveness.

The Register of Suppliers is managed by Intesa Sanpaolo. Fideuram uses the Register to select its suppliers following the above guidelines, choosing those who meet the requirements of economic, social and environmental reliability, and who respect their contractual commitments and respond to calls for sealed bids respecting data confidentiality.

To maximise the reliability of supplier selection in these respects, several supply contracts have been awarded giving a preference to Intesa Sanpaolo suppliers, thereby achieving substantial economies of scale and meeting the stipulated social and environmental responsibility criteria.

The guiding principle of our sourcing strategy is to purchase the goods or services that offer the best value for money in order to maximise the Group's economic returns by containing costs and maintaining appropriate quality and service levels, while simultaneously complying with the general guidelines on the environment and overall sustainability. Traceability is a key element of this principle, in the form of documenting the decision-making processes.

Suppliers are selected by comparing bids submitted by multiple tenderers.

The criteria for awarding contracts are Request for Quotation (RFQ), Request for Proposal (RFP), Request For Information (RFI) and, where comparisons cannot be made, Direct Negotiation.

Market comparisons are not required for non-recurring purchases that are not connected with other initiatives and have a value of less than €25,000 or which are covered by framework agreements or contracts.

The choice of supplier is guided by the following criteria, together with the size and type of supply:

- Size of the company and its operational organisation.
- Market position in accordance with procurement requirements.
- Type of purchase required.
- Supplier's specialisation in the product category to which the supply relates.
- Significance of the activity for the Group as a percentage of its total value of production.
- Technical/economic assessment of the supplier on the basis of total sales, rating, quantities ordered, quality and punctuality of supply, etc.

At least three suppliers are required in market comparisons. In addition, sealed bids are required for RFQ or RFP bids for contracts exceeding €25,000 and which for certain product categories total less than €183,000.

Depending on the request strategy (RFQ or RFP), the assessment is either based exclusively on an economic analysis (best price) or on a technical/economic analysis (best proposal in terms of meeting combined technical and price requirements), in accordance with the assessment criteria specified before the suppliers' bids are opened. The technical assessment can also include social and/or environmental responsibility criteria. Conversely, if following an RFI strategy, the purchaser may obtain information, solutions and pricing in the form of indicative quotations and specify the sourcing strategy to be applied.

The winning bidder is selected upon completion of all the procedures required for the request strategy adopted, in accordance with the award criteria specified and when agreement has been reached on the contractual conditions.

In 2016, we used a substantial number of suppliers with whom Intesa Sanpaolo has Framework Agreements or Framework Agreement Prices, enabling the Fideuram Group to achieve greater savings through economically advantageous rates.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Having implemented Intesa Sanpaolo's guidelines in the supplier selection phase, the Group uses Intesa Sanpaolo's Register of Suppliers to check the information on each bidder's social and environmental responsibility and then assesses their suitability on the basis of technical and sustainability ratings before awarding the contract.

The contractual clauses to be signed also include an undertaking to comply with the principles set out in Fideuram's Model of Organisation, Management and Control (Italian Legislative Decree No. 231/2001), Internal Code of Conduct and Code of Ethical Conduct. Suppliers are required to ensure that their employees and contractors respect the principles set out in these documents under the terms of all procurement contracts.

The selection criteria applied in the bid assessment phase are not confined to best price alone, but also take account of the activities performed. Unjustifiably low bids are excluded on the grounds that they may involve improper conduct by the supplier, such as social security evasion or non-compliance with legal requirements or safety regulations.

In accordance with current regulations, the due compliance of contracted suppliers with respect to their employees is verified, requiring submission of the documents testifying to employer payment of all the required social security contributions and application of the minimum wage. Checks are carried out to verify compliance with the social criteria applicable to the technical conditions of contracts (equipment maintenance) and staff (cleaning) through regular inspection of the suppliers' social security payment certificates (Documento Unico di Regolarità Contributiva - DURC) and Chamber of Commerce registration.

Checks are also performed to verify compliance with environmental criteria regarding the use of legally-compliant cleaning products and the use of electricity from renewable or equivalent sources wherever possible.

The Group has adopted and implemented the Intesa Sanpaolo guidelines on the specifications for white copier paper, using the services of the same supplier, which ensures the same type of supply. Blank paper and Fideuram headed paper is all ecological Forest Stewardship Council (FSC) certified paper from sustainably managed forests.

MAIN IMPROVEMENT OBJECTIVES FOR 2017

SUPPLIERS

Our main improvement objectives include the following:

- Purchase a new IT solution to optimise management of the supplier administration process.
- Increase the uniformity of supplier relations management and selection criteria, leveraging the new infrastructures available through Intesa Sanpaolo's IT systems.
- Where necessary, assessing new market soundings through the frequent use of Requests for Quotations (RFQ) and Requests for Proposals (RFP) to award the various different types of supply contracts.



THE COMMUNITY

The Group's charitable and other donations totalled €300,000 in 2016 and were distributed to a number of respected bodies operating in the health care, scientific research, arts, sports and humanitarian/aid sectors.

INITIATIVES TO SUPPORT HEALTH CARE, SCIENTIFIC RESEARCH, ARTS AND SPORTS ORGANISATIONS

The Group supported the following health care initiatives:



- **Fondazione piemontese per la ricerca sul cancro** (Piedmont cancer research foundation), assisting the Istituto di Candiolo oncology department's purchase of medical and scientific equipment and provision of oncological care.
- The **Fondazione IRCCS Policlinico "San Matteo"** hospital in Pavia, principally supporting the Paediatric Onco-haematology Department.
- The **Temple Street Hospital** for children in Dublin city centre.

.....

The Group supported the following scientific research initiatives:



- The **University of Turin** School of Clinical and Biological Science's research project to develop new techniques for regenerating damaged spinal cord.
- The non-profit **Associazione Italiana Sclerosi Multipla ONLUS** (Italian Multiple Sclerosis Association), which supports and promotes multiple sclerosis research.
- The non-profit **Associazione Italiana Copev ONLUS**, financing scientific research on liver diseases and viral hepatitis in particular.
- The **Fondazione Giovanni Celeghin**, with the Group supporting the organisation of its fourth "Da Santo a Santo" non-competitive cycling marathon, the proceeds of which went to cancer research and brain tumour research in particular.
- The **Fondazione Bellotti Maria Rosa - Stefani Giuseppe** engaged in cancer research.

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Recognising the considerable human and social value of the arts and sport, the Group supported the following:

- The kayaking and canoeing clubs Associazione Sportiva **Kayak Canoa Club** in Palazzolo and **Società Canottieri Armida**, donating to their sports initiatives for people with disabilities.
- The non-profit organisation Associazione **Dynamo Camp ONLUS**, which provides recreational therapy for children and teenagers suffering from severe and chronic diseases, particularly onco-haematological and neurological diseases, rare syndromes, spina bifida and diabetes.
- The football club **A.S.D. Taggia** which promotes sport as a way of bringing young people together.
- The amateur sports association Associazione sportiva dilettantistica **Gimasport**, supporting its 16th GimondiBike international mountain bike race.
- The football club **ASD Futura Breno**, supporting football for young people.
- The amateur sports activities organised by the Cerignola sports club **U.S.D. Audace Cerignola**.
- The 20th Giovanni Nasi golf tournament, the proceeds of which supported the athletes of the Italian Paralympic Winter Sports Federation (**Federazione Italiana Sport Invernali Paralimpici - FISIP**).
- The celebration of the 16th anniversary of the **Fondazione della Comunità Bergamasca**, which works to improve quality of life in the Province of Bergamo.
- The Associazione letteraria **Giovanni Boccaccio**, supporting the 35th Giovanni Boccaccio literary prize.

- The **Jewish Community of Venice**, supporting the organisation of the documentary exhibition “Venezia, gli Ebrei e l’Europa. 1516-2016” (Venice, the Jews and Europe from 1516 to 2016).
- The non-profit **Fondazione della Provincia di Lecco ONLUS**, supporting cultural and social initiatives in Lecco and the surrounding area.

HUMANITARIAN AND AID INITIATIVES

The Fideuram Group provided support for the following humanitarian and aid initiatives:

- The work of the non-profit **Associazione Unione Genitori Italiani contro il tumore dei bambini UGI ONLUS** for children with tumours being treated at the Regina Margherita Children’s hospital in Turin.
- The independent medical and humanitarian organisation **NutriAid** fighting child malnutrition.
- The initiatives of the non-profit **Lega del Filo d’Oro ONLUS** for the deaf-blind and the non-profit **Fondazione Flying Angels ONLUS** which pays the flight transfers for children up to 18 years of age who need life-saving treatment not available in their own country.
- The non-profit **Medici per la Pace ONLUS**, supporting the project “Il diritto al sorriso” (The right to smile) for the prevention and treatment of dental diseases and oral hygiene education for the socially excluded and people in extreme poverty.
- **ARFACID ONLUS**, a non-profit association for social solidarity promoting research into cancer, ageing and degenerative diseases, with the Group supporting the international medical conference “The Human Capital of age”.
- The non-profit **Amici di Edoardo ONLUS**, supporting the association’s “Quattro Vie” project which helps young unemployed people into employment.
- The non-governmental organisation **Ai.Bi. Amici dei Bambini**, supporting its projects for abandoned children.
- The non-profit Associazione **Amici di Alessandra ONLUS**, supporting the project to equip its missions in Congo, Central Africa, Chad and Amazonas with solar panel kits to provide household electricity 24 hours per day.
- The non-profit **Progetto Etiopia ONLUS** in Lanciano, supporting the continued building of a new school in the village of Maganasse in Ethiopia.
- The non-profit organisation Associazione **Ersilia ONLUS**, supporting their project to establish a carpenter’s workshop called “La Bottega di Nazareth” (Nazareth Workshop) for supporting homeless people back into work.
- **Freewhite Sport Disabled ONLUS**, a non-profit organisation registered with the Italian Paralympic Committee that organises and raises the profile of sport in general and skiing in particular for people with disabilities, also providing psychological support for athletes and their families.



In 2016, the Group helped the victims of the earthquakes in central Italy, donating computers to the Amatrice Community.

We also made a donation to the Vatican’s restoration workshops, Fabbrica di S. Pietro, supporting the restoration of an important 16th century oil-on-panel painting of Madonna and Child currently displayed in the Sale Ottagone of Saint Peter’s Basilica in Rome.



SPONSORSHIP

The Fideuram Group continued to sponsor high-profile meetings, theatrical, musical and sports events and initiatives involving customers in 2016.

In particular, Intesa Sanpaolo Private Banking sponsored the Maratona Des Dolomites (Dolomites Marathon), a cycle race that attracts athletes and cycle-racing enthusiasts from all over the world. 50 customers attended the race. The Bank also sponsored international equestrian meetings organised by the Equieffe Equestrian Centre. The Bank likewise continued to provide concrete support for the arts and culture, supporting the 24th "Settimane Musicali" classical music festival at the Teatro Olimpico theatre in Vicenza, and organising a dinner at the leading international contemporary art fair, Arte Fiera, attended by customers and Arte Fiera's artistic directors. Arte Fiera attracted more than 30,000 art lovers and collectors to Bologna from all over the world, around 400 of whom were our guests.

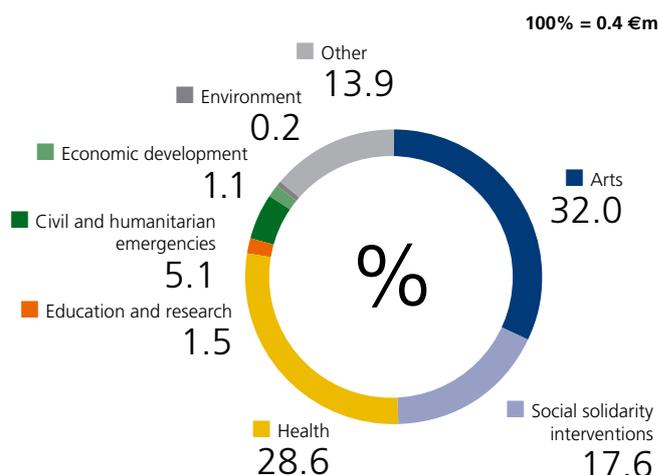
Fideuram sponsored many artistic and cultural initiatives and events during the year, including the Teatro Stabile theatre in Turin, the Pim Spazio Scenico cultural association in Milan and the Villegendo festival, while also supporting initiatives for economic development, including the Courmayeur Mont Blanc Foundation and the event ConsulenTia.

In 2016, the Group's total donations to local charities (€286k) and sponsorship (€156k) were made almost entirely in cash. The graph below shows the Group's donations to the community by sector of activity.

Our donations, calculated following the guidelines of the London Benchmarking Group (LBG), are classified by objective as follows:

- 17.7% "local investments" which include long-term strategic partnerships.
- 43.6% "donations" which meet specific needs and requests.
- 35.3% "marketing initiatives" which support events that simultaneously promote our brand and business.
- 3.4% "membership subscriptions" to community organisations.

Group donations by sector supported, 2016



OUR ETHICAL FUND

The Fonditalia Ethical Investment fund was launched in 2012. This ethical investment solution, marketed by Fideuram and Sanpaolo Invest, provides an appropriate response to investors' changing needs in line with the advisory model developed by the Group, bringing customers the opportunity to make investment choices that combine financial sustainability with social value.

The fund invests in bonds and shares selected on the basis of an ethical investment policy.

The fund has undergone significant development in terms of the markets and instruments covered since it was launched. In addition, the positive externalities generated by the fund have increased through its providing access to financial instruments with new features. This has been achieved while simultaneously striving to create value for our customers within a framework of controlled volatility. The instruments used today include the bonds of countries and companies distinguished for focusing special attention on social and environmental matters, supranational bonds that support developing countries, shares and units in companies and funds that seek financial returns combined with social or environmental benefits (such as microcredit funds, fair-trade funds and social bond funds), and other financial instruments with a positive social and/or environmental impact.

An additional ethical characteristic of the fund is that it supports scientific research by donating a percentage of the commission on the sale of units in the fund to the Italian Multiple Sclerosis Society (AISM) and its Foundation (FISM).

An Ethical Committee with a consultative and proactive role has been established to ensure the investment choices made are consistent with the ethical principles of the Fonditalia Ethical Investment fund, tasked with verifying that the composition of the fund portfolio is at all times aligned with its underlying ethical principles, and with formulating opinions on the ethical status of the investments when appropriate. The Ethical Committee is made up of management and other professionals with proven social, economic, environmental or financial sustainability experience and renowned academic experts.

It generally meets at six-monthly intervals and is currently made up of:

- Matteo Colafrancesco, Chairman of Fideuram and of Sanpaolo Invest SIM.
- Gianluca La Calce, Managing Director and General Manager of Fideuram Investimenti SGR.
- Marco Ercole Oriani, Director of the Department of Economics and Company Management at the Università Cattolica del Sacro Cuore.
- Giuseppe Russo, Independent Non-Executive Director of Fideuram and member of the Internal Audit Committee.

The assets managed by the fund grew in 2016, achieving positive performance accompanied by reduced volatility, in line with our investment policy.

(€)	31.12.2016		31.12.2015		31.12.2014	
	ASSETS	RETURN	ASSETS	RETURN	ASSETS	RETURN
Fonditalia Ethical Investment Class R	28,894,554	-0.4649%	28,470,478	-0.7170%	23,783,768	2.9421%
Fonditalia Ethical Investment Class T	10,146,325	-0.8684%	3,885,160	-0.5983%	1,084,754	2.9902%

IMPROVEMENT OBJECTIVES FOR 2017

ETHICAL FUND

Our future management of the fund will continue to focus on seeking opportunities that combine these complementary dual objectives of creating value for our customers and obtaining positive impacts for the community, looking in particular to further extend our portfolio investment areas in the bond and equity asset classes.

MEDIA RELATIONS

Media relations have always played a prime role in the Fideuram Group's external communications.

Our community of stakeholders was again kept informed of the most important developments regarding the Group, its Networks and subsidiaries in 2016 through articles, interviews, press releases, editorials and other contributions published in leading newspapers.

The related units put our results in the public eye, enabling us to provide detailed information on the trends that led to these results, along with insights into the projects and new developments we are working on, duly highlighting the Group's pioneering role in the provision of financial advisory and private banking services in Italy, as well as in the technological support we provide our sales networks.

The main subjects reported on during the year included:

- Our quarterly, half-year and annual financial results, which showed record client assets and profitability.

- The steady growth of our SEI, Active and View advanced advisory services, with client assets that exceeded €34bn.
- The benefits that our Fideuram Mobile Solution and Fideuram Alfabeto platforms offer our Personal Financial Advisers and customers.
- Our recruitment results and articles on our Personal Financial Advisers.
- Local financial education, sports and arts events.
- New offices opened in the year.

In 2016, members of the Group's Management Team took part in round tables and gave interviews in which they were able to outline the most significant initiatives undertaken. The Group's fund managers gave numerous interviews to the specialist press, sector TV and radio, and took part in surveys, commenting on market performance and the main financial industry trends.

THE FINANCIAL SYSTEM AND OTHER INSTITUTIONS

Fideuram and its subsidiaries are members of a number of industry associations in their respective fields, including the Italian Banking Association (ABI), Italian Association of Investment Advisory Companies (Assoreti), the Italian Association for Limited Liability Companies (Assonime), the Italian Private Banking Association (AIPB), the Italian Association of Fund Managers (Assogestioni) and the Italian Fiduciary Services Association (Assofiduciaria).

The Bank's Chairman is also Chairman of the Assoreti Board of Directors. The Bank's Managing Director is also a member of the Board of Directors of the Italian Private Banking Association (Associazione Italiana Private Banking - AIPB).

CORPORATE EVENTS

PF EXPO 2016



The 10th PF EXPO for financial professionals was held on 28 January 2016 in the inspiring surroundings of Palazzo delle Stelline in Milan. The event was organised by ProfessioneFinanza as part of its work of training, providing communications on and developing the expertise of financial professionals. This high-profile event is an ideal opportunity to compare the Group's educational standard with that of other leading

investment companies, corporate issuers, networks, banks and stockbrokers, associations, insurance companies and other entities providing financial advisory services.

Fideuram managers took part in two round table discussions, with Fideuram Events and Network Communications Manager Stéphane Vacher in the round table on "Prospettive e scenari della consulenza finanziaria" (Financial Advisory Services: outlook and scenarios), and Fideuram Business Growth Manager Stefano Gallizioli in "MiFID II – Cosa cambia per il professionista della finanza" (MiFID II – What it changes for financial professionals). Around 800 people attended the event.

CONSULENTIA 2016

Fideuram and Sanpaolo Invest were among the sponsors of the Consulentia 2016 conference organised by the Italian National Association of Financial Advisers ('Associazione Nazionale Promotori Finanziari - ANASF), held at the Auditorium Parco della Musica between the 2nd and 4th of February 2016. The conference provided an important forum for discussing trends in the sector, attended by the main financial consultant networks and several major asset management companies, which presented their market strategies. As sponsors, Fideuram and Sanpaolo Invest had a stand in the exhibition area, which provided a convenient place to meet financial advisers from all the networks. On the third day, Fideuram Joint General Manager Antonello Piancastelli gave a round table presentation expounding the strengths of the industry and operators in the sector, while stressing the importance of paying special attention to their customers' and professionals' needs in moments of difficulty.



SALONE DEL RISPARMIO 2016

Fideuram was a partner of the annual Salone del Risparmio organised by Assogestioni, the Italian Association of Fund Managers, held in Milan from the 6th to the 8th of March 2016. The three-day financial services industry conference attracted more than 15,000 visitors and included meetings, cultural projects and opportunities for investors to further their knowledge.

The Fideuram Group was represented by Fideuram and Fideuram Investimenti in the exhibition area and a conference session debate on "Cicli economici ed opportunità di lungo termine: Quali prospettive?" (Economic cycles and long-term opportunities: What is the outlook?) between Fideuram Investimenti Managing Director and General Manager Gianluca La Calce and two experts in the sector, Roberto Italia - co-founder of Space Holding, Managing Director of Space2 S.p.A. and senior advisor at Cinven, and Francesco Garzarelli - Co-Head of the Macro and Markets Research Global Team at Goldman Sachs.



EFPA MEETING 2016



Fideuram and Sanpaolo Invest were gold partners in the National Convention of EFPA Italia (the Italian branch of the European Financial Planning Association), held at the Giardini Naxos Hilton in Sicily on the 5th and 6th of May 2016. The convention was attended by more than 500 investment professionals from all over Italy, who benefited from the opportunity to share their knowledge and experience in the training sessions and exhibition areas where Fideuram and Sanpaolo Invest had a stand. Now an annual fixture, the convention provides an important forum for professionals both with and without certification from across Italy. The two-day programme consisted of seminars, conference sessions and debates with leading experts in the sector and participants that included financial advisers from the top networks and asset management companies.



NOMISMA MEETING 2016

Intesa Sanpaolo Private Banking hosted the presentation of the third 2016 report of Nomisma's Real-Estate Outlook Survey at the Cariplo Foundation Conference Centre.

The event was opened by Saverio Perissinotto, General Manager of Intesa Sanpaolo Private Banking. The presentation of the report was followed by a round table on the subject "Prospettive italiane ed internazionali a confronto" (Italian and international outlooks compared).





4.7.6 Natural Capital

Natural capital includes the processes and environmental resources which contribute to generating goods and services for the Group's business.

THE ENVIRONMENT



ENVIRONMENTAL POLICY

Following Intesa Sanpaolo's guidelines, the Fideuram Group's environmental policy aims to contain and rationalise energy consumption and waste generation through maintenance activities that enable us to reduce pollutant emissions and paper, water, electricity and gas consumption in order to make a positive contribution to sustainable development, even though there is currently no department specifically tasked with energy management. In line with Intesa Sanpaolo's environmental and energy policies, the Fideuram Group is continuing, where possible, to improve energy efficiency

through using renewable sources and eliminating waste, monitoring both direct impacts and indirect impacts. In accordance with this environmental policy, during 2016 Fideuram disposed of hazardous and non-hazardous waste properly, ensuring compliance with current legislation, including the provisions of the Italian waste-tracking system (Sistema di controllo della tracciabilità dei rifiuti - SISTRI). The Group pays special attention to its paper consumption by rationalising its purchasing and establishing paperless processes. Due to the nature of its business, which has no significant direct impact on the environment, the Group nevertheless continues to pay close attention to environmental matters, undertaking initiatives to improve energy efficiency in its offices, branches and buildings, including through projects such as the New Logistics System, which rationalised local logistics.

ENERGY CONSUMPTION

MAIN OBJECTIVES FOR 2016

Replace boilers with condensing boilers, and install high-efficiency heat pumps and refrigeration units where necessary and practicable.

Modernise our electrical installations and update floor-standing lamps, spotlights and other lighting by replacing previous-generation light bulbs with the latest LED and high-performance fluorescent light bulbs.

Steadily replace climate-control systems that use ozone-depleting gases.

ACTIONS AND RESULTS ACHIEVED

We embarked on the process of modernising and replacing our heating systems, increasing their efficiency and improving their technical performance by reducing heat loss.

We continued the process of installing LED light fittings in all Personal Financial Advisers' offices.

New-generation systems were installed in our relocated Personal Financial Advisers' offices and in existing offices that use non-ecological gases.

The Group's work to contain consumption through management optimisation and energy efficiency initiatives is, therefore, ongoing. These initiatives have, generally speaking, involved replacing refrigeration units, installing LED or other high-efficiency lighting in branches and signboards, bringing in systems that automatically switch off computers at night, using new low-energy printing methods, bringing in smart lighting systems that automatically adjust lighting levels and switch lights on and off, installing thermostatic valves and launching initiatives to reduce excessive temperature levels.

Total electricity consumption	GJ	2016 54,221	2015 56,480
Natural gas consumption (methane)	GJ	2016 36,361	2015 43,241
Heating oil consumption	GJ	2016 2,524	2015 2,288

MAIN IMPROVEMENT OBJECTIVES FOR 2017

Our main objectives for 2017 include the following:

- Refurbish and update existing systems, replacing boilers with condensing boiler systems, and heat pumps and refrigeration units with high-efficiency alternatives.
- Modernise our electrical systems with new installations and/or the refurbishment of existing installations, and replace incandescent light bulbs in light fittings and floor-standing lamps with LED and high-performance light bulbs, while also continuing to support the renewable energy sector.
- Steadily replace climate-control systems that use non-ecological refrigerant gases and consequently reduce energy consumption.

OTHER ENVIRONMENTAL OBJECTIVES

MAIN OBJECTIVES FOR 2016	ACTIONS AND RESULTS ACHIEVED
Increase the use of centralised networked all-in-one printers for each office/floor, eliminating individual printers, photocopiers and fax machines.	The process of replacing multiple individual printers with networked all-in-one printers shared by multiple users continued in 2016, achieving a reduction in waste generation due to toner consumption.
Unify the centralised paper purchasing system at Intesa Sanpaolo level.	The Fideuram Group used the same paper supplier as Intesa Sanpaolo, thus being certain of complying with the same certified environmental protection requirements.
Extend digital archiving to cover more types of documents.	Digital archiving was extended in 2016 to cover a wider range of documents, thus reducing the amount of paper waste generated.

Paper consumption

In 2016, the Italian companies in the Group consumed a total of 212 metric tonnes of paper (-2.8% compared with 2015), 84% of which was ecological Forest Stewardship Council (FSC) certified paper from sustainably managed forests. The plan to transition to paperless documents continued with the upgrading of our digital document system and the extension of the application to handle an increased range of documents, together with the provision of online statements and reporting for customers.

84 %
FSC-certified
ecological paper

		2016	2015
Total paper consumption	Metric tonnes	212	218
Paper consumption per head	Kg / No. of staff	70	74

Water consumption

Water resources are mainly used by the Group for civil purposes. The water used came from the public water supply or other water supply companies.

		2016	2015
Total water consumption	cu. m	78,736	79,702
Water consumption per head	cu. m/No. of staff	26	27



Waste

In 2016, the Group implemented Italy's waste disposal regulations and joined the SISTRI electronic waste tracking system register with a view to more effectively controlling the disposal of special waste. The system makes it possible for the entire waste chain to be computerised, simplifying procedures and compliance, and reducing costs. The Group also complied with municipal waste disposal directives, adopting suitable processes and procedures for separate waste collection. Most of the waste collected by separate waste collection was paper and cardboard.

		2016	2015
Total waste	Metric tonnes	80	95
Total waste per head	kg/No. of staff	27	32
Total special waste (non-hazardous)	Metric tonnes	78	93
Total hazardous waste	Metric tonnes	2	2



Toner consumption

Used toner cartridges and hazardous waste (fluorescent tubes and batteries etc.) were disposed of separately and appropriately, in accordance with current regulations, using specialist companies and maintaining the related compulsory registers and documentation.



MAIN IMPROVEMENT OBJECTIVES FOR 2017

Our main objectives for 2017 include the following:

- Continue the process of rationalisation involving the use of ecologically-sustainable networked all-in-one printers, with consequent reductions in paper consumption, consumables and the emission of hazardous pollutants.
- Extend digital archiving to cover more types of documents, enabling offices and Personal Financial Advisers to use digital documents for a number of the services provided by Fideuram and eliminate the related paper consumption.
- Use digital signatures, provide documents and information for consultation online and create editable PDFs, consequently reducing paper consumption and waste generation.

4.8 Events after the reporting period and outlook

There were no significant events after the reporting period requiring any changes to be made to the consolidated financial statements.

Despite the year beginning with increased volatility in the financial markets, which were ruled by uncertainty and speculation, the Group achieved positive net inflows into managed assets of approximately €671m in January 2017.

An initial detailed profitability analysis for the year will be presented in the first-quarter interim report.

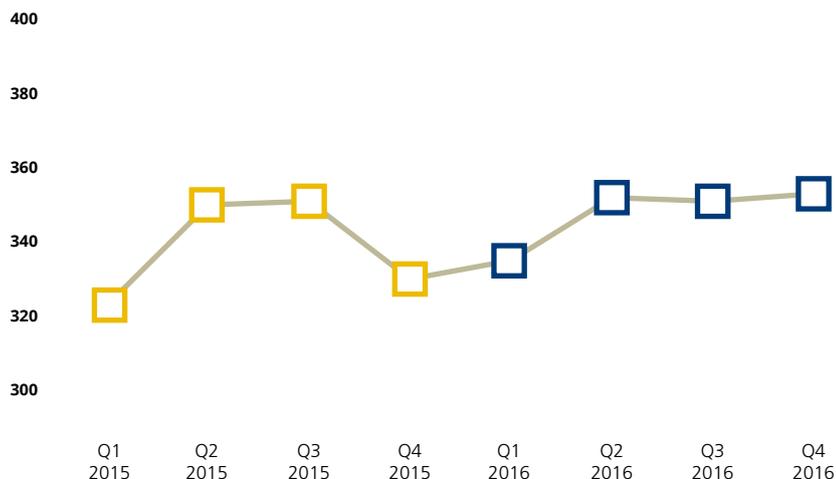
Managed assets totalled €136.5bn at the beginning of 2017, which was significantly above the average for 2016 and therefore able to keep recurring fees consistently above the level achieved in 2016, assuming there are no unexpected corrections in the financial markets.

€671m

Net inflows into managed assets January 2017

Quarterly net recurring fees

(€m)



5.1 The Italian market

5.2 The world market

Drivers of the managed assets market 2017-2019:

- **Greater propensity** for managed assets
- **Increased investment** in financial assets
- **Growth in professional** managed savings services





5. Growth prospects

5.1 The Italian market ⁽¹⁾

MANAGED ASSETS OVERVIEW

(€bn)

	2015 (*)	2014	2013	2012	2011
ASSETS					
Household financial assets in Italy (HFA)	4,120	4,017	3,946	3,770	3,585
Managed assets (MA)	1,406	1,257	1,086	1,020	882
- Mutual funds	280	251	206	189	192
- Discretionary accounts	801	737	639	625	439
- Life insurance technical reserves	583	529	514	468	477
- Pension funds	94	84	75	69	60
- Adjustments	(352)	(344)	(348)	(331)	(286)
MA as % of HFA	34%	31%	28%	27%	25%

FLOWS

	24	13	10	36	41
Household financial assets in Italy (HFA)					
Managed assets (MA)	113	111	(34)	3	17
- Mutual funds	30	40	(30)	(19)	(7)
- Discretionary accounts	44	25	(16)	6	7
- Life insurance technical reserves	55	15	46	(9)	42
- Pension funds	4	5	5	5	9
- Adjustments	(20)	26	(39)	20	(34)
MA as % of HFA	n.s.	n.s.	n.s.	8%	41%

(*) The 2015 data are estimates.

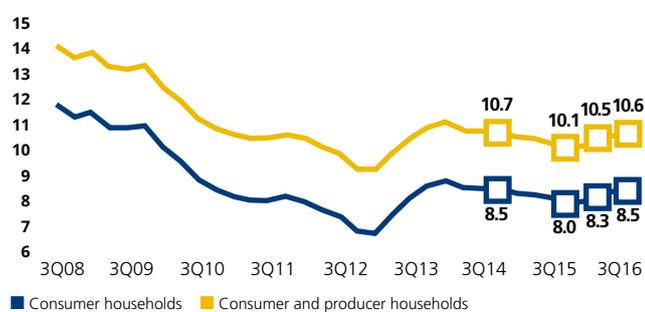
n.s.: not significant

Source: Bank of Italy

During 2016, the propensity to save of Italian households, which is to say the fraction of disposable income not used for consumption, grew compared with 2015, rising to 10.6% for consumer and producer households (from 10.1% in December 2015) and to 8.5% for consumer households (from 8% in December 2015) (Fig. 1).

Propensity to save of Italian households (Fig. 1)

(% , annualised data)



Source: Prometeia processing of ISTAT data.

Household financial assets in Italy (Fig. 2)

(€bn and % change)



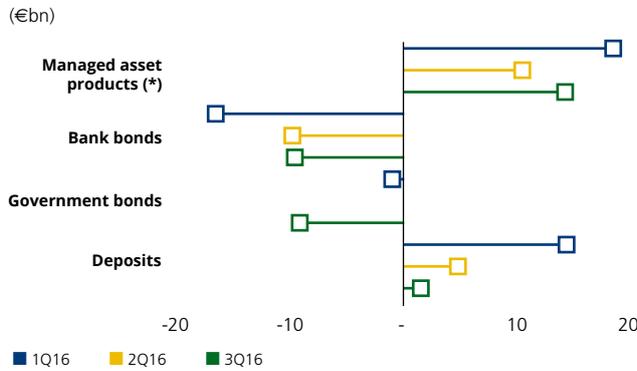
Source: Prometeia processing of Bank of Italy data (Financial Accounts).

Household financial assets continued to fall, mitigated by the positive contribution of the financial markets in the third quarter of 2016 (-1.7% compared with -3.1% in June). By the end September, having risen only slightly since June, household financial assets were at almost the same level as at year-end 2014 and more than €100bn less than at year-end 2015 (Fig. 2).

1. The information presented in this section has been taken from the Prometeia publication "Italian Savings Market Outlook" and "Appraisal of the potential private banking market in 2016" produced by the Italian Private Banking Association.

Shifts in asset allocation saw investments in managed asset instruments (mutual funds, discretionary accounts, life insurance products and pension funds) rise to approximately €15bn from €10bn in the previous quarter. This was to the detriment of bank bonds, which were negative to the tune of €10bn, and government bonds. The latter, having stabilised in the first half of the year, experienced outflows again in the third quarter of 2016 as a result of reallocation to bond-based mutual funds, which achieved double the net inflows of the previous quarter.

Italian household investments in the principal financial instruments (Fig. 3)

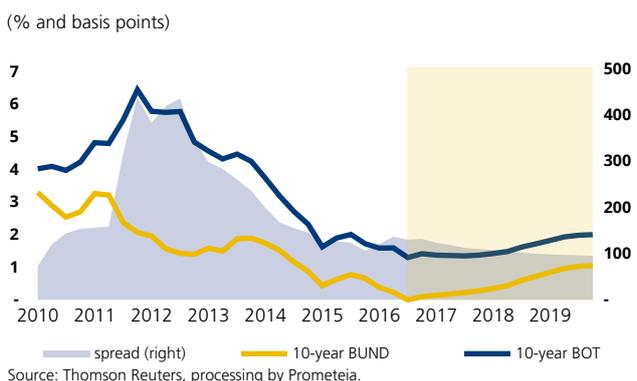


(*) Mutual funds, discretionary accounts, life insurance policies and pension funds. Source: Prometeia processing of and estimates using Bank of Italy, Assogestioni, Assoreti and ANIA data.

Although deposits continued to account for the bulk of Italian household liquid assets, as in 2015, their growth eased substantially due to the uncertainty affecting the financial markets, with inflows falling to €1.5bn in the third quarter (Fig. 3). Liquid assets thus stabilised at 32.4% and debt securities fell almost half a percentage point to 10% with a shift to mutual funds, which gained half a percentage point compared with June, rising to 11.9%, and to insurance and pension products (including provisions for employment termination indemnities), which accounted for 22.5% of the total. Equities also stabilised following sharp falls in the first-half of the year (Fig. 4).

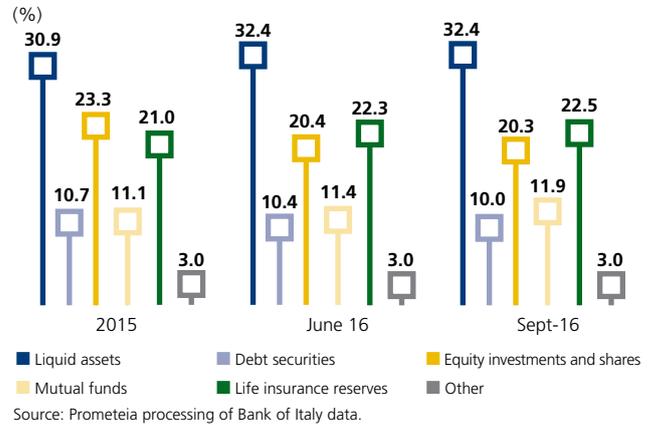
The data for the fourth-quarter of 2016 show the Italian economy recovering faster than the previous quarter, but with growth still below the average of European Monetary Union countries. Italy's GDP growth may therefore have peaked in 2016, when it was close to 1%, with forecasts for the 2017-2019 three-year period being more sober. On the one hand, there are considerable political uncertainties, while on the other, the consumer spending that sparked the country's recovery in 2013 is now slowing as a result of declining confidence, and could be halved by weak employment growth and higher inflation.

Italian and German 10-year government bond yields (Fig. 5)



Source: Thomson Reuters, processing by Prometeia.

Household financial assets in Italy (Fig. 4)



Source: Prometeia processing of Bank of Italy data.

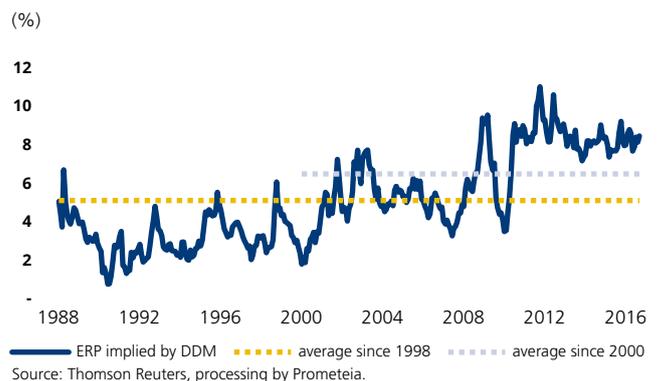
Moreover, the uncertainties regarding the outcome of the constitutional referendum and the details of the new Stability Law, together with Moody's changing its outlook on Italy's credit rating, contributed to the BTP-Bund spread widening in October after it had been narrowing steadily in the year (Fig. 5).

Various risks factors, including political uncertainty, the interventions of the central banks in the USA and EMU, and the vulnerability of the European banking sector in particular, will persist in the coming months and could increase the risk of stock market losses and consequent jumps in volatility.

The stock market outlook therefore continues to be uncertain in the short term, with the equity risk premium still very high compared with historical averages for various horizons because it accounts for uncertain economic growth prospects in addition to doubts regarding the effectiveness of the monetary policies in various European countries (Fig. 6).

The economic scenario is unlikely to lead to a rapid recovery in business investment. As a result, economic growth is likely to remain between 0.7% and 0.8% p.a. in the three-year period.

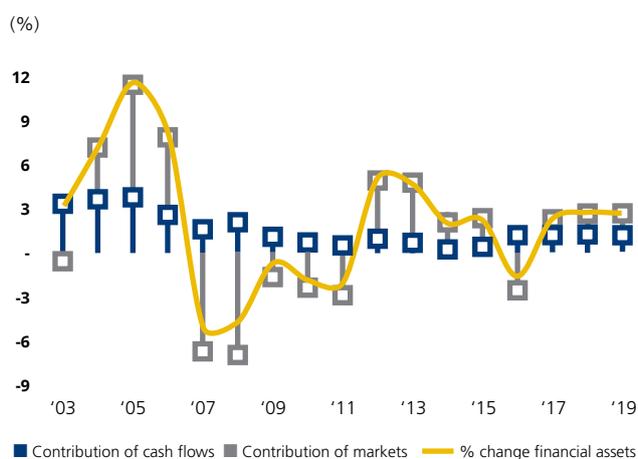
Stock market equity risk premium (Fig. 6)



Source: Thomson Reuters, processing by Prometeia.

This slow improvement in the economy is unlikely to prompt a recovery in the propensity to save of Italian households given the current macroeconomic climate. The propensity to save of consumer households is consequently projected to increase only slightly in 2017, stabilising at around 9% over the following two years. Rising disposable income could, however, increase the contribution of new investments to growth in financial assets, albeit without returning to pre-crisis levels, averaging around 1.4% p.a. between 2017 and 2019 to deliver cumulative inflows of around €175bn, up from approximately €95bn between 2014 and 2016 (Fig. 7).

Contribution of cash flows and markets to growth of household financial assets (Fig. 7)



Source: Prometeia, Forecast Report (Dec 2016).

Household financial assets will grow in Italy from next year, albeit at a modest rate. A range of risk factors will continue to impact the financial markets in 2017, with growth in financial assets rising to 2.3% in the year and then accelerating to an average of 2.7% p.a. in 2018 and 2019. Household financial assets will rise to €4,369bn by the end of 2019 (Table 1).

Household financial assets in Italy (Table 1)

(% and €bn)

	2012	2013	2014	2015	2016	2017	2018	2019	('19-'16)
Liquid assets	31.4	30.9	31.0	30.9	32.3	32.5	32.3	32.1	-0.2
- of which demand deposits	16.2	15.9	16.9	17.7	19.3	19.7	19.7	19.5	0.3
Total securities	19.4	16.4	13.6	10.7	9.5	8.0	6.8	5.9	-3.6
- of which private residents	9.9	8.8	6.5	4.7	3.7	2.5	1.6	1.0	-2.6
Equity investments and shares	19.6	22.8	22.6	23.3	20.5	20.6	20.9	21.1	0.6
Units in mutual funds	7.7	8.3	9.8	11.1	12.0	12.7	13.4	13.9	1.9
Reserves	18.6	18.6	20.0	21.0	22.6	23.3	23.7	24.1	1.5
- of which life insurance reserves (*)	10.6	10.7	11.9	12.8	14.0	14.6	15.0	15.3	1.3
- of which pension funds / personal pension plans	2.8	2.9	3.3	3.4	3.7	3.9	4.0	4.2	0.5
- of which entitlements	4.2	4.0	3.9	3.8	3.9	3.8	3.7	3.5	-0.4
- of which non-life reserves	1.0	1.0	0.9	0.9	1.0	1.0	1.0	1.0	0.0
Other	3.3	3.0	3.0	3.0	3.0	2.9	2.9	2.9	-0.1
Total financial assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Total FA (€bn)	3,770	3,946	4,017	4,120	4,051	4,142	4,255	4,369	
Annual change in %	5.2	4.7	1.8	2.6	-1.7	2.3	2.7	2.7	

(*) Net of Personal Pension Plans.

Source: Prometeia, Forecast Report (Dec 16) and Prometeia forecasts using COVIP and ANIA data.

Supporting diverse asset allocation approaches, bank product range development policies will continue to prioritise managed asset products and services over the coming years due to their low funding requirements and strategies for supporting service profitability. They will, however, also need to cater for household demand that becomes more cautious in its portfolio choices while still favouring higher returns. Italian household direct investments in mutual funds will suffer from continuing market uncertainty in the coming months but still improve, while investments in insurance products and pensions, which are more stable over time, will be higher although gradually declining.

The data for the third quarter of 2016 showed a sharp recovery in the managed assets market and mutual funds in particular, driven by more buoyant financial markets which led to a recovery in financial advisor sales. Net inflows remained positive in October and November, buoyed by the bank networks, but subsequently eased in the face of growing uncertainty with the approach of the year-end election and referendum.

Net inflows into mutual funds totalled approximately €35bn in 2016, a substantial positive result albeit half the annual average for the 2013-2015 three-year period. Product sales to Italian investors are likely to have exceeded €825bn by the end of 2016, a new historic high helped by the December recovery of the financial markets, which should lead to a small upward revision of the year-end figures (Table 2).

The managed assets market (Table 2)

(€bn and % change)

STOCK	2013	2014	2015	NOV-16	2016	2017	2018	2019
Italian and non-Italian mutual funds (*)	572.6	695.3	780.4	806.9	825.6	899.8	979.6	1,043.6
% change	15.4	21.4	12.2	3.4	5.8	9.0	8.9	6.5
Discretionary accounts (^)	502.6	574.5	625.6	669.9	669.1	698.9	722.7	747.0
% change	7.7	14.3	8.9	7.1	7	4.5	3.4	3.4
- of which in mutual funds (^)	114.9	133.3	154.5	164.0	167.8	180.4	192.8	202.3
% change	6.7	16.0	15.9	6.1	8.6	7.5	6.8	5.0
- of which in securities (^)	387.7	441.2	471.0	505.9	501.3	518.5	529.9	544.7
% change	8.0	13.8	6.8	7.4	6.4	3.4	2.2	2.8
Total (net of duplication)	960.3	1,136.6	1,251.4		1,326.9	1,418.3	1,509.5	1,588.3
% change	12.3	18.4	10.1		6.0	6.9	6.4	5.2
Net inflows								
Italian and non-Italian mutual funds (*)	52.1	81.8	76.4	33.5	35.8	51.0	48.7	41.2
Discretionary accounts (^)	18.2	22.5	37.4	19.7	24.0	24.3	21.5	18.3
- of which in mutual funds (^)	2.8	10.0	17.5	8.9	11.0	8.6	7.1	5.9

(*) Net of duplication. For mutual funds outside Italy. Prometeia estimates using Assogestioni and Bank of Italy data.

(^) Latest figures: September 2016.

Source: Prometeia estimates and forecasts using Bank of Italy and Assogestioni data.

Total net inflows into discretionary accounts were also positive at nearly €25bn but significantly below the €37bn achieved in 2015, above all as a result of weaker retail demand. Though still positive in 2015 thanks to sales through bank and financial advisor networks, retail demand entered negative territory for the banking channel and more than halved for financial advisor networks despite an increase in the number of networks launching new products over the year. Bank networks in particular experienced greater outflows from securities than in 2015. This was only partially offset by asset management funds. Retail discretionary accounts and those offered by bank networks in particular saw an increasingly strong trend to use mutual funds to improve portfolio returns and diversification, taking mutual funds to account for almost 60% of banks' retail discretionary account portfolios (compared with 45% at year-end 2012) and over 55% of financial advisor network discretionary account portfolios (approximately 50% at year-end 2012). Institutional demand continued to be strong on the other hand,

partly thanks to an increase in the number of traditional insurance products offered in the first half of the year, with investments totalling over €20bn.

Performance in 2016 and the macro-financial scenario for the coming years point to a continuation of the overall trends seen in the previous scenario. Household demand will remain positive in the coming years but start to ease again, above all from 2019, as a result of lower margins for the reallocation of portfolios away from managed assets, and as a result of continuing high demand for liquidity against a backdrop of uncertainty and slow economic recovery. Banking channel sales in particular could improve in 2017 and 2018, benefiting from calmer financial market conditions. They are then likely to grow more vigorously in 2019, when the margins for reallocation away from bank bonds have been exhausted, assuming that customers buy bank bonds in greater numbers as the European Central Bank's targeted longer-term refinancing operations (TL-

TRO) come to an end. Overall, net inflows into mutual funds and discretionary accounts through the banking channel could reach a cumulative total of around €70bn in the 2017-2019 three-year period (down from over €105bn in the previous three-year period), with the total invested growing by an average of 6.3% p.a. to around €590bn by year-end 2019 (Table 3).

The outlook is more favourable for financial advisor networks, which achieved substantial total net inflows in 2016, consolidating their role as a major channel offering services to Italian households and bringing in significant liquid investments for reallocation to managed asset products offering greater potential returns in the coming years. The networks' net inflows into mutual funds and discretionary accounts, which fell by 40% in 2016, could therefore gradually return to the channel's historical averages, taking the total invested to grow at an average of 7.7% p.a. to reach approximately €225bn by year-end 2019.

Client assets by distribution channel (*) (Table 3)

(€bn and %)

	2013	2014	2015	2016	2017	2018	2019
Branches	346.4	428.5	470.4	490.0	529.0	564.5	588.3
% change	15.7	23.7	9.8	4.1	8.0	6.7	4.2
MS	36.1	37.7	37.6	36.9	37.3	37.4	37.0
Personal financial advisers	143.4	161.8	170.4	178.9	192.1	208.3	223.5
% change	11.8	12.8	5.4	5.0	7.3	8.4	7.3
MS	14.9	14.2	13.6	13.5	13.5	13.8	14.1
Institutional sellers	470.5	546.3	610.6	658.0	697.3	736.7	776.5
% change	10.1	16.1	11.8	7.8	6.0	5.7	5.4
MS	49.0	48.1	48.8	49.6	49.2	48.8	48.9

(*) Mutual funds sold directly and discretionary accounts, net of duplication.

Source: Prometeia estimates and forecasts using Bank of Italy, Assoreti and Assogestioni data.

Analysing the performance of the mutual funds market by asset class, we find that demand for multi-asset products remained strong in 2016, although below 2015 levels, that inflows into bond products increased due to improved stock market performance mid-year, and that there was a net outflow from stock-based mutual funds as a result of weak stock market performance in the year.

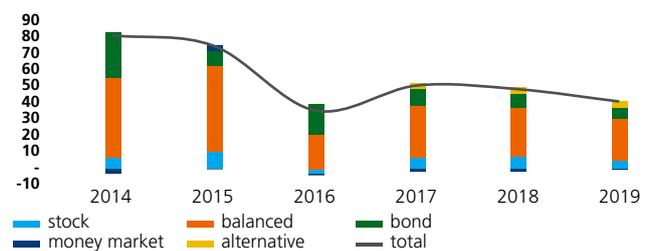
Demand for money market funds fluctuated during the year. Looking ahead, demand for stock-based mutual funds could turn positive again in 2017, thanks to the improvement in the stock markets, and consolidate over the following two years without, however, accelerating in the forecast period, given the financial scenario. Demand for bond-based mutual funds will continue to be positive, above all due to institutional demand, although easing from the levels of last year. Conversely, demand for money market funds will be negative as a result of the low returns on this asset class over the forecast horizon, though they could show greater resilience if uncertainty increases.

Inflows into multi-asset products will continue to be substantial despite easing as a result of the slowdown in the

banking channel. Finally, institutional demand for alternative funds will consolidate, with growth support instruments possibly attracting increased demand thanks to the revised tax incentives for medium-to-long term investments provided for in Italy's 2017 "Stability Law", once the technicalities of its implementation have been finalised (Fig. 8).

Net inflows by mutual fund asset class (*) (Fig. 8)

(€bn)



(*) Including estimated funds outside Italy, net of duplication.
Source: Prometeia estimates using Assogestioni data.



THE PRIVATE BANKING MARKET

Private Banking financial assets by wealth segment as at 2016

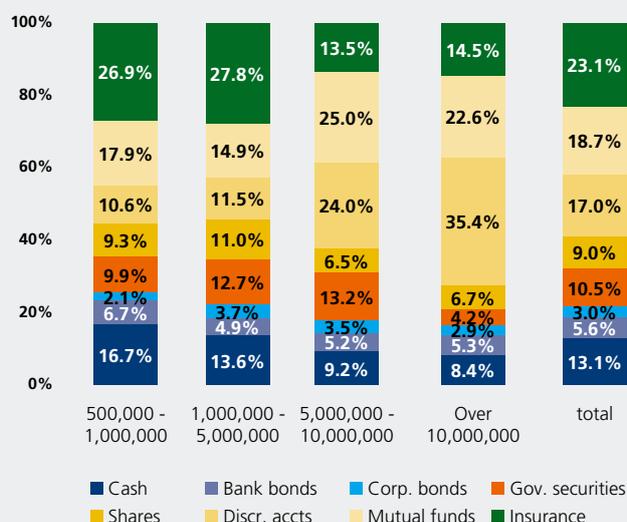
WEALTH SEGMENT	NUMBER OF HOUSEHOLDS (units)	%	% CHANGE 2016-2015	ASSETS (€m)	%	% CHANGE 2016-2015	AVERAGE ASSETS (€k)	% CHANGE 2016-2015
Over 10,000,000	8,414	1%	0.8%	167,602	16%	2.2%	19,919	1.4%
5,000,000 - 10,000,000	21,801	3%	0.1%	158,804	15%	0.8%	7,284	0.7%
1,000,000 - 5,000,000	170,722	27%	0.1%	364,011	35%	1.1%	2,132	1.0%
500,000 - 1,000,000	428,984	69%	0.1%	338,820	34%	1.0%	790	0.9%
Total	629,921	100%	0.1%	1,029,237	100%	1.2%	1,634	1.1%

Private Banking household wealth has been closely linked to market performance in recent years, with the climate of economic uncertainty, and it is estimated that only 30% of the approximately €170bn new financial wealth generated in Italy between 2011 and 2016 was directly attributable to new financial assets. This has increased the polarisation of wealth in favour of the wealthiest (at year-end 2016 households with financial assets in excess of €5m owned close to 32% of total household wealth while accounting for approximately 4% of households).

Estimated 2016 growth for the different wealth segments identified is also stronger for the top segments, once again due to greater accumulation of new financial investment flows, such that the Private Banking households with assets exceeding €5m are expected to have made average financial portfolio gains of just over 1.5% at year-end compared with an average of 1% for the remainder.

As a result, average assets should grow by approximately 1.1% but at higher levels for the wealthier customer segments.

Asset mix by wealth segment as at 2016



Looking at the asset mix, reallocation in the different wealth segments has mostly been in line with the general trends, and the few divergences between segments were not sufficient to substantially alter the differences historically observed. In particular, managed assets and insurance products are expected to have risen to approximately 50% of total financial assets in the over €5m segment at year-end 2016, with the insurance component recovering significantly in the Private Banking segment of households with assets exceeding €10m. Conversely, managed asset products are expected to remain at around 30% for the wealth segments below, showing margins for further portfolio reallocation in the near future, including as a result of the probably persistent uncertainty in the markets.

The market is expected to have slowed all across Italy in 2016, above all in the South, reflecting declining confidence and the instability of the asset price markets. The Private Banking market will therefore continue to be concentrated mainly in the North, as it was last year, accounting for close to 70% of all Italy. Lombardy is again likely to be the region with the greatest Private Banking assets in the 2015-2016 two-year period, with a total of €314bn in 2016, followed by Emilia Romagna (€115bn), Venetia and Piedmont (approximately €107bn each). Taken together, these regions continue to account for over 60% of Private Banking financial assets in Italy.

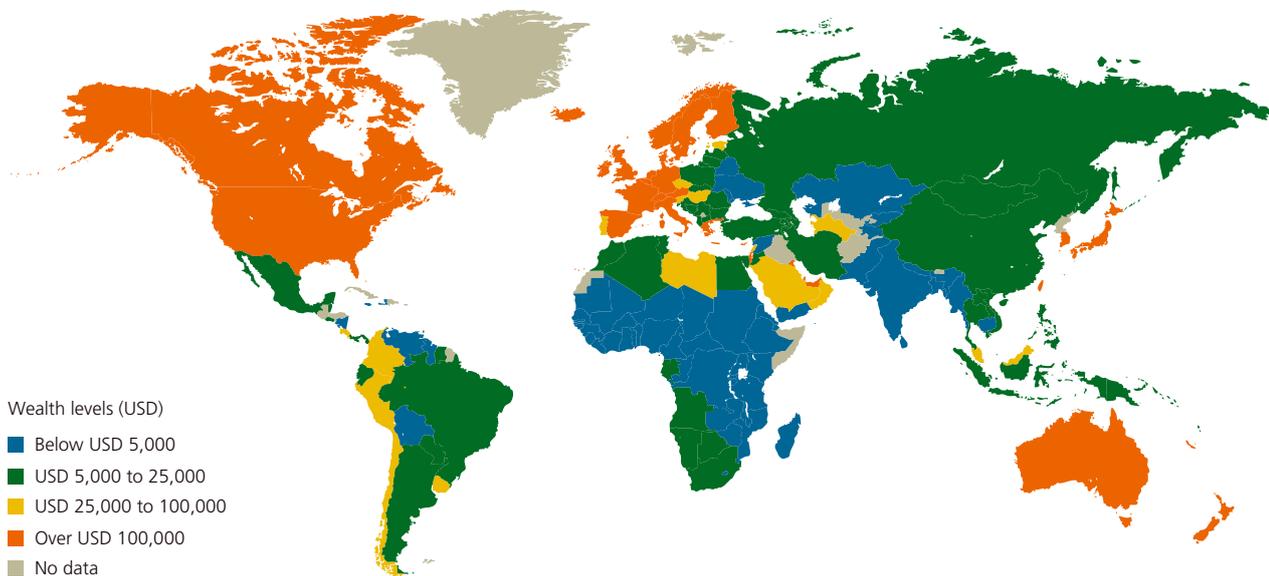
5.2 The world market ⁽²⁾

The double-digit growth in global financial wealth in the early years of the millennium came to an abrupt halt with the financial crisis of 2008. Hopes were high that wealth growth would take off again after 2008, but despite some promising dawns, sustained high growth has proved elusive.

In mid-2016, the slowdown of the global economy and the likelihood of interest rate rises dampened the prospects for household wealth worldwide, which is close to 2013 levels, having increased by USD3.5tr in the past 12 months to USD256tr (+1.4%).

This means that wealth creation merely kept pace with population growth. As a result, in 2016, wealth per adult was unchanged for the first time since 2008, at approximately USD52,800.

World wealth levels, 2016



Source: Credit Suisse Research Institute, Global Wealth Report 2016.

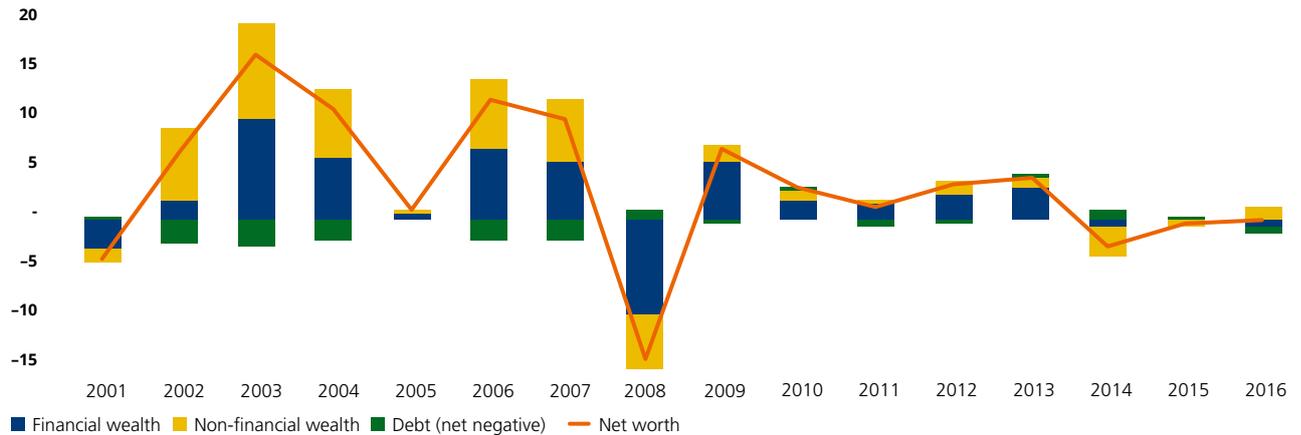
Among the major economies, the United States and Japan were able to generate substantial additional wealth, while the United Kingdom recorded a significant decline as a result of currency depreciation. The United States continued to lead with USD1.7tr overall growth in household wealth, which was in line with population growth, as it was worldwide.

The Credit Suisse Global Wealth Report states that since 2008 gains in household wealth have been driven by an increase in financial assets. We are observing a shift in 2016, as the share of non-financial assets increased for the first time.

2. The information presented in this section has been taken from the "Global Wealth Report 2016", published by Credit Suisse in November 2016.

Annual contribution (%) to growth of wealth per adult by component, 2001 – 2016

Annual change (%)



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2016.

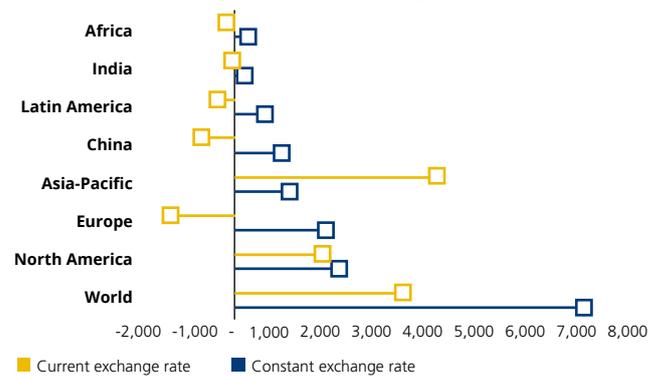
Elsewhere, the pattern across each region was quite similar when exchange rates are held constant. Total wealth increased by 3% on average, just about enough to offset population growth. If we consider, however, the impact of exchange rates, we can see a decrease in all regions apart from Asia-Pacific (excluding China and India). As a consequence, wealth per adult rose by 6.5% in Asia-Pacific (excluding China and India), and by 0.9% in North America, but fell in Europe, China and India by an average of 2%, and in Latin America and Africa by more than 5%.

Credit Suisse estimates that global wealth is likely to increase by around 31% over the next five years, which represents an annual rate of 5.5%, roughly in line with nominal GDP but below last year's estimate of 6.6%.

Since 2000, global wealth has grown at an annual rate of 5.2% in nominal terms. However, there were two distinct sub-periods. Prior to the global financial crisis, global wealth grew at 9.5% p.a., before recording a very sharp decline in 2008. Since 2009, wealth has grown at 3.8% p.a., reflecting the low rate of GDP growth in the global economy.

The ratio of wealth to GDP has fallen from 3.7% prior to the crisis to 3.3% since then. Over the forecast horizon, we expect this ratio to remain around its long-term average of about 3.5%.

Change in total wealth (USD bn) by region, 2015-2016: current vs constant exchange rates



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2016.

Global household net wealth to global GDP

Wealth-to-GDP ratio



Source: IMF, James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2016.

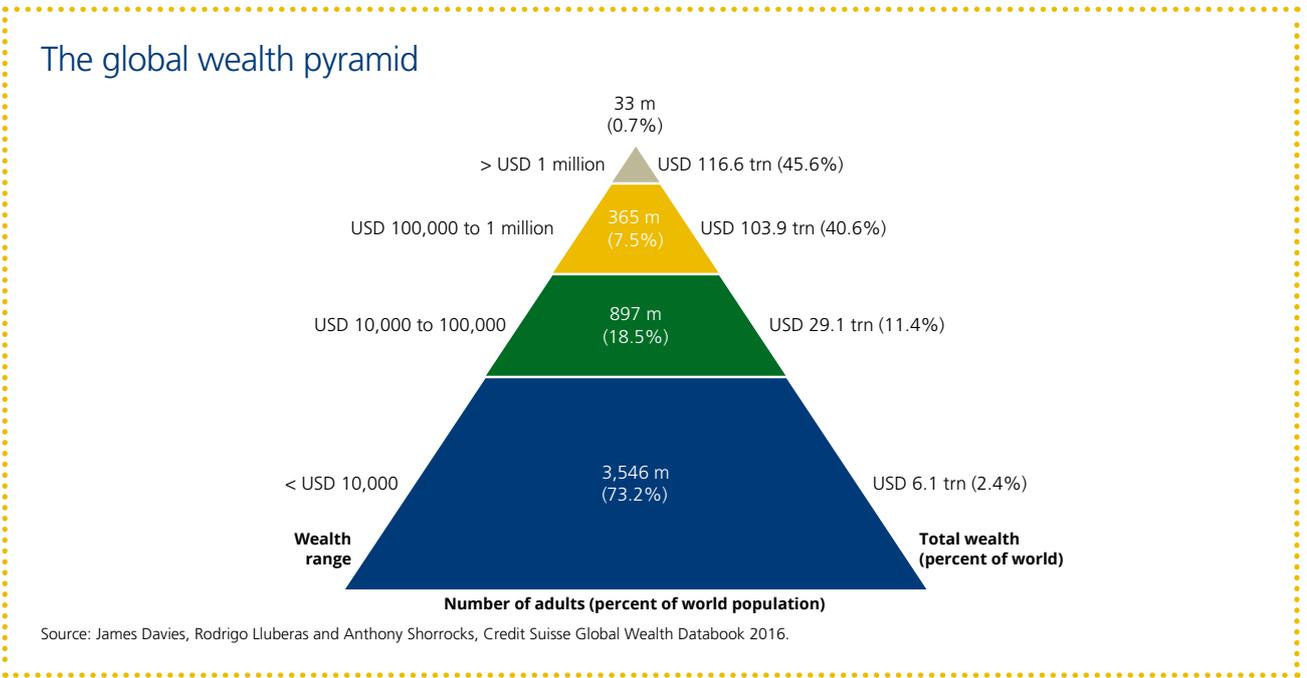
REGIONAL DISTRIBUTION

Since the beginning of the century, emerging economies have significantly influenced the global allocation of wealth. In 2000, emerging economies accounted for a mere 12% of global wealth, but have contributed nearly 25% towards global growth since. Today, emerging nations are home to 18% of the world's ultra-high-net-worth population. China alone accounts for 9% of the top decile of global wealth holders, which is well above France, Germany, Italy and the United Kingdom.

The United States is likely to remain the engine of global wealth growth in the coming years, with total wealth reaching USD112tr by 2021, equivalent to one third of the world's wealth. Credit Suisse expects relatively few changes in ranking among the wealthiest developed economies and considers emerging economies likely to show significantly more dynamism. In the ranking by total wealth, India will probably jump from 14th place to 12th position, overtaking Switzerland and Taiwan, while Mexico is projected to overtake Sweden to become the world's 19th wealthiest country.

Wealth per adult is projected to rise by 21% in the next five years. Switzerland should retain first place in terms of wealth per adult, followed by Australia and the United States.

WEALTH CONCENTRATION



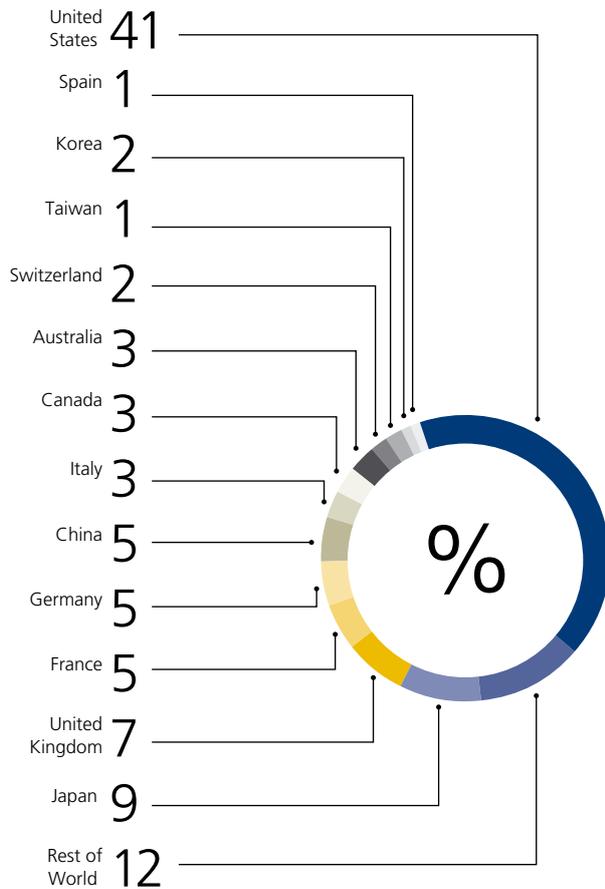
Wealth concentration can be shown as a pyramid where the largest number of people are in the base tier, comprised of adults with wealth below USD10,000. In 2016, approximately 3.5bn individuals, equivalent to 73% of the world's adult population, were estimated to live in these conditions. Around 20% of adults in developed countries fall within this category, and for the majority of these individuals, membership is either transient – due to business losses or unemployment, for example – or a life-cycle phase associated with youth or old age. In contrast, approximately 90% of the adult population in India and Africa falls within this range.

A further 900 million adults (19% of the global population) fall in the USD10,000–100,000 range. The middle classes of many developed countries fall within this category, with a combined net worth of USD29tr. Of the developing countries, India and Africa are under-represented in this segment, whereas China's share is disproportionately high, accounting for around 33% of this tier, roughly double the proportion in 2000.

Taking these two tiers together, 92% of the adult population have a combined net worth of approximately USD35tr, accounting for 14% of the global total.

At the top of the pyramid are the 398m individuals with wealth over USD100,000. From this we can see that around 8% of the world's population owns 86% of total wealth (USD220tr). Looking at the number of adult millionaires by geographical area, 89% are in Europe, North America and Asia-Pacific (excluding China and India). The United States is in first place with the with most millionaires, 13.6m, or 41% of the worldwide total. Japan held second place, followed by the United Kingdom. Germany, France and China are in fourth place, with 5% each. Italy, with 3% of millionaires, is in 5th place, together with Canada and Australia.

Number of dollar millionaires (% of world total) by country

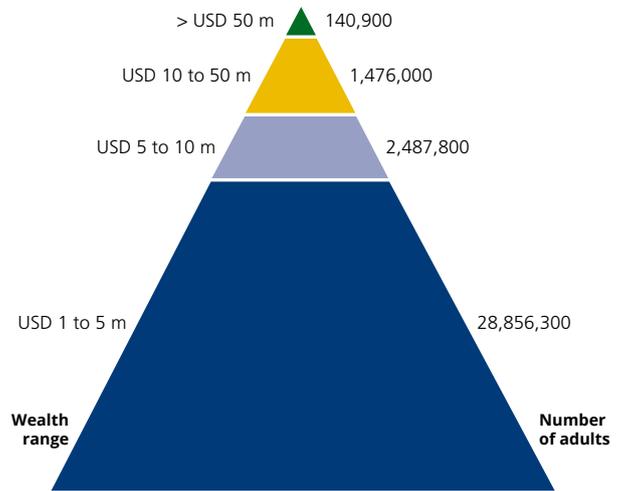


Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2016.

HIGH NET WORTH INDIVIDUALS

The breakdown of the top of the global wealth pyramid - individuals with wealth of more than USD1m - is shown below.

The top of the pyramid



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2016.

Credit Suisse estimates that there are more than 140,000 ultra-high net worth individuals (UHNWI) worldwide, with this referring to individuals possessing net assets of more than USD50m. Approximately 33m adults have net assets of between USD1m and over USD50m. Of these, approximately 29m adults fall into the USD1-5m band, 2.5m into the USD5-10m band and 1.5m into the over USD50m band.

High-net-worth individuals are concentrated in particular regions and countries, and tend to share more similar lifestyles, for instance participating in the same global markets for luxury goods. The wealth portfolios of these individuals are also likely to be more similar, with a focus on financial assets. North America heads the ranking with 14.7m high-net-worth adults (45%), followed by Europe with 9.8m (30%). Asia-Pacific (excluding China and India) is the third region for millionaire numbers with 6m, or 18% of the total. China alone has 1.6m millionaires, accounting for 5%. The remaining 2% are in India, Africa and Latin America.

Credit Suisse estimates that the number of high-net-worth individuals will increase to 45.1m by 2021, growing by 37%. North America is expected to remain the region with the most millionaires, their number rising from 14.7m to 19.7m. China is expected to show the greatest growth in the number of millionaires, overtaking France and Germany by 2021 to rank fourth after Japan and the United Kingdom.

- 6.1 The values and history of the Group
- 6.2 Organisational structure
- 6.3 Ownership structure
- 6.4 Role of subholding company
- 6.5 Company management
- 6.6 Remuneration policies
- 6.7 Internal audit system
- 6.8 Insider information
- 6.9 Shareholders' meetings
- 6.10 Board of Statutory Auditors
- 6.11 General Management of Private Banking Division

Fideuram - Intesa Sanpaolo
Private Banking is a subholding
company of the Intesa
Sanpaolo Banking Group

Fideuram heads the Intesa Sanpaolo Group **Private Banking
Division**, comprised of the companies providing the Group's
**financial advisory, asset management and trust
services**

A classical painting of a harbor scene. The sky is filled with large, billowing white and grey clouds against a pale blue background. In the foreground, several wooden sailing ships with tall masts and rigging are docked or moving in the water. The water is calm, reflecting the sky and the buildings. On the right side, a row of multi-story, light-colored buildings with red-tiled roofs lines the waterfront. A small boat with several figures is visible in the lower right foreground. A large, semi-transparent green shape is overlaid on the left side of the image, partially covering the ships and buildings.

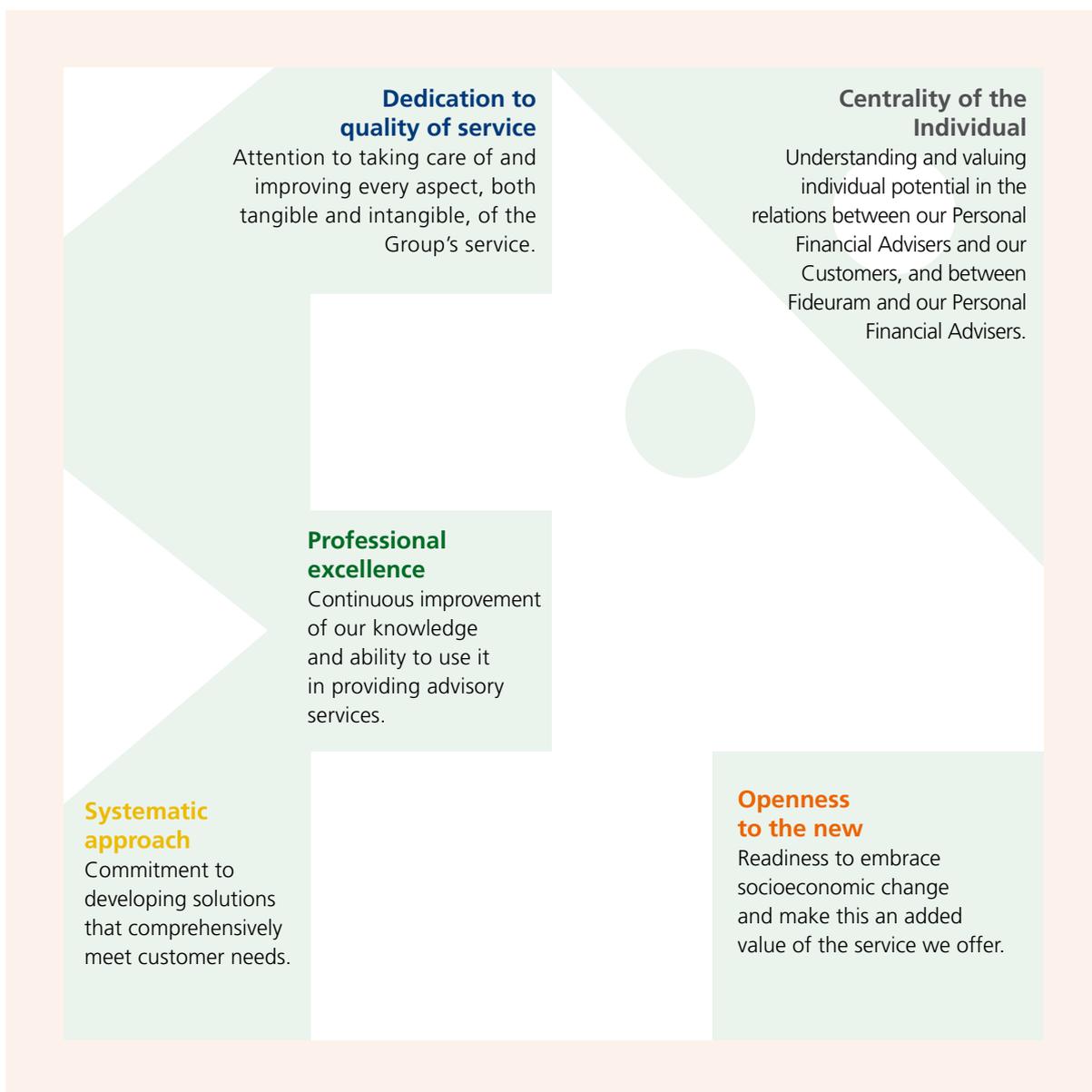
6. Governance

6.1 The values and history of the Group

Fideuram has adopted the Intesa Sanpaolo Group Code of Ethical Conduct as part of a comprehensive vision of social and environmental responsibility centred on strong relationships with its stakeholders.

The values and principles set out in the Code of Ethical Conduct are an expression of the rich corporate cultures that are the living heritage of the Intesa Sanpaolo Group, and the source of concrete rules of behaviour which guide our relations with every stakeholder.

Our growth strategy aims to create value that is solid and sustainable from economic, financial, social and environmental standpoints, built on the trust of our stakeholders and based on the principles of our Code of Ethical Conduct and on the values that have always distinguished Fideuram's culture and tradition.



1968



Fideuram was acquired by Istituto Mobiliare Italiano (IMI) in order to operate in the mutual fund sector, taking over the business of International Overseas Services (IOS). Fideuram offered Italian investors the Fonditalia and Interfund "historical" Luxembourg mutual funds through a Network of approximately 300 Personal Financial Advisers.

1992



Banca Fideuram was formed through the merger of two companies in the IMI Group: Banca Manusardi, which was listed on the Milan stock exchange, and Fideuram. The shares continued to be listed under the new company name.

Net profit	€12.3m
Client assets	€14,505m
Personal Financial Advisers	2,206 (No.)

1997



Banca Fideuram launched a personalised financial planning service benefiting from an advanced technological platform to the advantage of its customers.

Net profit	€107.4m
Client assets	€25,440m
Personal Financial Advisers	2,813 (No.)

Fideuram started offering its first Italian mutual funds: Imirend and Imicapital.



1984

Net profit	€78.0m
Client assets	€20,317m
Personal Financial Advisers	2,729 (No.)

Banca Fideuram was included in the MIB 30 Italian blue-chip index.



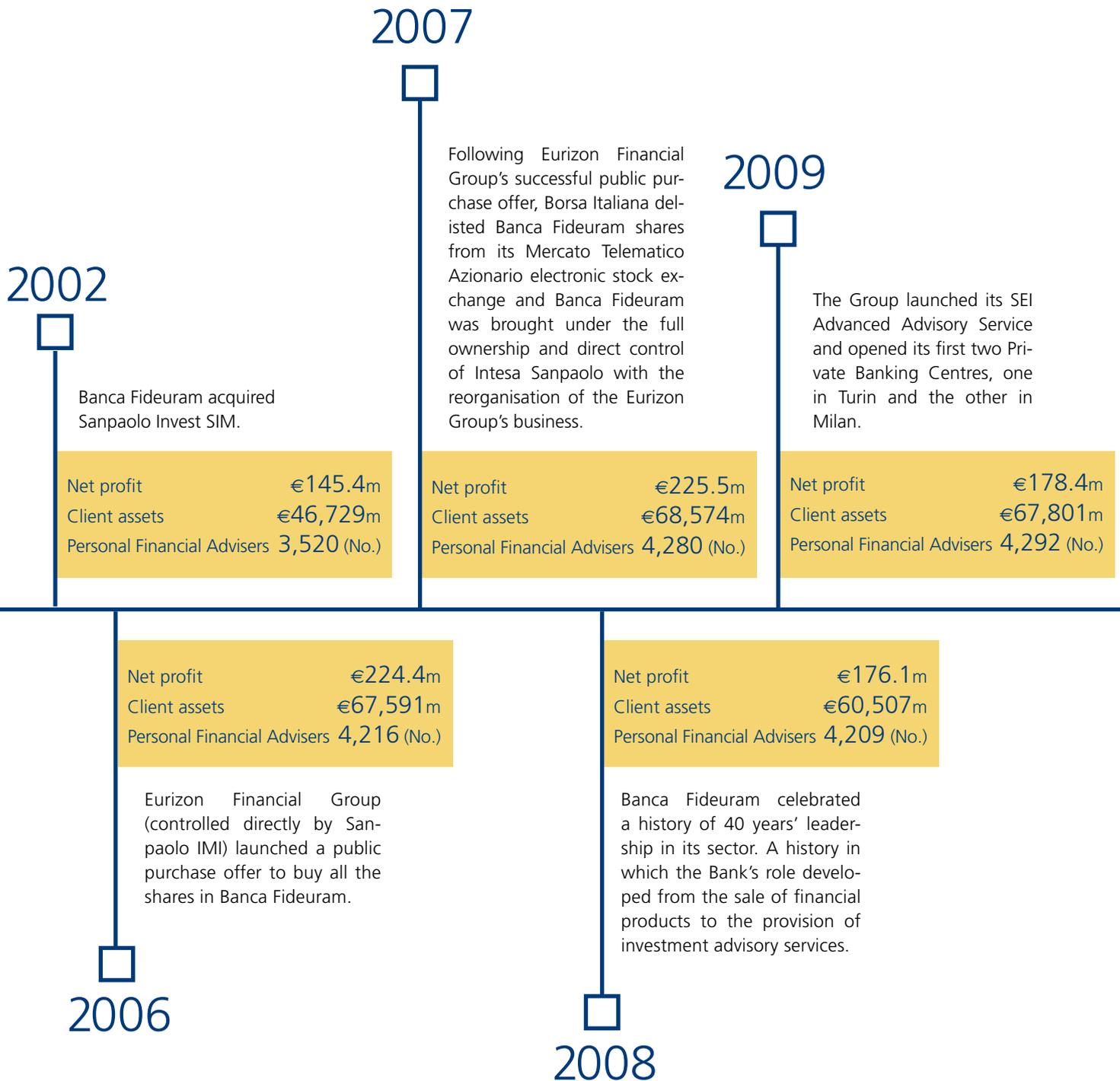
1996

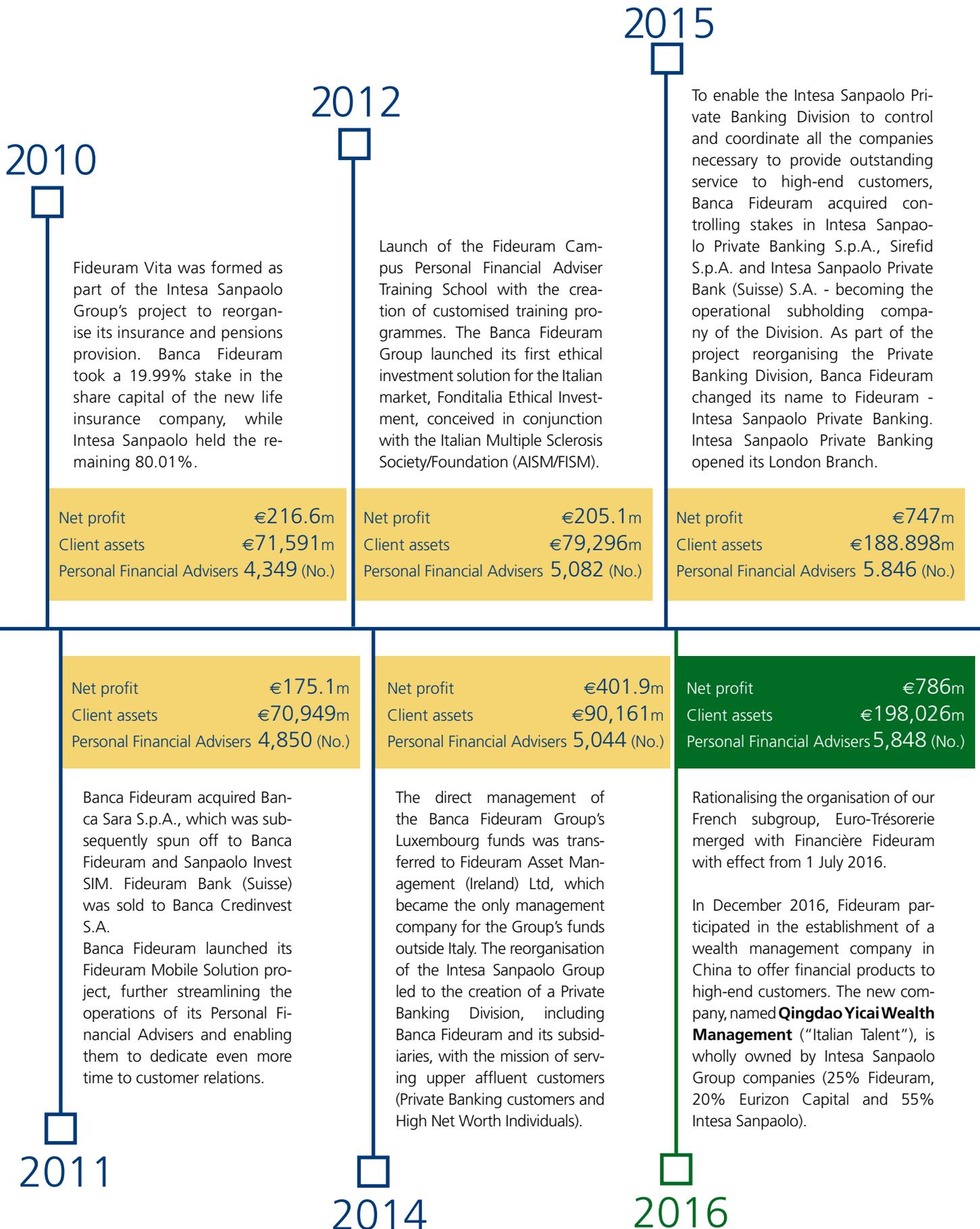
Net profit	€152.0m
Client assets	€32,167m
Personal Financial Advisers	3,168 (No.)

Establishment of the subsidiary Fideuram Bank (Luxembourg).



1998





6.2 Organisational structure

Fideuram's model of governance provides for the following company bodies:

- The Shareholders' Meeting, which expresses the corporate will.
- The Board of Directors, appointed by the Shareholders' Meeting for a period of three financial years and vested with all management powers regarding the Bank.
- The Chairman of the Board of Directors – appointed by the Board of Directors from among its members - who is the Bank's legal representative in dealings with third parties and in legal proceedings.
- A Managing Director, appointed by the Board of Directors, which determines his/her powers in accordance with the By-Laws.
- The Internal Audit Committee, established within the Board and made up of three of its independent, non-executive members, which is a technical body that acts in an advisory and investigative capacity.
- Pursuant to the By-Laws, the General Management comprises a General Manager, if appointed, and one or more persons who may be appointed Joint General Manager and Deputy General Manager. They execute, in accordance with the duties and competencies assigned by the Board of Directors, the decisions taken by the Board of Directors and delegated bodies, managing the Bank's current business, organising its activities and deciding the appointment and assignment of personnel. The General Management, each member of which is appointed by the Board of Directors, currently com-

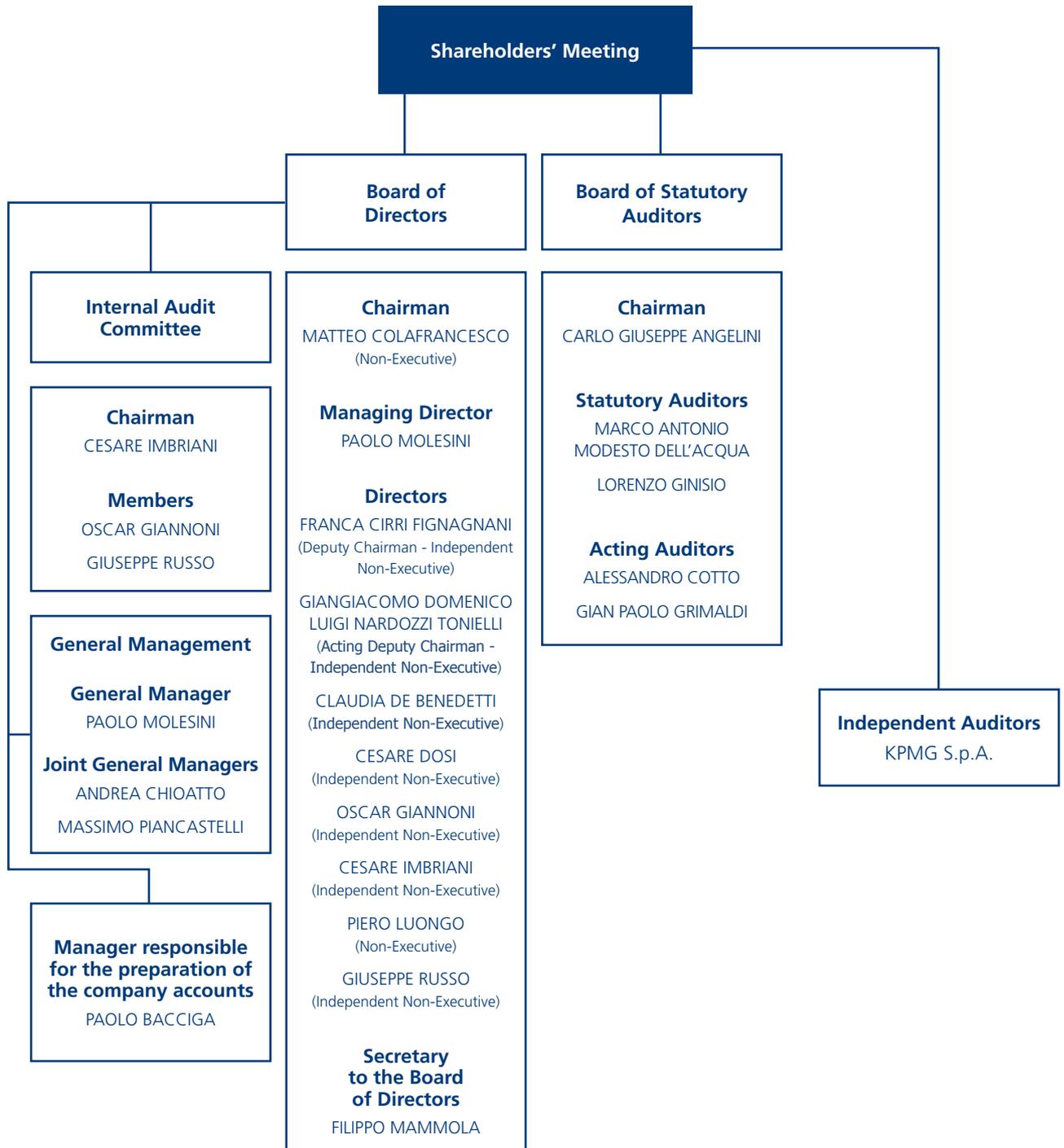
prises a General Manager (position filled by the Managing Director) and two Joint General Managers.

- The Board of Statutory Auditors, appointed by the Shareholders' Meeting for a period of three financial years and made up of three Statutory Auditors and two Acting Auditors, which acts in a supervisory role regarding compliance with the law, regulations and By-Laws, respect for the principles of good management, and, in particular, regarding the suitability of the organisational, administrative and accounting solutions adopted by the Bank and their operation in practice. The Board of Statutory Auditors also performs the duties of a Supervisory Board pursuant to Italian Legislative Decree No. 231/2001.
- The Manager responsible for the preparation of the company accounts, appointed as provided for in the By-Laws, who is in charge of the internal audit system with respect to accounting and financial reporting.

The powers and operating procedures of the Company Bodies are set out in laws and regulations, in the By-Laws and in resolutions of the competent bodies. The Board of Directors has approved Fideuram's "Regulations governing the operation of the Board of Directors with respect to multiple appointments", in compliance with the internal regulations implementing the Bank of Italy's Supervisory Regulations.

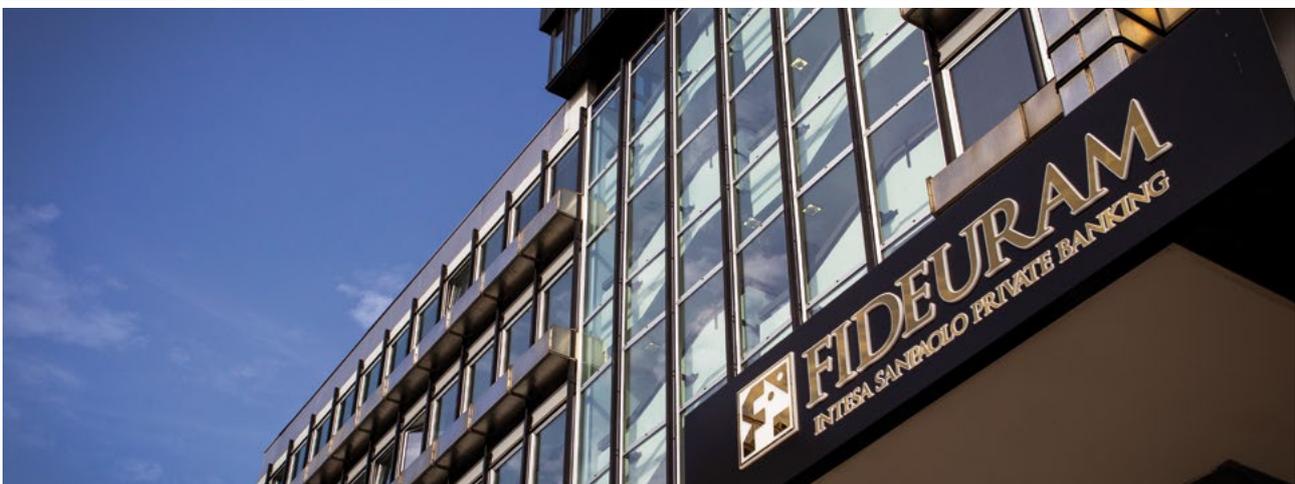
The statutory audit is carried out by an independent auditing company that meets the requirements of Italian law. Fideuram has appointed KPMG S.p.A. as the independent auditors for its separate and consolidated financial statements for the 2013 to 2021 financial years.

Company Officers



6.3 Ownership structure

The Bank's fully paid-up share capital pursuant to article 5 of the By-Laws is €300,000,000.00 divided into No. 1,500,000,000 ordinary shares with no par value, wholly owned by Intesa Sanpaolo S.p.A., which is responsible for the Bank's management and coordination as the parent company of the banking group of that name.



Fideuram - Intesa Sanpaolo Private Banking - Registered Office, Turin
Permanent Secondary Office, Milan
Administrative Headquarters, Rome

6.4 Role of subholding company

Intesa Sanpaolo plays a management and coordination role, issuing directives and formulating instructions to govern company operating procedures and ensure that aligned organisational and management rules are adopted, ensuring levels of integration suitable for achieving shared strategic goals with a view to maximising value and optimising the synergies of belonging to the Group, leveraging the characteristics of its different members.

As part of its drive to achieve the objectives of the 2014-2017 Business Plan, Intesa Sanpaolo formed a Private Banking Division within the Group, which brings together the Group companies providing financial advisory, asset management and trust services.

The Division's mission is to serve the high-end customer segment, creating value with products and services conceived for excellence, while ensuring the increased profitability of client assets through constant development of our

product range and service delivery solutions, focusing on products with a high service content and introducing innovative remuneration schemes.

In line with the mission and objectives Intesa Sanpaolo has assigned the Private Banking Division, Fideuram has been made the subholding company of its subsidiaries in the Division.

In this capacity, Fideuram heads an integrated group of companies both in and outside Italy that specialise in the distribution and management of financial products. Alongside the distribution of financial products, the Group also distributes insurance and pension products provided by Fideuram Vita S.p.A., an insurance company in the Intesa Sanpaolo Group.

Equity investments at 31.12.2016

COMPANY	REGISTERED OFFICE	% OWNERSHIP
Sanpaolo Invest SIM S.p.A.	Turin	100.000
Intesa Sanpaolo Private Banking S.p.A.	Milan	100.000
Fideuram Investimenti SGR S.p.A.	Milan	99.500
Sirefid S.p.A.	Milan	100.000
Fideuram Fiduciaria S.p.A.	Turin	100.000
Fideuram Asset Management (Ireland) dac	Dublin	100.000
Fideuram Bank (Luxembourg) S.A.	Luxembourg	100.000
Financière Fideuram S.A.	Paris	99.999
Intesa Sanpaolo Private Bank (Suisse) S.A.	Lugano	100.000



Fideuram - Milan Office

6.5 Company management

Composition and role of the Board of Directors

The Bank's current Board of Directors comprises 10 members, appointed by the Ordinary Shareholders' Meeting of 1 July 2015, whose term of office ends with the Shareholders' Meeting called to approve the financial statements for the 2017 financial year.

Within the Bank's Board of Directors, the title of Executive Director may only be applied to the Managing Director and General Manager, in consideration of their assigned duties and powers of executive management and for the direction of the Bank's business and of the Personal Financial Adviser Networks.

Seven of the other Directors meet the requirements of independence specified in article 13 of the By-Laws. These directors:

- 1) Are not employed by and do not have ongoing consultancy or remunerated work or other financial relations with the Bank or its subsidiaries, parent companies or companies in which it has a joint controlling interest able to compromise their independence.
- 2) Are not Executive Directors of the Bank or its subsidiaries, parent companies or companies in which it has a joint controlling interest.
- 3) Are not relatives up to the second degree of consanguinity or affinity of any people in the situations specified in point (2) above.

Pursuant to said article 13 of the By-Laws, the Board of Directors issued a specific regulation setting the maximum number of appointments outside the Intesa Sanpaolo Group that may be held by Directors (five for Executive Directors and ten for Non-Executive Directors).

On the basis of the declarations of the individual Directors concerned, all the Directors respect the limits on the total number of appointments they may each respectively hold.

In accordance with article 17 of the By-Laws, the Board of Directors is in charge of the Bank's ordinary and extraordinary management, excepting in those matters where Italian law restricts decision-making power to the Shareholders' Meeting. In particular, the Board of Directors has the authority to make decisions concerning, inter alia, general management policy, strategic policy and operations, business and financial plans and the system of corporate governance, the approval and amendment of internal regulations, the appointment of General Management, the appointment/dismissal of company audit unit managers, and the purchase and sale of equity investments.

The Board of Directors likewise has the authority to make decisions concerning the following:

- mergers and spin-offs in the cases and following the procedures provided for by the laws and regulations in force,
- the establishment and closure of sub-offices,
- reductions in the share capital in cases of the withdrawal of shareholders,
- amendments to the By-Laws in line with regulatory provisions.

The Board of Directors must be kept constantly informed of all decisions taken by the delegated bodies through information provided at regular intervals by the Managing Director and General Manager.

The Board of Directors also receives and examines the regular information provided by the company audit units, the Group Operational Continuity Plan Manager, the Manager responsible for the preparation of the company accounts and the Supervisory Board established pursuant to Italian Legislative Decree No. 231/2001. Meetings of the Board of Directors, which the By-Laws stipulate must as a rule be held at two-month intervals, are normally held every month.

OFFICE	NAME	DATE OF APPOINTMENT	% OF MEETINGS ATTENDED	NUMBER OF OTHER OFFICES HELD IN THE INTESA SANPAOLO GROUP	EXECUTIVE	NON EXECUTIVE	INDEPENDENT
Chairman	Matteo Colafrancesco	01/07/2015	100%	3	-	X	-
Deputy Chairman	Franca Cirri Fignagnani	01/07/2015	100%	-	-	X	X
Acting Deputy Chairman	Giangiaco­mo Domenico Luigi Nardo­zzi Tonielli	14/04/2016	86%	-	-	X	X
Managing Director/ General Manager	Paolo Molesini	01/07/2015	91%	1	X	-	-
Director	Claudia De Benedetti	01/07/2015	100%	-	-	X	X
Director	Cesare Dosi	01/07/2015	91%	-	-	X	X
Director	Oscar Giannoni	01/07/2015	100%	-	-	X	X
Director	Cesare Imbriani	01/07/2015	100%	-	-	X	X
Director	Piero Luongo	01/07/2015	64%	2	-	X	-
Director	Giuseppe Russo	01/07/2015	100%	1	-	X	X

The Board of Directors also retains sole responsibility for the following duties:

- Examining and approving the strategic business and financial plans of the Bank and its subsidiaries, the Bank's system of corporate governance and the Group structure, as well as formulating directives governing relations with subsidiaries.
- Approving the budget and separate and consolidated monthly, quarterly, half-year and annual financial statements.
- Assessing the suitability of the organisational, administrative and general accounting systems of the Bank and of its strategically significant subsidiaries put in place by the Managing Director and General Manager, paying particular attention to the internal audit system and management of conflicts of interest.
- Delegating authority to the Managing Director and General Manager, and revoking such authority, specifying

the limits to and procedures for the exercise of said authority.

- Deciding, with the agreement of the Board of Statutory Auditors, the remuneration of Directors with special positions or duties. Drawing up guidelines for the internal audit system in conjunction with the Internal Audit Committee, and annually assessing the system's suitability and effective operation.
- Deciding, in accordance with Group policies, the remuneration of the members of General Management.
- Evaluating general performance, taking into consideration, in particular, the information received from the delegated bodies and regularly comparing the results achieved with those planned.
- Examining and providing prior approval for strategically, economically or financially significant transactions by the Bank and its subsidiaries, paying particular attention to situations

in which one or more Directors have a potential direct or indirect conflict of interest, or, more generally, to transactions with related parties.

- Reporting to the Shareholders at the Shareholders' Meeting on the work carried out and planned.

11 Meetings
in 2016
93.1% average
attendance at
meetings

Chairman

In accordance with the provisions of the By-Laws, the Chairman is empowered to act as the Bank's legal representative. The Board of Directors has in addition assigned the Chairman duties of direction and coordination and non-managerial powers that are instrumental in the operation of the Bank, including:

- Supervising the Managing Director and General Manager's implementation of the resolutions of the Board of Directors.
- Acting on the decisions of the Board of Directors, having taken due note of the opinion of the Managing Director and General Manager, with respect to the Bank's share capital and the purchase and sale of equity investments.
- Proposing the appointment and dismissal of members of General Management to the Board of Directors in consultation with the Managing Director and General Manager, and specifying their duties and responsibilities.
- Formulating and managing media communications, branding and charitable activities in consultation with the Managing Director and General Manager.



CHAIRMAN

Matteo Colafrancesco

Non-Executive Director

% Board of Directors meetings attended: **100%**

Length of service / first appointed: **29 June 2007**

Other significant offices held:

- Chairman of Sanpaolo Invest SIM S.p.A.
- Chairman of Fideuram Vita S.p.A.
- Deputy Chairman of the Board of Directors of Intesa Sanpaolo Private Banking S.p.A.
- Chairman of the Board of Directors of the Italian Association of Investment Advisory Companies (Assoreti)

Internal Audit Committee

The Board of Directors is supported in its corporate duties by a Technical Committee, made up of three independent non-executive directors in accordance with the By-Laws, which acts proactively in an advisory and investigative capacity regarding the internal audit system, risk management and the accounting information system. The following participate in the work of the Committee: the Chairman of the Board of Statutory Auditors or another member of the Board of Statutory Auditors appointed by said Chairman, the Managing Director and General Manager, the Bank's Internal Audit Managers, as well as the Head of Intesa Sanpaolo's Internal Audit Department or another Director appointed by the latter.

The Internal Audit Committee conducts prior assessments of the action plans and periodic information prepared by the Bank's Internal Audit Managers for the Board, receives the monthly information provided by the Head of the Audit Department, and prepares an annual report on the work

carried out for internal audits, the risk management system and the accounting information system.



Managing Director and General Manager

The Managing Director and General Manager is responsible for the operational management of the Bank and of the Personal Financial Adviser Networks, with full powers of ordinary and extraordinary management in accordance with the general planning and strategic policies decided by the Board of Directors, with the sole exception of those powers which by law may not be delegated and those restricted to the Board of Directors or other company bodies.



MANAGING DIRECTOR AND GENERAL MANAGER

Paolo Molesini

Executive Director

% Board of Directors meetings attended: **91%**

Length of service / first appointed: **1 July 2015**

Other significant offices held:

- Director of Intesa Sanpaolo Private Banking S.p.A.
- Member of the Board of Directors of the Italian Private Banking Association (Associazione Italiana Private Banking - AIPB).

General Management

In line with the powers delegated to the Managing Director and General Manager, and in line with the broader system of delegation in place in the Private Banking Division, Joint General Manager Andrea Chioatto is Head of Operational and Financial Governance, while Joint General Manager Massimo Piancastelli is Head of Business Coordination.

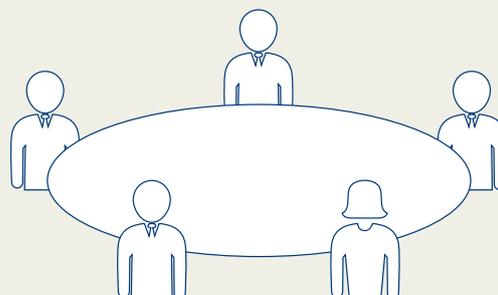
Each Joint General Manager is invested with specific powers to enable them to perform the duties assigned to them in their areas of responsibility and their corporate duties: powers to act proactively in an advisory and investigative capacity, submitting proposals to the Managing Director and General Manager, and executive powers to implement the resolutions of the Board of Directors and the instructions of the Managing Director and General Manager.

Composition of the Board of Directors by gender:

	2016	
	No.	%
Women	2	20
Men	8	80
Total	10	100

Composition of the Board of Directors by age:

	2016 No.
under 30	-
between 30 and 50	-
over 50	10



6.6 Remuneration policies

Fideuram has adopted a traditional management and auditing system. Consequently, the Shareholders' Meeting has sole authority to decide the remuneration policies for Directors.

In accordance with article 2364 of the Italian Civil Code, the Shareholders' Meeting is, moreover, responsible for determining - in accordance with Group guidelines - the annual remuneration of the members of the Board of Directors it has appointed, together with any compensation payable for attending Board meetings.

The Shareholders' Meeting is also responsible for (i) approving the remuneration policies for employees and for human resources that are not salaried employees of the company, (ii) approving share-based compensation arrangements, (iii) approving the criteria for determining the remuneration due in the event of early severance of employment or early termination of office, including the limits established for such remuneration in terms of years of fixed remuneration and the maximum amount payable as a result of their application, in line with current laws and regulations.

In accordance with the Supervisory Regulations, the remuneration policy document is drawn up by our parent company for the entire banking group to ensure its overall consistency, provide the necessary guidance for its implementation and to verify its correct application at Group level.

The remuneration of Directors with special positions or duties is decided by the Board of Directors in accordance with article 2389 of the Italian Civil Code and in compliance with the By-Laws and the remuneration policies approved by the Shareholders' Meeting, having taken due note of the opinion of the Board of Statutory Auditors.

The Managing Director, as General Manager, and the Joint General Managers, are entitled to a fixed gross salary and a variable bonus, linked to the achievement of targets set in advance by the Board of Directors, in accordance with the guidelines of parent company Intesa Sanpaolo and the Supervisory Regulations regarding remuneration and bonus policies and practices.

Details of the remuneration paid to the Directors are provided in the Notes to the Financial Statements.

6.7 Internal audit system

The internal audit system is an essential core component of the Bank's corporate processes, designed to ensure - through managing the related risks - that the Bank and its subsidiaries are managed properly with a view to achieving their predetermined objectives and, at the same time, to safeguarding their stakeholders' interests.

Fideuram - Intesa Sanpaolo Private Banking combines profitability with the informed undertaking of risks through the effective monitoring and management of the risks connected with the company's processes and the due and effective management of the Bank and its subsidiaries.

The internal audit system operates in accordance with the relevant European and Italian laws and regulations in force and, in particular, the related provisions of the Bank of Italy's supervisory regulations, the Italian Finance Consolidation Act and the provisions implementing it issued by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) and the Bank of Italy, as well as the internal regulations of the Intesa Sanpaolo Group.

The Bank's internal audit system, which has been organised in accordance with the law, Supervisory Regulations and international best practices, is based on a set of rules, duties, resources, processes, procedures and organisational units that aim to ensure alignment with company strategies and the achievement of the following objectives:

- Due implementation of company strategies and policies.
- Risk containment within the limits specified in the Bank's Risk Appetite Framework (RAF).
- Protection of the value of assets and protection against loss.
- Effectiveness and efficiency of corporate processes.
- Reliability and security of corporate information and IT procedures.

- Risk prevention regarding the Bank's involvement, including unintentionally, in unlawful activities (particularly with regard to money laundering, the lending of money at exorbitant interest rates and the financing of terrorism).
- Compliance of operations with the law, supervisory regulations and internal policies, procedures and regulations.

The internal audit system plays a crucial role and involves the entire company organisation (company bodies, departments, and personnel at all levels). It is formalised by a body of "Governance Documents", which govern the running of the Bank (including the By-Laws, Code of Ethical Conduct, Group Regulations, Policies, Guidelines, Organisation Charts and the Organisational Model pursuant to Italian Legislative Decree No. 231/2001), and operational regulations which govern its corporate processes, single activities and related controls.

In line with the provisions of the Supervisory Regulations on internal audits (Bank of Italy Circular No. 285/2013, Title IV, Section 3), Intesa Sanpaolo approved its "Integrated Internal Audit System Regulations", which specify the internal audit system for the entire Banking Group.

The Bank, which is subject to said Supervisory Regulations, has consequently both adopted the aforesaid regulations and approved its own regulations that reflect the specific nature of its operations and comply with the guidelines and decisions of its parent company.

This regulations document constitutes the reference framework for the Bank's internal audit system, setting out the auditing principles and rules for the documents issued in compliance with specific Supervisory Regulations.

It in particular sets out the reference principles and specifies the tasks and

responsibilities of the company bodies and units with audit duties that variously contribute to the proper functioning of the internal audit system. It also sets out the coordination procedures and information flows which promote integration of the system.

More specifically, the company rules outline organisational solutions that:

- Ensure there is sufficient separation between operating and audit units and avoid situations where there could be a conflict of interest in the allocation of responsibilities.
- Are able to appropriately identify, measure and monitor the main risks assumed in the various operating areas.
- Ensure that there are reliable information systems and suitable reporting procedures in place at the various different levels with governance and control responsibilities.
- Enable any issues encountered by the operating units, as well as by the audit units, to be promptly reported to the appropriate levels so that they may be dealt with immediately.
- Ensure appropriate levels of operational continuity.

The Internal Audit Committee plays a core role in the Bank's internal audit system, acting proactively in an advisory and investigative capacity regarding the internal audit system, risk management and the information and accounting system.

From an operational standpoint, the internal audit and risk management system comprises three levels:

1. Line audits performed by the operational and business units.
2. Risk and compliance audits which aim, inter alia, to ensure:
 - The due and effective implementation of the risk management process.

- Compliance with the operating limits assigned to the various units.
- Compliance of company operations with applicable regulations, including those regarding self-regulation.

The units responsible for these audits ("Level II units") contribute to the development of the risk management policies and process. Fideuram's Level II units include the Risk Management Unit, headed by the Chief Risk Officer, the Compliance and Anti-Money Laundering Units headed by the Chief Compliance Officer, and our parent company's Internal Validation Service, which performs the risk management function duties specified in the related regulations in its areas of competence.

3. Internal audits ("Level III units") that aim to identify any breaches of the procedures or of the regulations as well as to periodically assess the completeness, suitability, functionality (in terms of efficiency and ef-

fectiveness) and reliability of the organisational structure of the other components of the internal audit system and information system (ICT Audit), at predetermined intervals to suit the nature and severity of the risks. Fideuram's Level III units include the Audit Department.

The company audit units that perform the required activities enjoy the necessary autonomy and independence from the operating units and have unrestricted access to company data, archives and assets in the performance of their respective duties.

These units are organisationally separate from one another.

In order to ensure their independence, these units:

- Have the authority, resources and competencies required to perform the duties assigned to them.
- Have a budget over which they have independent control.

- Have access to all company data and external data (e.g. regarding outsourced activities).
- Have a sufficient number of human resources with the necessary technical and professional competencies, who receive ongoing training.

Fideuram's Integrated Internal Audit System Regulations also provide for the establishment of an Audit Coordination Committee which acts as an advisory body made up of management professionals at the Bank, with the purpose of strengthening interfunctional cooperation and coordination regarding the Division's internal audit system.

The Committee operates within the guidelines drawn up by the Company Bodies and on the basis of the operational and functional powers assigned to it by the Bank's Board of Directors.

INTERNAL AUDIT COMMITTEE

The Internal Audit Committee has the following duties:

- Assist the Board of Directors in the performance of its duties of establishing guidelines regarding and periodic checks on the suitability and effective operation of the Bank's and its subsidiaries' internal audit systems.
- Provide prior evaluation of the action plans and periodic information prepared by the Bank's internal audit unit managers for the Board of Directors, and receive the periodic reports prepared for the Committee in accordance with the Bank's current internal regulations.
- Evaluate, together with the Manager responsible for the preparation of the company accounts and the Independent Auditors, the suitability and effective operation of the Bank's accounting system and the suitability of the accounting policies used, as well as their compatibility for the purposes of preparing the separate and consolidated financial statements, through prompt examination of the annual and interim accounts, together with the findings presented in the Independent Auditors' reports.
- Maintain close contact with the Board of Statutory Auditors, through the Chairman of the Board of Statutory Auditors' participation in the Committee's meetings, in order to ensure a prompt two-way exchange of information on matters relevant to the internal audit system.
- Report to the Board of Directors upon the approval of the financial statements on the activities carried out and on the suitability of the Bank's and its subsidiaries' internal audit systems.
- Perform the duties required by the Bank of Italy's Supervisory Regulations regarding risk assets and conflicts of interest in respect of related parties and of the dedicated decision-making procedures approved by the Board of Directors.
- Evaluate the acceptance and rejection of customer complaints regarding the bonds of corporate issuers in default, examining the investigations carried out by the competent offices of the Bank in accordance with the criteria and management approaches specified by the Committee itself.
- Provide prior evaluation of proposals for compensation for damages to customers for any offences committed by Personal Financial Advisers that are to be handled by the Board of Directors.
- Perform any additional duties provided for by current company regulations or assigned by the Board of Directors.

Pursuant to Group Regulations implementing the Bank of Italy's Supervisory Regulations regarding risk assets and conflicts of interest in respect of associated parties, the Internal Audit Committee also performs the duties of a Related Parties Committee.

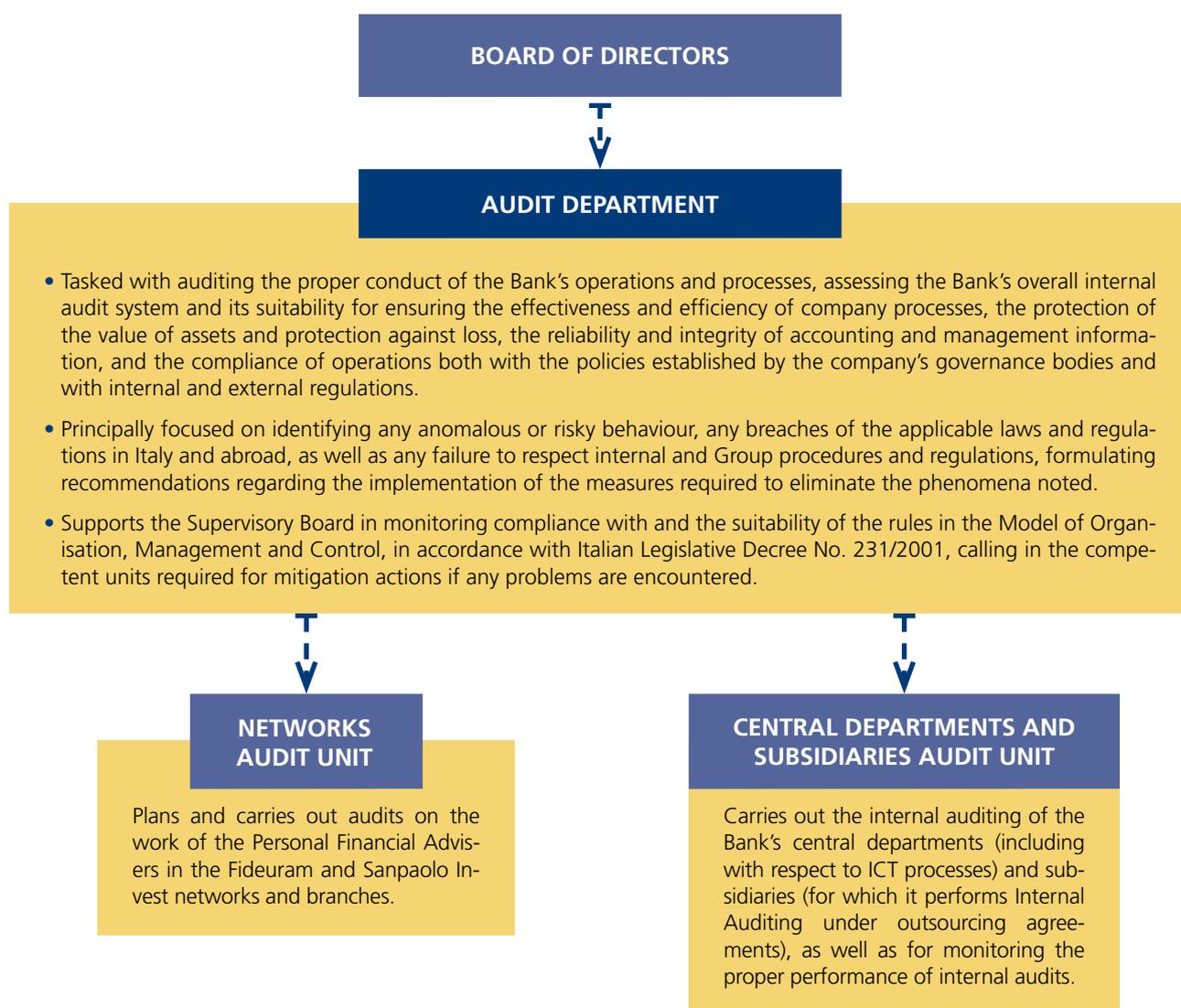
SUPERVISORY BOARD

Fideuram - Intesa Sanpaolo Private Banking adopted the “Model of Organisation, Management and Control in accordance with Italian Legislative Decree No. 231 of 8 June 2001” (most recently updated as approved at the Board of Directors Meeting of 27 October 2016), designed to prevent the possibility of the offences specified in the Decree being committed and consequently the administrative responsibility of the Bank. The duty of supervising the operation, effectiveness and suitability of the Model and compliance with it, of preventing the offences specified in Italian Legislative Decree No. 231/2001, and of updating the Model, is entrusted to a Supervisory Board vested with autonomous powers of initiative and control that is autonomous, independent, professional and operates with continuity of action. The work, operation and duties of the Supervisory Board are, in addition to being specified in the Model, also governed by the related “Regulations governing the Supervisory Board established in accordance with Italian Legislative Decree No. 231/2001” as most recently approved by the Board of Directors on 16 April 2014. The Supervisory Board duties provided for by Italian Legislative

Decree No. 231/2001 are assigned to the Board of Statutory Auditors. This option was chosen by the Bank in accordance with the provisions of the law and the Supervisory Authorities, and with article 14 of Law No. 183/2011 specifically permitting joint stock companies to assign the duties of the Supervisory Board to the Board of Statutory Auditors in order to streamline their corporate controls. The statutory auditors of the Board of Statutory Auditors are, therefore, also members of the Supervisory Board, which can also include acting auditors, who are permitted to stand in for statutory auditors - solely for performing the duties of members of the Supervisory Board - in those cases provided for by the Model, when there are causes for the suspension of statutory auditors or statutory auditors are temporarily prevented from attending or their term of office has come to an end. No acting auditor has ever needed to stand in for a statutory auditor to date. The Supervisory Board sends a dedicated report at least every six months to the Board of Directors on the suitability of and compliance with the related Model of Organisation, Management and Control. The Supervisory Board held 7 meetings in 2016.

AUDIT DEPARTMENT

The Audit Department reports directly to the Board of Directors.



The Head of the Audit Department, appointed by the Board of Directors, enjoys the necessary autonomy and independence from the operating departments and reports directly to the Board of Directors, Board of Statutory Auditors and Internal Audit Committee.

The duties of the Head of the Audit Department are clearly defined and approved by resolution of the Board of Directors, which also specifies their authority and responsibilities, including the requirements regarding their reporting to the Board of Directors and Internal Audit Committee.

The Head of the Audit Department is in particular required to report monthly to the Board of Statutory Auditors and Internal Audit Committee, and six-monthly to the Board of Directors, on the activities they have performed, including the internal auditing carried out in accordance with specific service contracts for Sanpaolo Invest, Fideuram Investimenti, Fideuram Fiduciaria, Sirefid, Fideuram Asset Management (Ireland), Fideuram Bank (Luxembourg), and Financière Fideuram. The Head of the Audit Department also reports quarterly to the Supervisory Board on the results of the actions carried out in respect of the Model of Organisation, Management and Control in accordance with Italian Legislative Decree. No. 231/2001.

The Head of the Audit Department also submits an annual report to the Internal Audit Committee, Board of Directors and Board of Statutory Auditors on the audits carried out on the important operational functions that have been outsourced.

Lastly, the Head of the Audit Department provides prompt notification of any significant issues of financial or

reputational impact to the Chairman of the Board of Directors, the Managing Director and General Manager, the Chairman of the Internal Audit Committee, the Chairman of the Board of Statutory Auditors and the Internal Audit Department of parent company Intesa Sanpaolo, presenting the related information at the earliest practicable meeting of the Internal Audit Committee and, where necessary, of the Board of Directors.

Audit activities follow an annual programme that is presented to the Board of Directors following examination by the Board of Statutory Auditors, the Internal Audit Committee and, for those aspects within its remit, the Supervisory Board established in accordance with Italian Legislative Decree No. 231/2001. Audits of the sales networks and bank branches are conducted both through on-the-spot investigations and through a dedicated remote audit IT tool (Audit Information System) developed and constantly updated and implemented for monitoring specific operating areas.

During 2016, the work of 50% of the Personal Financial Advisers in the Fideuram and Sanpaolo Invest Networks was audited at the various different levels possible, ranging from analysis of the individual alerts issued by the Audit Information System to the analysis of customer complaints and audits of all the Personal Financial Adviser operating areas, with further on-the-spot investigations where necessary.

A total of 701 audits were carried out across all the Personal Financial Adviser operating areas of both distribution networks in 2016 (501 for Fideuram and 200 for Sanpaolo Invest), 144 of which (approximately 21% of the total) involved further on-the-spot inves-

tigations (101 for Fideuram and 43 for Sanpaolo Invest). A total of 5,976 alerts from the Audit Information System were noted and individually validated (4,511 regarding Fideuram and 1,465 regarding Sanpaolo Invest), concerning 2,580 Personal Financial Advisers (1,813 regarding Fideuram and 767 regarding Sanpaolo Invest). The Department examined 94 cases of customer complaints (64 regarding Fideuram and 30 regarding Sanpaolo Invest) to investigate the work of our Personal Financial Advisers.

The Audit Department also provides constant and independent supervision of the proper conduct of the Group's operations and processes to prevent or detect the occurrence of anomalous and risky conduct or situations, monitoring maintenance of the value of activities, including those connected with ethical commitments and social responsibility. Internal Auditing also supports the 231 Supervisory Board in overseeing compliance with the principles and values in the Code of Ethical Conduct.

Intesa Sanpaolo Private Banking's internal auditing is carried out by Intesa Sanpaolo's Central Internal Audit Department and is governed by dedicated service contracts.

In 2016, a total of 19 audits were carried out across all Intesa Sanpaolo Private Banking's operating areas, 13 of which were on the Network (10 Private Banking Branches, 2 High Net Worth Individual Branches and the London Branch), while 6 were process audits.

Nine investigations were carried out on the same number of Branches in the year. Eight alerts from the Audit Information System were investigated, regarding the same number of Branches.

CHIEF COMPLIANCE OFFICER

Reports directly to the Managing Director and General Manager:



Tasked with drawing up compliance, anti-money laundering and embargo guidelines and policies in line with company strategies and objectives, and in line with parent company Intesa Sanpaolo's guidelines, as well as for coordinating their implementation.

COMPLIANCE

The Fideuram Group considers compliance risk management to be of strategic importance, in the conviction that respect for the law and regulations, together with high standards of propriety in all business relations, are essential in banking, which is by its very nature built on trust. Compliance Risk is managed by the Chief Compliance Officer with the support of a dedicated Compliance Unit established in accordance with the Supervisory Regulations issued by the Bank of Italy on 10 July 2007 and the regulatory provisions issued jointly by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) and the Bank of Italy on 29 October 2007. The Compliance Unit is autonomous and independent of the operating units, and also organisationally and operationally separate from both the Audit Department and the Risk Management Department.

The Compliance Model is governed by the "Fideuram Group Regulations implementing Group Compliance Guidelines" ("Implementing Regulations" hereinafter) approved by the Fideuram - Intesa Sanpaolo Private Banking Board of Directors, adopting the Intesa Sanpaolo "Group Compliance Guidelines" ("Guidelines" hereinafter) and adapting them to the Fideuram Group's operating context and applicable regulations. These Regulations specify the reference regulatory frameworks, compliance roles, responsibilities and main processes with a view to mitigating compliance risk through the synergistic action of all bank staff.

The current Compliance Model complies with the Supervisory Regulations of the Bank of Italy regarding internal audit systems, issued in July 2013 and subsequently updated ("Regulations" hereinafter). These Regulations make the Compliance Unit responsible for compliance risk management in every regulatory area applicable to the Group's business, with the option of grading its duties for those regulations that require appropriate forms of specialist supervision.

The current Implementing Regulations have adopted the provisions of the Bank of Italy's Regulations, taking into account every regulatory area applicable to the Group's operations and identifying any Units in the Group with specialist management responsibilities regarding certain specific regulations.

In particular, the Compliance Unit is responsible for establishing our compliance risk management guidelines, policies and methodology rules. The Compliance Unit is also responsible for identifying and assessing compliance risk, including through coordinating other units and departments, proposing organisational interventions for mitigating compliance risk, ensuring the alignment of the company bonus system, assessing the compliance of innovative projects, transactions and new products and services in advance, providing consultancy and support for management bodies and business units on all matters where compliance risk is significant, monitoring ongoing compliance conditions, and fostering a corporate culture focused on honesty, propriety and respect for the letter and spirit of the law and regulations.

The Compliance Unit is directly responsible for performing all the tasks that current regulations require of a compliance unit with respect to the regulatory frameworks con-

sidered to be most important by the Supervisory Authorities or regarding which it is in any case considered necessary to provide centralised compliance risk management (investment services, market abuse, transparency of contractual conditions, customer protection regulations and initiatives, lending of money at exorbitant interest rates, administrative responsibility of legal persons, insurance and pensions broking, remuneration and incentive systems, payment systems, outsourcing, anti-money laundering, embargo management and combating the financing of terrorism).

For all other regulatory areas presenting compliance risks for which Specialist Units with all the necessary competencies have been identified, the duties assigned by the regulations to the Compliance Unit have been assigned to said Units, without this altering the Compliance Unit's responsibility for assessing the suitability of the specialist controls used for managing the compliance risk profiles, specifying - in conjunction with the Specialist Units - the appropriate risk assessment methods and risk mitigation procedures, and auditing the suitability of said procedures for preventing compliance risk.

The regulatory areas covered by the Specialist Units - identified on the basis of a continuously-updated detailed analysis of those areas considered to present appreciable risks for the Group - include the following: tax regulations, reporting and prudential supervision, data security, privacy protection, business continuity, occupational safety, environmental protection, transactions with related parties, associated parties, obligations of bank managers, company bodies, corporate governance and compliance, non-financial equity investments, regulatory authorisation procedures and financial equity investments, Code of Ethical Conduct and social responsibility, employment law (employees and Personal Financial Advisers), acquisitions, real estate, foreclosure and loans.

The Implementing Regulations require the Compliance Unit to submit an annual report to the Board of Directors, identifying and assessing the main compliance risks to which the Group is exposed, detailing the activities carried out, any critical situations identified and corrective actions formulated, and providing an annual programme setting out the related management interventions. The Unit also prepares detailed reports providing information on particularly significant events when they occur.

The Chief Compliance Officer submits periodic reports to the Company Bodies on the suitability of the compliance management provided, as follows:

- Half-yearly: a report on the audits carried out, the resultant findings, any weaknesses identified and the interventions proposed for eliminating them, and a report on the completeness, suitability, functionality and reliability of the internal audit system in the areas of their competence. This report is submitted to the Board of Directors and Board of Statutory Auditors, following its prior submission to the Internal Audit Committee.
- Half-yearly: a report on the work carried out pursuant to Italian Legislative Decree No. 231/2001, outlining the

audits performed, the resultant findings, any weaknesses identified and the interventions proposed for eliminating them, submitted to the Supervisory Board established in accordance with Italian Legislative Decree No. 231/2001.

- Yearly: a Work Plan identifying and evaluating the main risks to which the Bank is exposed, and planning the related management interventions, taking into account any deficiencies noted in the audits and any new risks identified. The Work Plan is submitted to the Board of Statutory Auditors following its prior submission to the Internal Audit Committee and approved by the Board of Directors.

If any particularly critical issues are identified, a report must be sent promptly to the Managing Director and General Manager so that they can determine what, if any, management actions need to be taken, and to the Chairman of the Board of Directors, the Chairman of the Internal Audit Committee and the Chairman of the Board of Statutory Auditors.

The Unit's activities during the year were focused on those regulatory areas considered of greatest importance regarding compliance risk, as follows:

- In the investment services segment, the Unit continued its activities su-

perceiving the organisational and procedural system that supports the Group's service model, including with respect to recently issued regulations, such as, for example, the EU revision of the Markets in Financial Instruments Directive (MiFID) and market abuse regulations, the compliance Guidelines of the European Securities and Market Authority (ESMA), and the Bank of Italy's Supervisory Regulations on remuneration and incentive policies and practices. In addition, the Unit also completed a series of governance and organisational interventions, preparing and updating regulations, processes and procedures, aiming in particular to enhance customer service (through strengthening the service model), the management of conflicts of interest and personal transactions, the process for approving new products and services, and the rules governing complex financial products, the launching of new activities and entry into new markets. The compliance activities also included providing the necessary training initiatives, clearing new products and services and monitoring customer transactions to prevent any market abuse.

- The Unit monitored regulatory developments concerning banking products and services, in particular with regard to transparency, consumer

credit and payment systems, developing and updating regulations, procedures and operating practices for preventing any offences or breaches of the regulations in force regarding said products and services, and providing guidance and support to the Group's business departments to ensure correct management with respect to customer protection legislation.

- The Model of Organisation, Management and Control was supervised in accordance with Italian Legislative Decree No. 231/2001, taking into account the inclusion of the new offences specified therein (self-laundering, child grooming, vote buying, bribery and false or misleading corporate disclosures). In addition, improvements were made to strengthen and update the Model, ensuring its alignment with company regulations.
- Following the creation of the Private Banking Division, in 2016 the management of compliance risk at subsidiary Intesa Sanpaolo Private Banking was brought under the control of the Division's Chief Compliance Officer for certain regulatory areas (market abuse, administrative responsibility of legal persons, personal transactions, and payment systems).

CORRUPTION RISK MONITORING

The Fideuram Group has for many years deployed dedicated tools for managing and preventing the risk of corruption offences. The internal regulations that enable us to mitigate corruption risk are principally the following:

- The Intesa Sanpaolo Group Code of Ethical Conduct.
- The Group Internal Code of Conduct.
- The Model of Organisation, Management and Control compliant with Italian Legislative Decree No. 231/2001.

Considerable attention is devoted to preventing corruption risks across the entire Group, and our Italian companies have updated all their organisational and control models in accordance with Italian Legislative Decree No. 231/2001.

ANTI-MONEY LAUNDERING

In compliance with the regulations issued by the Bank of Italy and in implementation of the Intesa Sanpaolo Guidelines, the Fideuram Group's Chief Compliance Officer is responsible for anti-money laundering, combating the financing of terrorism and embargoes, supported by the Anti-Money Laundering Unit, which is independent of the operating units and organisationally and operationally separate from the Audit Department and Risk Management Department. The Chief Compliance Officer is Head of the Anti-Money Laundering Unit and a Delegated Officer of the Bank and certain of its Italian subsidiaries in accordance with article 42 of Italian Legislative Decree No. 231/2007, and reports functionally to the Head of the Anti-Money Laundering Unit of parent company Intesa Sanpaolo.

The Anti-Money Laundering Unit is responsible for managing compliance risk where money laundering, combating the financing of terrorism and embargo management are concerned, acting as follows:

- Formulating the Fideuram Group's general compliance risk management guidelines.
- Continuously monitoring Italian and international regulatory developments with the support of the relevant units, verifying the suitability of the corporate processes and procedures in place for ensuring compliance with the applicable laws and regulations, and proposing appropriate organisational and procedural modifications.
- Providing consultancy for the Bank's and its subsidiaries' units and departments, and developing appropriate training programmes.
- Providing appropriate periodic information to the company bodies and Top Management.
- Performing the specific compliance actions required for the Bank and its centrally-managed subsidiaries, including in particular Enhanced Due Diligence, controls on the appropriate management of the Unified Information Archive and the analysis of operating unit reports of suspicious transactions to assess whether or not they require reporting to the Financial Information Unit as well founded.

The Group's complex anti-money laundering and embargo activities are governed by their own regulations ("Regulations regarding Anti-Money Laundering and Combating the Financing of Terrorism" and "Embargo Management Regulations"), approved by the Bank's Board of Directors, which have adopted the equivalent Intesa Sanpaolo Group Regulations, adapting them to the Group's operating context and applicable regulations. These Regulations incorporate and coordinate all the regulatory and operative provisions in effect.

The Chief Compliance Officer submits periodic reports to the Company Bodies, as follows:

- Half-yearly: a report on the audits carried out, the resultant findings, any weaknesses identified and the interventions proposed for eliminating them, and a report on the completeness, suitability, functionality and reliability of the internal audit system in the areas of their competence. These reports are submitted to the Board of Directors and Board of Statutory Auditors, following their prior submission to the Internal Audit Committee.
- Half-yearly: a report on the work carried out in relation to Italian Legislative Decree No. 231/2001, outlining the audits performed, the resultant findings, any weaknesses identified and the interventions proposed for eliminating them, submitted to the Supervisory Board established in accordance with Italian Legislative Decree No. 231/2001.
- Yearly: a Work Plan identifying and evaluating the main risks to which the Bank is exposed, and planning the related management interventions, taking into account any deficiencies noted in the audits and any new risks identified. The Work Plan is submitted to the Board of Directors and Board of Statutory Auditors following its prior submission to the Internal Audit Committee.

If any particularly critical issues are identified, a report must be sent promptly to the Managing Director and General Manager so that they can determine what, if any, management actions need to be taken, and to the Chairman of the Board of Directors, the Chairman

of the Internal Audit Committee and the Chairman of the Board of Statutory Auditors.

In addition to fulfilling its regulatory supervision duties and submitting regular reports to the Company Bodies, the Anti-Money Laundering Unit continued its routine activities in the following main areas in 2016:

- Monitoring the management of the Unified Information Archive to ensure that it is maintained correctly, using automatic tools for checking the data is entered correctly and cross-checking the Archive and management systems.
- Assessing suspicious transactions reported by the operating units to decide whether or not they require reporting to the competent authorities.
- Appropriate customer due diligence, particularly in cases where enhanced customer due diligence is necessary due to a high risk of money laundering.

In addition, we implemented the main interventions planned to strengthen our supervision of anti-money laundering and completed the system enhancements for increasing the efficiency of the related analysis and monitoring processes, also specifying a series of interventions to strengthen this supervision, taking increased transaction volumes into account.

Lastly, we completed the reorganisation required to take over the coordination and control of the activities regarding anti-money laundering, combating the financing of terrorism and the management of embargoes of the companies under Governance, assigning them to the Coordination, Audits and Banking Services Compliance Unit, which reports directly to the Bank's Chief Compliance Officer.

We likewise resumed the reorganisation required to centralise the supervision of said regulatory areas for subsidiaries Intesa Sanpaolo Private Banking (currently handled by the Anti-Money Laundering Department of our parent company) and Sirefid (currently handled by the Company itself), under the Bank's Chief Compliance Officer during 2017.

CHIEF RISK OFFICER

Reports directly to the Managing Director and General Manager



In line with the strategies, corporate objectives and guidelines of parent company Intesa Sanpaolo, the Chief Risk Officer is tasked with continuously monitoring the suitability of the risk management process and the effectiveness of the measures taken to rectify any deficiencies identified.

RISK MANAGEMENT

The Risk Management Unit acts independently of the operating units, particularly those tasked with the “operational management” of risks, and is separate from the Audit Department and the units reporting to the Chief Compliance Officer. The Chief Risk Officer reports directly to the Managing Director and General Manager, reporting functionally to the Chief Risk Officer of parent company Intesa Sanpaolo.

The Chief Risk Officer sits on the Risk Committees at Division level and at the main subsidiaries, providing risk management through service contracts and providing functional coordination for those Division companies with their own internal risk management units.

The Chief Risk Officer’s responsibilities cover two areas. The first regards the Bank’s proprietary risks - financial, credit, operational and reputational risk in particular - which impact on the capital and other regulatory requirements. While the second regards the risks assumed by customers in respect of their investment portfolios and other services provided by the Bank, either directly or through the Personal Financial Adviser Network.

The Chief Risk Officer is responsible for auditing risk management, specifying the appropriate methods, criteria and tools for measuring and controlling financial, credit and operational risk in line with the regulatory provisions

of the Supervisory Authorities, the guidelines of parent company Intesa Sanpaolo and the instructions of the Bank’s Board of Directors.

The Chief Risk Officer works with our parent company to develop and implement the Risk Appetite Framework (RAF) and related risk management policies. The Chief Risk Officer is also required to ensure effective current and prospective measurement, management and control of the Bank’s and its subsidiaries’ exposure to the different types of risk, submitting proposals to Top Management regarding the operating limits structure formulated in line with the Group RAF, and to constantly monitor the actual risk assumed and its alignment with the risk objectives, as well as compliance with the operating limits.

The Chief Risk Officer also ensures that the metrics used by the risk measurement and control systems are aligned with the company activity assessment processes and methods specified by Intesa Sanpaolo, fully implementing the parent company’s Guidelines and Policies, adapted where necessary to the Bank’s specific reference context through the issue of company-level Policies and Regulations.

Where credit and counterparty risk are concerned, the Chief Risk Officer is required to provide effective monitoring of the total portfolio exposure and to monitor lending to retail customers and to bank, insurance com-

pany and financial institution counterparties through dedicated Level II audits.

Where financial risk is concerned, the Chief Risk Officer periodically measures the Bank’s and its subsidiaries’ exposure to the volatility of market variables (interest rates, exchange rates and prices) and monitors the sustainability of the short and medium-term liquidity position. Where operational risk is concerned, the Bank and its subsidiaries operate in accordance with the “Fideuram Operational Risk Management Regulations” which implement the “Group Operational Risk Management Guidelines” by adapting the guiding principles, organisational architecture and principal macro-processes provided for Operational Risk Management at Intesa Sanpaolo Group level to its own operating context. Within this context, the Chief Risk Officer is in charge of designing, developing and maintaining the Bank’s and its subsidiaries’ internal operational risk management and measurement system (model, regulations and processes), ensuring it complies with the regulations in force and international best practice, and implementing the “Group Operational Risk Management Guidelines”.

The Chief Risk Officer also ensures that the risks assumed by customers through the purchase of financial products and services from the Division’s Sales Networks are assessed and monitored, including following fluctuations

in the financial markets. The unit also ensures that the metrics and models used comply with the requirements of the law, with Intesa Sanpaolo's guidelines and with the instructions issued and limits specified by the Division's internal investment and management committees.

The Chief Risk Officer submits periodic reports to the Company Bodies, as follows:

- Quarterly: a management report on respect for the limits assigned by the RAF and Internal Policies regarding all the areas of their competence. This report is submitted to the Board of Directors and Board of Statutory Auditors, following its prior submission to the Internal Audit Committee.
- Half-yearly: a report on the audits carried out, the resultant findings,

any weaknesses identified and the interventions proposed for eliminating them, and a report on the completeness, suitability, functionality and reliability of the internal audit system in the areas of their competence. These reports are submitted to the Board of Directors and Board of Statutory Auditors, following their prior submission to the Internal Audit Committee.

- Yearly: a report on the investment services offered to customers that complies with the regulatory provisions issued jointly by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) and the Bank of Italy, monitoring the suitability of the products offered to customers with respect to their risk profiles. This report is likewise submitted to the Board of Directors and

Board of Statutory Auditors, following its prior submission to the Internal Audit Committee.

- Yearly: a Work Plan identifying and evaluating the main risks to which the Bank is exposed, and planning the related management interventions, taking into account any deficiencies noted in the audits and any new risks identified. The Work Plan is submitted to the Board of Statutory Auditors following its prior submission to the Internal Audit Committee and approved by the Board of Directors.

FINANCIAL MANAGEMENT GOVERNANCE

Italian Law 262/2005 brought in a number of important new requirements regarding the role and duties of regulatory and supervisory authorities, the composition of Boards of Directors, the provisions regarding conflicts of interest and the protection of non-controlling shareholders. In addition, specific regulations were introduced governing the figure of the Manager responsible for the preparation of the company accounts, who reports directly to the Internal Audit Committee and Board of Directors.

The Manager responsible for the preparation of the company accounts is in particular required to provide suitable administrative and accounting procedures for preparing the financial statements and all other financial communications and to certify that the accounts comply with the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission. Fideuram - Intesa Sanpaolo Private Banking S.p.A. has formulated specific guidelines and coordination rules for its Model of Financial Management Governance, which was developed taking into account international frameworks such as the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (CoSo) and the Control Objectives for IT and related technology (CoBIT).

The Manager responsible for the preparation of the company accounts submits periodic reports to the Company Bodies, as follows:

- Half-yearly: a report detailing the analyses performed on procedures sensitive to the accounting and financial reporting of Fideuram and the subsidiaries included in the scope

of analysis due to their significance, as well as the progress of the Corrective Action Plans put in place to address any issues identified in prior years. This report is submitted to the Board of Directors and Board of Statutory Auditors, following its prior submission to the Internal Audit Committee.

- Yearly: the Audit Plan and list of subsidiaries to be audited, identified on the basis of assessments that are both quantitative (individual contribution to Fideuram's Consolidated Financial Statements) and qualitative (specific operating characteristics or risk profiles able to increase the complexity of determining the accounting data). The Work Plan is submitted to the Board of Statutory Auditors following its prior submission to the Internal Audit Committee and approved by the Board of Directors.

The audits carried out in 2016 were conducted on those processes assessed as posing the greatest potential risk and regarded certain areas of the administrative accounts management of financial and insurance products and mutual funds, and of the management of Personal Financial Adviser commission, Tax, risk control, planning and monitoring, outsourcer monitoring and the monitoring of certain processes supporting the business (Administration, Regulatory and Fiscal Requirements), as well as of the processes for managing the Group's technological infrastructure and the applications for its administrative processes.

Upon completion of said activities, the system of internal controls on the financial reporting of Fideuram and its subsidiaries was considered to be suitable.

6.8 Insider information

Pursuant to Italian market abuse law and regulations, the Board of Directors has implemented the Intesa Sanpaolo “Regulations governing the communication of insider information to the market”.

6.9 Shareholders’ meetings

The practice adopted to date by the Board of Directors has always been as follows:

- To ensure Shareholders are provided with information on the Bank at Shareholders’ Meetings.
- To encourage the participation of all the Directors in Shareholders’ Meetings.

Shareholders’ Meetings are called in accordance with the By-Laws, giving written notice delivered at least eight days in advance by registered mail with return receipt to all shareholders in the list of shareholders, sent to their respective places of domicile or, if a shareholder has specifically requested it for this purpose, to their fax number or e-mail address. In the 2016 financial year, Fideuram held the following Shareholders’ Meetings:

- An ordinary general meeting on 14 March to approve the financial statements.
- An extraordinary general meeting on 7 April to approve amendments to the following articles of the By-Laws: 2 (transfer of registered office), 21 (replacement of the General Manager) and 23 (members of General Management).

- An ordinary general meeting on 14 April to decide on the number of Board Directors and to appoint a Director.
- An ordinary general meeting on 3 May to authorise the purchase and sale of ordinary shares in parent company Intesa Sanpaolo S.p.A.
- An ordinary general meeting on 29 September to approve the Remuneration Policies.



6.10 Board of Statutory Auditors

The term of the Bank's current Board of Statutory Auditors, appointed by the Shareholders' Meeting of 3 April 2014, ends with the Shareholders' Meeting called to approve the 2016 financial statements. The Board of Statutory Auditors also performs the duties of a Supervisory Board pursuant to Italian Legislative Decree No. 231/2001.

In consideration of these further duties, the Board of Statutory Auditors receives all the information sent to the Board of Directors and Internal Audit Committee as well as that specifically sent to the Board of Statutory Auditors itself. The Board of Statutory Auditors receives suitable flows of periodic information from the other Company Bodies and Departments, including risk management and control audits, in order to perform its duties.

The Board of Statutory Auditors, which has autonomous powers of initiative and supervision, takes part in every meeting of the Board of Directors and is therefore continuously informed about the Bank's operations. In accordance with the combined provisions of article 2381 of the Italian Civil Code and article 19 of the By-Laws, and to ensure that the Board of Statutory Auditors possesses every information tool necessary to perform its duties effectively, the Directors report to the Board of Statutory Auditors at least quarterly on the work they have carried out and on the most significant economic, financial and asset-related activities of the Bank and its subsidiaries, as well as, in particular, on the transactions in which they have a direct or indirect interest, or which have been influenced by the party

that plays a management and coordinating role. In accordance with Italian Legislative Decree No. 39/2010 (the Italian Auditing Consolidation Act - Testo Unico della Revisione), the Board of Statutory Auditors performs the supervisory duties provided for by the auditing regulations regarding, inter alia, the financial reporting process, the effectiveness of the control, internal auditing and risk management systems, and the annual audit. The Board of Statutory Auditors is in addition required to evaluate the Independent Auditors' proposals, submitted with the aim of gaining appointment, as well as the work plan prepared for the audit and the findings set out in the report and letter of comments.



6.11 General Management of Private Banking Division

Andrea Chioatto has been Joint General Manager, Head of Operational and Financial Governance, of Fideuram - Intesa Sanpaolo Private Banking S.p.A. since July 2015.

Between 2013 and 2014, he was Head of Product Company Management at the Banca dei Territori area banks division, where he managed the establishment of the Corporate Finance Division (Mediocredito, Leasing and Factoring), launching the merger process that brought Consumer Lending into Intesa Sanpaolo and that spun off Medium- and Long-Term Doubtful Loans to Capital Light Bank.

Prior to that he was the Cost Control, Service Level Agreement and Investments Manager of the Intesa Sanpaolo Group, reporting directly to the Chief Financial Officer and involved, inter alia, in the establishment of Intesa Sanpaolo Group Services (ISGS).

Before joining the Intesa Group, he occupied a number of positions of responsibility at multinationals Unilever and ICI, where he built on his previous auditing experience.

Born in Milan, he graduated with a first-class degree in Business Economics from Luigi Bocconi University.



**FIDEURAM -
INTESA SANPAOLO
PRIVATE BANKING**

Andrea Chioatto

**Joint General Manager
Operational and Financial Governance**

Massimo Piancastelli has been Joint General Manager, Head of Business Coordination, of Fideuram - Intesa Sanpaolo Private Banking S.p.A. since July 2015.

He held the same post at Banca Fideuram S.p.A. from 2014 to June 2015 and was also Head of Network Management and Head of Product, Tool and Private Banking Coordination at Banca Fideuram.

He has been General Manager of Sanpaolo Invest SIM S.p.A. since July 2014, and was Managing Director and General Manager of Fideuram Vita S.p.A. from 2011 to 2014.

He has held numerous posts in the course of his career, including a long period as Senior Manager at management consultants McKinsey & Co., working mainly in the financial institution sector, and at IBM ITALIA, where he oversaw the completion of major e-business projects, both as Manager and as Principal.

Born in Milan, he gained a first-class degree in Electronic Engineering from Sapienza University in Rome, and a Professional Diploma in Management from the Open University of London.



**FIDEURAM -
INTESA SANPAOLO
PRIVATE BANKING**

Massimo Piancastelli

**Joint General Manager
Business Coordination**

Degree in Economics and Business from Ca' Foscari University of Venice. Saverio Perissinotto started his career as a financial analyst in the Research Department of Banque Indosuez in Paris in 1986, where he stayed for three years before moving to become a manager at Banque Indosuez Jakarta until 1991. Back at Banque Indosuez in Paris from 1991 to 1995, he began working in Wealth Management for the International Customers and Wealth Engineering sections.

In 1995, he attended the International Executive Programme (IEP) at INSEAD (Fontainebleau, France), subsequently becoming Managing Director of Fiduciaria Indosuez SIM S.p.A. and Managing Director and General Manager of Crédit Agricole Indosuez Private Banking S.p.A. until 2005. During this period, he was also Managing Director of Finanziaria Indosuez International Ltd in Lugano.

From 2005 to 2015 Saverio Perissinotto was Substitute Joint General Manager of Intesa Sanpaolo Private Banking and Managing Director of Sirefid from 2005 to 2010.

Appointed Chairman of the Board of Directors of Intesa Sanpaolo Private Bank (Suisse) for the two-year period 2011-2012. He has been the General Manager of Intesa Sanpaolo Private Banking S.p.A. since 2015.

Born in Rome and a graduate in Business Economics with a first-class degree from the University of Pavia, Gianluca La Calce went on to gain a Master's in Business Accounting, Financial Reporting and Financial Control in 1992, organised by the Consorzio Pavese per gli Studi Post Universitari.

Following a period of further research at the University of Pavia, he began his professional career at Sige Consulenza, which subsequently became Fideuram Capital, rising through various positions of responsibility in the company until being appointed Stock Markets Manager.

In 1998, he became Investments Director with responsibility for the bond, stock and foreign exchange sectors. In 2005, he was appointed Deputy General Manager of the company, which had in the meantime become a member of the Intesa Sanpaolo Group and taken the name Fideuram Investimenti SGR - Italy's third-largest asset management company by client assets - and Director and General Manager of Fideuram Asset Management (Ireland).

In 2014, he was appointed Managing Director and General Manager of Fideuram Investimenti SGR and Managing Director of Fideuram Asset Management (Ireland), a position he has held since May 2016. He has headed the Fideuram - Intesa Sanpaolo Private Banking Investment Centre since July 2015.



**INTESA SANPAOLO
PRIVATE BANKING**

Saverio Perissinotto

General Manager



**FIDEURAM
INVESTIMENTI SGR
FIDEURAM ASSET
MANAGEMENT
(IRELAND)**

Gianluca La Calce

**Managing Director
and General Manager**



From left to right:

Andrea Chioatto

Joint General Manager, Head of Operational and Financial Governance,
Fideuram - Intesa Sanpaolo Private Banking

Massimo Piancastelli

Joint General Manager, Head of Business Coordination, Fideuram - Intesa Sanpaolo Private
Banking, General Manager of Sanpaolo Invest SIM

Paolo Molesini

Managing Director and General Manager of Fideuram - Intesa Sanpaolo Private Banking

Gianluca La Calce

Managing Director and General Manager of Fideuram Investimenti SGR

Saverio Perissinotto

General Manager of Intesa Sanpaolo Private Banking

The Board of Directors

Turin, 20 February 2017

Consolidated balance sheet
Consolidated income statement
Consolidated statement of comprehensive income
Statement of changes in consolidated equity
Statement of consolidated cash flows
Notes to the consolidated financial statements

A classical painting of a Venetian canal scene, likely by Giovanni Antonio Canal (Canaletto). The scene depicts a wide canal with several gondolas and other small boats. In the background, a grand building with a large dome and a bell tower is visible, along with other buildings of the Venetian architecture. The sky is filled with soft, white clouds. A semi-transparent green overlay covers the lower-left portion of the image, containing the text '7. Consolidated financial statements'.

7. Consolidated
financial statements

Consolidated balance sheet

(€m)

	31.12.2016	31.12.2015
ASSETS		
10. Cash and cash equivalents	71	60
20. Financial assets held for trading	41	45
30. Financial assets measured at fair value through profit or loss	195	168
40. Financial assets available for sale	4,297	4,459
50. Held-to-maturity investments	125	297
60. Loans and advances to banks	18,705	13,223
70. Loans and advances to customers	9,602	8,973
80. Hedging derivatives	3	2
90. Adjustments to financial assets subject to macro-hedging	-	-
100. Equity investments	141	129
110. Reinsurers' share of technical reserves	-	-
120. Property and equipment	40	39
130. Intangible assets	181	175
of which: goodwill	140	140
140. Tax assets	180	174
a) Current	28	20
b) Deferred	152	154
of which: convertible to tax credits (Italian law No. 214/2011)	21	27
150. Non-current assets held for sale and discontinued operations	-	-
160. Other assets	1,091	1,095
TOTAL ASSETS	34,672	28,839

Chairman of the Board
of Directors
Matteo Colafrancesco

Managing Director
Paolo Molesini

Manager Responsible for the
Preparation of the Company Accounts
Paolo Bacciga

Consolidated balance sheet

(€m)

	31.12.2016	31.12.2015
LIABILITIES AND SHAREHOLDERS' EQUITY		
10. Due to banks	2,665	3,110
20. Due to customers	27,561	21,419
30. Debt on issue	-	-
40. Financial liabilities held for trading	27	28
50. Financial liabilities measured at fair value through profit or loss	-	-
60. Hedging derivatives	1,103	977
70. Adjustments to financial liabilities subject to macro-hedging	-	-
80. Tax liabilities	64	80
a) Current	11	24
b) Deferred	53	56
90. Liabilities associated with non-current assets held for sale and discontinued operations	-	-
100. Other liabilities	759	865
110. Provision for employment termination indemnities	54	52
120. Provisions for risks and charges	458	431
a) Pensions and other commitments	8	6
b) Other provisions	450	425
130. Technical reserves	-	-
140. Valuation reserves	(84)	(50)
150. Redeemable shares	-	-
160. Equity instruments	-	-
170. Reserves	1,373	1,328
175. Interim dividends (-)	(600)	(501)
180. Share premium reserve	206	206
190. Share capital	300	300
200. Treasury shares (-)	-	-
210. Equity attributable to non-controlling interests	-	-
220. Net profit (loss) for the year	786	594
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	34,672	28,839

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Consolidated Income Statement

(€m)

	2016	2015
10. Interest income and similar income	326	311
20. Interest expense and similar expense	(150)	(143)
30. Net interest income	176	168
40. Fee and commission income	2,190	1,881
50. Fee and commission expense	(663)	(746)
60. Net fee and commission income	1,527	1,135
70. Dividends and similar income	-	-
80. Net profit (loss) on trading activities	10	7
90. Net profit (loss) on hedging derivatives	2	3
100. Net profit (loss) on sale or repurchase of:	22	(3)
a) Loans	8	(1)
b) Financial assets available for sale	14	(2)
c) Held-to-maturity investments	-	-
d) Financial liabilities	-	-
110. Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss	5	7
120. Total net interest and trading income	1,742	1,317
130. Net impairment of:	(3)	1
a) Loans	(2)	1
b) Financial assets available for sale	(1)	-
c) Held-to-maturity investments	-	-
d) Other financial transactions	-	-
140. Operating income	1,739	1,318
150. Net insurance premiums	-	-
160. Other income/expense from insurance activities	-	-
170. Operating income from financing and insurance activities	1,739	1,318
180. Administrative expenses:	(795)	(599)
a) Personnel expenses	(317)	(209)
b) Other administrative expenses	(478)	(390)
190. Net provisions for risks and charges	(44)	(39)
200. Depreciation of property and equipment	(3)	(3)
210. Amortisation of intangible assets	(17)	(14)
220. Other income/expense	214	162
230. Operating expenses	(645)	(493)
240. Profit (loss) on equity investments	10	9
250. Net fair value gains (losses) on property and equipment and intangible assets	-	-
260. Goodwill impairment	-	-
270. Gain (loss) on disposal of investments	-	-
280. Profit (loss) before tax from continuing operations	1,104	834
290. Income taxes for the year on continuing operations	(318)	(240)
300. Profit (loss) after tax from continuing operations	786	594
310. Profit (loss) after tax from discontinued operations	-	-
320. Net profit (loss) for the year	786	594
330. Net profit (loss) for the year attributable to non-controlling interests	-	-
340. Parent company interest in net profit (loss) for the year	786	594

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Consolidated statement of comprehensive income

(€m)

	2016	2015
10. Net profit (loss) for the year	786	594
Other comprehensive income after tax not transferred to the income statement	(3)	3
20. Property and equipment	-	-
30. Intangible assets	-	-
40. Defined-benefit plans	(3)	3
50. Non-current assets held for sale	-	-
60. Valuation reserves related to investments carried at equity	-	-
Other comprehensive income after tax that may be transferred to the income statement	(31)	55
70. Hedges of net investments in foreign operations	-	-
80. Exchange rate differences	-	(2)
90. Cash flow hedges	-	-
100. Financial assets available for sale	(28)	56
110. Non-current assets held for sale	-	-
120. Valuation reserves related to investments carried at equity	(3)	1
130. Total other comprehensive income after tax	(34)	58
140. Total comprehensive income	752	652
150. Total comprehensive income attributable to non-controlling interests	-	-
160. Total comprehensive income attributable to parent company	752	652

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Statement of changes in consolidated equity

(€m)

	BALANCE AT 31.12.2015	CHANGE TO OPENING BALANCE	ALLOCATION OF INCOME FOR THE PREVIOUS YEAR		CHANGES IN THE YEAR										SHAREHOLDERS' EQUITY AT 31.12.2016	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		
					BALANCE AT 1.1.2016	RESERVES	DIVIDENDS AND OTHER	CHANGES IN RESERVES	TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY									TOTAL COMPREHENSIVE INCOME AT 31.12.2016	
									ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	INTERIM DIVIDENDS	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	DERIVATIVES BASED ON TREASURY SHARES					STOCK OPTIONS
Share capital:	300	-	300	-	-	-	-	-	-	-	-	-	-	-	-	300	300	-	
a) Ordinary shares	300	-	300	-	-	-	-	-	-	-	-	-	-	-	-	300	300	-	
b) Other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Share premium reserve	206	-	206	-	-	-	-	-	-	-	-	-	-	-	-	206	206	-	
Reserves:	1,328	-	1,328	33	-	12	-	-	-	-	-	-	-	-	-	1,373	1,373	-	
a) From net income	1,254	-	1,254	33	-	12	-	-	-	-	-	-	-	-	-	1,299	1,299	-	
b) Other	74	-	74	-	-	-	-	-	-	-	-	-	-	-	-	74	74	-	
Valuation reserves	(50)	-	(50)	-	-	-	-	-	-	-	-	-	-	-	(34)	(84)	(84)	-	
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interim dividends	(501)	-	(501)	-	501	-	-	-	(600)	-	-	-	-	-	-	(600)	(600)	-	
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net profit (loss) for the year	594	-	594	(33)	(561)	-	-	-	-	-	-	-	-	-	786	786	786	-	
Shareholders' equity	1,877	-	1,877	-	(60)	12	-	-	(600)	-	-	-	-	-	752	1,981	1,981	-	
Equity attributable to owners of the parent company	1,877	-	1,877	-	(60)	12	-	-	(600)	-	-	-	-	-	752	1,981		-	
Equity attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

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Statement of changes in consolidated equity

(€m)

	BALANCE AT 31.12.2014	CHANGE TO OPENING BALANCE	BALANCE AT 1.1.2015	ALLOCATION OF INCOME FOR THE PREVIOUS YEAR		CHANGES IN THE YEAR										SHAREHOLDERS' EQUITY AT 31.12.2015	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	
				RESERVES	DIVIDENDS AND OTHER	CHANGES IN RESERVES	TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY							TOTAL COMPREHENSIVE INCOME AT 31.12.2015					
							ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	INTERIM DIVIDENDS	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	DERIVATIVES BASED ON TREASURY SHARES	STOCK OPTIONS		CHANGES IN EQUITY INVESTMENTS				
Share capital:	186	-	186	-	-	-	39	-	-	-	-	-	-	-	75	-	300	300	-
a) Ordinary shares	186	-	186	-	-	-	39	-	-	-	-	-	-	-	75	-	300	300	-
b) Other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	9	-	9	-	-	-	-	-	-	-	-	-	-	-	197	-	206	206	-
Reserves:	743	-	743	360	-	8	(39)	-	-	-	-	-	-	-	256	-	1,328	1,328	-
a) From net income	630	-	630	360	-	8	-	-	-	-	-	-	-	-	256	-	1,254	1,254	-
b) Other	113	-	113	-	-	(39)	-	-	-	-	-	-	-	-	-	-	74	74	-
Valuation reserves	(130)	-	(130)	-	-	-	-	-	-	-	-	-	-	-	22	58	(50)	(50)	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim dividends	-	-	-	-	-	-	-	-	(501)	-	-	-	-	-	-	-	(501)	(501)	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit (loss) for the year	402	-	402	(360)	(42)	-	-	-	-	-	-	-	-	-	-	594	594	594	-
Shareholders' equity	1,210	-	1,210	-	(42)	8	-	-	(501)	-	-	-	-	-	550	652	1,877	1,877	-
Equity attributable to owners of the parent company	1,210	-	1,210	-	(42)	8	-	-	(501)	-	-	-	-	-	550	652	1,877		
Equity attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

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Paolo Bacciga

Statement of consolidated cash flows

(indirect method)

(€m)

	2016	2015
A. OPERATING ACTIVITIES		
1. Operations	1,143	864
Net profit (loss)	786	594
Net profit (loss) on financial assets held for trading and on assets/liabilities measured at fair value through profit or loss	(15)	(12)
Net profit (loss) on hedging activities	(2)	(3)
Net impairment	3	(1)
Net depreciation and amortisation	20	16
Net provisions for risks and charges and other expense/income	45	39
Uncollected net insurance premiums	-	-
Uncollected other insurance income/expense	-	-
Unpaid taxes and tax credits	318	240
Net adjustments to net value after tax of discontinued operations	-	-
Other adjustments	(12)	(9)
2. Cash from/used in financing activities	(5,882)	(3,924)
Financial assets held for trading	5	22
Financial assets measured at fair value through profit or loss	(22)	(4)
Financial assets available for sale	238	(1,212)
Loans and advances to banks: demand deposits	(460)	4,656
Loans and advances to banks: other	(5,022)	(6,392)
Loans and advances to customers	(624)	(867)
Other assets	3	(127)
3. Cash from/used in financial liabilities	5,270	3,631
Due to banks: demand deposits	18	1,378
Due to banks: other	(464)	(250)
Due to customers	6,142	2,778
Debt on issue	-	-
Financial liabilities held for trading	2	(17)
Financial liabilities measured at fair value through profit or loss	-	-
Hedging derivatives	4	13
Other liabilities	(432)	(271)
Net cash from/used in operating activities	531	571
B. INVESTING ACTIVITIES		
Cash from	171	36
Disposal of equity investments	-	-
Dividend income from equity investments	-	-
Sale/redemptions of held-to-maturity investments	171	36
Sale of property and equipment	-	-
Sale of intangible assets	-	-
Sale of subsidiaries and company divisions	-	-
Cash used in	(31)	(43)
Acquisition of equity investments	(5)	-
Purchase of held-to-maturity investments	-	-
Acquisition of property and equipment	(3)	(4)
Purchase of intangible assets	(23)	(22)
Acquisition of subsidiaries and company divisions	-	(17)
Net cash from/used in operating activities	140	(7)
C. FUNDING ACTIVITIES		
Issue/purchase of treasury shares	-	-
Issue/purchase of equity instruments	-	-
Distribution of dividends and other	(660)	(543)
Net cash from/used in funding activities	(660)	(543)
NET CASH GENERATED/USED IN THE YEAR	11	21
Reconciliation		
Cash and cash equivalents at beginning of year	60	39
Net cash generated/used in the year	11	21
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at end of year	71	60

Chairman of the Board
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Manager Responsible for the
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Paolo Bacciga

Notes to the consolidated financial statements

■ Part A - Accounting policies

A.1 - General

- Section 1 - Declaration of compliance with the International Financial Reporting Standards
- Section 2 - Basis of preparation
- Section 3 - Scope and methods of consolidation
- Section 4 - Events after the reporting period
- Section 5 - Other aspects

A.2 – Main financial statement items

- Section 1 - Financial assets held for trading
- Section 2 - Financial assets available for sale
- Section 3 - Held-to-maturity investments
- Section 4 - Loans
- Section 5 - Financial assets measured at fair value through profit or loss
- Section 6 - Hedging transactions
- Section 7 - Equity investments
- Section 8 - Property and equipment
- Section 9 - Intangible assets
- Section 11 - Current and deferred tax assets and liabilities
- Section 12 - Provisions for risks and charges
- Section 13 - Debts and debt on issue
- Section 14 - Financial liabilities held for trading
- Section 16 - Foreign exchange transactions
- Section 18 - Other information

A.3 - Transfers of financial assets disclosures

A.4 - Fair value disclosures

■ Part B - Notes to the consolidated balance sheet

ASSETS

- Section 1 - Cash and cash equivalents - Item 10
- Section 2 - Financial assets held for trading - Item 20
- Section 3 - Financial assets measured at fair value through profit or loss - Item 30
- Section 4 - Financial assets available for sale - Item 40
- Section 5 - Held-to-maturity investments - Item 50
- Section 6 - Loans and advances to banks - Item 60
- Section 7 - Loans and advances to customers - Item 70
- Section 8 - Hedging derivatives - Item 80
- Section 10 - Equity investments - Item 100
- Section 12 - Property and equipment - Item 120
- Section 13 - Intangible assets - Item 130
- Section 14 - Tax assets and tax liabilities - Assets Item 140 and Liabilities Item 80
- Section 16 - Other assets - Item 160

LIABILITIES

- Section 1 - Due to banks - Item 10
- Section 2 - Due to customers - Item 20
- Section 4 - Financial liabilities held for trading - Item 40
- Section 6 - Hedging derivatives - Item 60
- Section 10 - Other liabilities - Item 100

Section 11 - Employment termination indemnities - Item 110

Section 12 - Provisions for risks and charges - Item 120

Section 15 - Equity attributable to owners of the parent company – Items 140, 160, 170, 180, 190, 200 and 220

OTHER INFORMATION

■ Part C - Notes to the consolidated income statement

- Section 1 - Interest - Items 10 and 20
- Section 2 - Fee and commission income and expense - Items 40 and 50
- Section 4 - Net profit (loss) on trading activities - Item 80
- Section 5 - Net profit (loss) on hedging derivatives - Item 90
- Section 6 - Net profit (loss) on sales/repurchases - Item 100
- Section 7 - Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss - Item 110
- Section 8 - Net impairment of financial assets - Item 130
- Section 11 - Administrative expenses - Item 180
- Section 12 - Net provisions for risks and charges - Item 190
- Section 13 - Depreciation of property and equipment - Item 200
- Section 14 - Amortisation of intangible assets - Item 210
- Section 15 - Other income (expense) - Item 220
- Section 16 – Profit (loss) on equity investments - Item 240
- Section 20 - Income taxes - Item 290
- Section 24 - Earnings per share

■ Part D - Total comprehensive income

Components of total comprehensive income

■ Part E - Information on risk and related hedging policies

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

■ Part F - Information on consolidated shareholders' equity

Section 1 - Consolidated shareholders' equity

■ Part G - Business combination transactions of companies or company divisions

Section 1 - Transactions completed in the year

■ Part H - Transactions with related parties

1. Information on remuneration of senior managers with strategic responsibilities
2. Information on transactions with related parties

■ Part I - Share-based payment arrangements

- 1.1 Bonus scheme based on financial instruments
- 1.2 Leveraged Co-Investment Plan (LECOIP)

PART A - ACCOUNTING POLICIES

A.1 - GENERAL

SECTION 1 - DECLARATION OF COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

Pursuant to Italian Legislative Decree No. 38 of 28 February 2005, the Fideuram - Intesa Sanpaolo Private Banking Group's Consolidated Financial Statements have been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the European Commission up to 31 December 2016, following the procedure provided for by EC Regulation No. 1606/2002. With a view to adopting effective guidelines for the application of these accounting standards, this Report was prepared in accordance with the interpretations provided by the International Financial Reporting Interpretations Committee (IFRIC). There were no derogations from the application of the International Accounting Standards or International Financial Reporting Standards.

The Consolidated Financial Statements at 31 December 2016 have been prepared in accordance with Bank of Italy Circular No. 262 of 22 December 2005 and its subsequent amendments and interpretation guidelines. Special attention was focused on the fourth amendment of 15 December 2015, which required the regulation to be reprinted in full.

The amendments to existing accounting standards and the related European Commission Regulations endorsing them that became effective in 2016 are listed below. These amendments have no significant effect for the Fideuram Group:

- Regulation 28/2015: Amendments to IAS 38 and to IFRS 2, 3, 8, 16 and 24.
- Regulation 29/2015: Amendments to IAS 19.
- Regulation 2113/2015: Amendments to IAS 16 and 41.
- Regulation 2173/2015: Amendments to IFRS 11.
- Regulation 2231/2015: Amendments to IAS 16 and 38.
- Regulation 2343/2015: Amendments to IAS 19 and 34 and to IFRS 1, 5 and 7.
- Regulation 2406/2015: Amendments to IAS 1.
- Regulation 2441/2015: Amendments to IAS 27.
- Regulation 1703/2016: Amendments to IAS 28 and to IFRS 10 and 12.

The new International Accounting Standards and International Financial Reporting Standards or amendments to existing standards and the related European Commission Regulations

endorsing them, making their application compulsory after 31 December 2016, are likewise listed below:

- Regulation 1905/2016: IFRS 15 - Revenue from Contracts with Customers.
- Regulation 2067/2016: IFRS 9 Financial Instruments.

IFRS 15 will become effective from January 2018 and will supersede IAS 18 - Revenue and IAS 11 - Construction Contracts. The main new requirements of the new and amended standards are as follows:

- The introduction of a common accounting standard for the recognition of revenue from the sale of goods and services.
- The introduction of a mechanism for allocating a transaction price to each contractual performance obligation (transfer of good or service).

The main impact of IFRS 15 consists in increased disclosure requirements. The disclosure objective stated in IFRS 15 is for an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The new accounting standard IFRS 9, issued by the IASB in July 2014 and endorsed by the European Commission in 2016 replaces IAS 39, the current standard governing the recognition and measurement of financial instruments, from 1 January 2018.

IFRS 9 introduces a logical approach to the classification of financial assets which is driven by the contractual cash flow characteristics and the business model in which an asset is managed. The new accounting standard classifies financial assets in three categories (instead of the current four), taking the above two drivers into account:

- Financial assets measured at amortised cost.
- Financial assets measured at fair value through profit or loss (FVTPL).
- Financial assets measured at fair value through other comprehensive income (FVOCI).

Financial assets can be recognised at amortised cost or at fair value through other comprehensive income only if they pass the contractual cash flow characteristics test. Equities are always measured at fair value through profit or loss, unless they are not held for trading and the entity irrevocably elects at initial recognition to present value changes in an other comprehensive income reserve that will never be transferred to profit or loss even if the financial instrument is sold. For financial liabilities, the only new requirement regards the accounting treatment of own credit risk. IFRS 9 requires fair

value change due to own credit risk on financial liabilities measured at fair value through profit or loss to be presented in other comprehensive income, unless this treatment leads to a measurement or recognition inconsistency in net profit, and for the remaining amount of the fair value change of the liabilities to be recognised in profit or loss.

IFRS 9 introduces a new impairment model for instruments measured at amortised cost and at fair value through other comprehensive income (other than equity instruments), replacing the current incurred loss model with an expected loss impairment model to obtain more timely recognition of credit losses in the income statement. IFRS 9 requires entities to account for expected credit losses in the 12 months (stage 1) after the reporting date from initial recognition of a financial instrument. The time horizon for calculating expected loss thus becomes the entire residual life of the asset when there has been any significant deterioration in the credit quality of the financial instrument since initial recognition (stage 2) or there is evidence of impairment (stage 3).

Lastly, the new standard provides for a hedge accounting model that allows an entity to reflect risk management activities in the financial statements, as well as enhancing the quality of risk management reporting.

Considering the substantial impact that the adoption of IFRS 9 will have on the organisation and its reporting, Fideuram is taking part in an Intesa Sanpaolo Group project to gain an in-depth understanding of which areas the standard will affect, identify its quantitative and qualitative impacts and specify and implement the application and organisational measures necessary for the consistent, organic and effective adoption of the new accounting standard.

SECTION 2 - BASIS OF PREPARATION

The Consolidated Financial Statements comprise the compulsory consolidated statements provided for by IAS 1 (namely a balance sheet, income statement, statement of comprehen-

sive income, statement of changes in equity and statement of cash flows) and the Notes to the Consolidated Financial Statements accompanied by the Directors' Report. The information specified as compulsory content for "Directors' Reports" by Bank of Italy Circular No. 262/2005 is presented in the following sections and paragraphs of the Integrated Financial Report:

- Section 3. Operating and market context.
- Section 4. Performance (paragraphs 4.1 to 4.4, 4.7.1 and 4.8).
- Section 5. Growth prospects.
- Section 6. Governance (paragraph 6.2).

The Notes to the Consolidated Financial Statements present all the information provided for by the regulations, together with the additional information considered necessary to provide a true and fair view of the Group's position. These financial statements have been prepared on the assumption of business continuity. There is no uncertainty regarding the Group's ability to continue in business. The compulsory tables and details required by the Bank of Italy are identified separately using the numbering specified by said Supervisory Authority.

The financial statements and Notes to the financial statements present the data for the period together with the corresponding data at 31 December 2015 for the purposes of comparison. In order to aid comparison of the figures, €43m withholding tax on capital gains classified under the item Tax assets in the balance sheet at 31 December 2015 has been reclassified as Other assets.

The schedules contain reconciliation statements for the financial statements and reclassified financial statements in paragraph 4.2 of the Integrated Financial Report.

The Financial Statements use the euro as their presentation currency. The figures in the Financial Statements and Notes are stated in millions of euro unless specified otherwise.

SECTION 3 - SCOPE AND METHODS OF CONSOLIDATION

The companies consolidated line by line in the Fideuram - Intesa Sanpaolo Private Banking S.p.A. consolidated financial statements at 31 December 2016 are shown below.

1. Equity investments in wholly-owned subsidiaries

NAME	OPERATIONAL HEAD OFFICE	REGISTERED OFFICE	TYPE OF OWNERSHIP (*)	OWNERSHIP		% VOTES (**)
				HELD BY	% OWNED	
1. Fideuram - Intesa Sanpaolo Private Banking S.p.A. Share capital: Eur 300,000,000 in shares without nominal value	Turin	Turin				
2. Sanpaolo Invest SIM S.p.A. Share capital: Eur 15,264,760 in shares of Eur 140 each	Turin	Turin	1	Fideuram	100.000%	
3. Intesa Sanpaolo Private Banking S.p.A. Share capital: Eur 105,497,424 in shares of Eur 4 each	Milan	Milan	1	Fideuram	100.000%	
4. Fideuram Investimenti SGR S.p.A. Share capital: Eur 25,850,000 in shares of Eur 517 each	Milan	Milan	1	Fideuram	99.500%	
5. Sirefid S.p.A. Share capital: Eur 2,600,000 in shares of Eur 0.52 each	Milan	Milan	1	Fideuram	100.000%	
6. Fideuram Fiduciaria S.p.A. Share capital: Eur 1,551,000 in shares of Eur 517 each	Milan	Turin	1	Fideuram	100.000%	
7. Fideuram Asset Management (Ireland) dac Share capital: Eur 1,000,000 in shares of Eur 1,000 each	Dublin	Dublin	1	Fideuram	100.000%	
8. Fideuram Bank (Luxembourg) S.A. Share capital: Eur 40,000,000 in shares without nominal value	Luxembourg	Luxembourg	1	Fideuram	100.000%	
9. Financière Fideuram S.A. Share capital: Eur 346,761,600 in shares of Eur 25 each	Paris	Paris	1	Fideuram	99.999%	
10. Intesa Sanpaolo Private Bank (Suisse) S.A. Share capital: CHF 20,000,000 in shares of CHF 500 each	Lugano	Lugano	1	Fideuram	100.000%	

LEGEND

(*) Type of ownership 1 = majority voting rights at general shareholders' meetings.

(**) Voting rights at general shareholders' meetings. Voting rights are only shown when they differ from % capital ownership.

2. Significant judgements and assumptions made in determining scope of consolidation

The consolidated financial statements include Fideuram and its direct and indirect subsidiaries and associate companies.

An entity is considered to be controlled by Fideuram when the latter is exposed or has rights to variable returns from its involvement with the entity, while simultaneously having the ability to affect those returns through its power over the entity.

Fideuram is considered to control an entity if and only if the Group has all of the following elements:

- Power over the entity to direct the relevant activities.
- Exposure to variable returns from its involvement with the investee entity.
- The ability to use its power over the entity to affect the amount of the returns.

Potential principal-agent relationships are also taken into consideration when assessing whether or not the bank controls an entity. The Group takes the following elements into consideration when assessing whether it acts as a principal or as an agent:

- The decision-making rights over the relevant activities of the entity.

- The significance of rights held by other entities.
- The remuneration to which the Group is entitled.
- The exposure to variable returns from the equity investment.

Relevant activities are those which significantly affect the returns of the associate company.

Generally speaking, when relevant activities are managed through voting rights, the following factors provide evidence of control:

- The possession, directly or indirectly (through subsidiary companies) of more than half the voting rights of an entity.
- The possession of half (or less than half) the general meeting voting rights, and the practical ability to unilaterally manage the relevant activities through:
 - Control of more than half the voting rights through agreement with other investors.
 - The power to determine the financial and operating policies of the equity investment entity through by-law or contractual clauses.
 - The power to appoint or remove the majority of the members of the Board of Directors or equivalent company governing body.

All the subsidiaries were consolidated line-by-line. Since all the assets and liabilities of these subsidiaries are consolidated, their book value is offset by the corresponding share of shareholders' equity held by the Group. The differences resulting from said offsetting at the date of initial consolidation are, if positive, recognised as intangible assets under the item goodwill or other intangible assets, following the allocation of any components to the assets and liabilities of the subsidiaries. If negative, they are recognised as negative goodwill in the income statement. Goodwill is subject to a periodic test on the appropriateness of its carrying value. If the recoverable value of the goodwill is less than its carrying value, the difference is recognised in the income statement. All transactions with respect to assets and liabilities, and all income and expenses between consolidated companies are eliminated.

The financial statements used for the line-by-line consolidation were those at 31 December 2016, as approved by the competent bodies of the subsidiaries, adjusted where necessary to align them with Group accounting policies.

The financial statement data of companies operating outside the European Monetary Union area are translated to euro applying the year-end exchange rates to balance sheet items and the average exchange rates for the period to income statement items. Any exchange rate differences arising from conversions at said exchange rates are recognised in the valuation reserve.

Compared with the situation at 31 December 2015, French subsidiary Euro-Trésorerie S.A. was no longer included in the consolidation of the Group following its merger with its immediate parent company Financière Fideuram S.A. with effect from 1 July 2016.

A company is considered to be an associate company if it is subject to significant influence, which is to say if Fideuram holds 20% or more of the voting rights directly or indirectly, or if it is able to participate in determining the company's financial and management policies by virtue of special legal ties even though it has fewer voting rights. Associate companies are consolidated using the equity method. This method involves initially recognising the equity investment at cost and subsequently adjusting the value in relation to the Group interest in the subsidiary's shareholders' equity. The difference between the carrying value of the equity investment and the interest in the subsidiary's shareholders' equity is recognised as an increase or decrease in the carrying value of the equity investment. The Group interest in the subsidiary's operating profit is recognised in a separate item of the consolidated income statement.

In December 2016, Fideuram participated in the establishment of Qingdao Yicai Wealth Management Ltd, a Chinese Wealth Management company wholly-owned by Intesa Sanpaolo Group companies (25% Fideuram, 20% Eurizon Capital and 55% Intesa Sanpaolo). Qingdao Yicai Wealth Management Ltd and Fideuram Vita S.p.A. (in which Fideuram holds a 19.99% equity interest) are considered associate companies.

SECTION 4 - EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period requiring any changes to be made to the consolidated financial statements at 31 December 2016.

SECTION 5 - OTHER ASPECTS

TAX REFORMS

A number of tax reforms introduced in 2016 and of relevance to the Group are summarised below.

Reduction in rate of IRES corporate income tax, additional rate for banks and financial institutions, and deductibility of interest expense

Italy's "2016 Stability Law" provides for the following with effect from the 2017 financial year:

- A reduction in the rate of corporate income tax (IRES) from the current 27.5% to 24%.
- The introduction of an additional corporate income tax rate of 3.5% for banks and financial institutions only, thus keeping the tax burden for these entities unchanged.

The "2017 Budget Law" exempts mutual fund management companies from applying this additional 3.5% and they will therefore be subject to the lower 24% rate from 2017.

The "2016 Stability Law" also increases the deductibility of interest expense incurred by banks and financial institutions from the current rate of 96% to make it fully deductible for the purposes both of corporate income tax (IRES) and regional business tax (IRAP) with effect from 2017.

The "2017 Budget Law" reintroduces the 96% deductibility of interest expense incurred by mutual fund management companies for the purposes of corporate income tax.

Support for Economic Growth

The "2017 Budget Law" reduces the tax relief that constitutes an incentive for companies to increase their equity capital, introduced by Legislative Decree 201/2011, known as the "Save Italy Decree". From 2017, the notional return used as a parameter to determine tax-free income is calculated as 2.3% for 2017 and 2.7% for the following years. In addition, a new tax avoidance provision for entities other than banks and insurance companies was brought in with effect from the 2016 financial year, stipulating that the equity capital increase in question shall only be eligible when it equals or exceeds the increase in value of securities and equities other than shares above the amounts stated in the Financial Statements at 31/12/2010.

Italian "VAT Group" regime

The "2017 Budget Law" implemented the VAT group regime in Italy. This gives the option for VAT taxable persons - established in Italy with financial, economic and organisational links - to be treated as a single VAT taxable person, subject to the option being exercised - from 2018, with effect from the following year - by all those meeting the above requirements (all-in, all-out). Exercising this option eliminates the need for VAT payments on transactions between the entities in the group.

Savings Investment Plans

The "2017 Budget Law" introduced Savings Investment Plans (Piani di Investimento del Risparmio - PIR) into Italian law. Savings Investment Plans are financial products with tax incentives to channel household savings into productive investments so as to facilitate the growth of the Italian business system and small and medium enterprises in particular.

OTHER ASPECTS

The Fideuram - Intesa Sanpaolo Private Banking Group's Consolidated Financial Statements are audited by KPMG S.p.A.. The table below provides detailed information on the remuneration that the Fideuram Group paid KPMG in the 2016 financial year, in accordance with article 2427 of the Italian Civil Code and article 149 duodecies of the Regulations for Listed Companies Issuing Financial Statements (No. 11971) issued by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB).

(€m)

TYPE OF SERVICES	KPMG S.P.A.
Independent statutory audit (*)	2
Total	2

(*) This figure includes €103k remuneration paid for auditing the mutual funds managed by Group companies. These costs are borne directly by the funds. All figures are net of VAT and expenses.

A.2 - MAIN FINANCIAL STATEMENT ITEMS

This section sets out the accounting policies adopted to prepare the consolidated financial statements at 31 December 2016.

SECTION 1 - FINANCIAL ASSETS HELD FOR TRADING

Financial assets held for trading include the following:

- Debt securities and equities purchased principally to obtain short-term profit.
- Derivatives with positive values, except for those designated as hedging instruments.

Transfers to other categories of financial assets are not permissible except in exceptional circumstances that are difficult to account for in the short term. In these cases, debt securities and equities that are no longer held for trading may be transferred to the other categories provided for by IAS 39 when the conditions for such transfers occur. The transfer value is the fair value at the moment of transfer.

The initial recognition of these financial assets is at the settlement date for debt securities and equities, and at the subscription date for derivatives. Financial assets held for trading are initially recognised in the balance sheet at fair value, without taking the transaction costs or income directly attributable to the instrument itself into account.

After their initial recognition, financial assets held for trading are measured at fair value through profit or loss with a balancing entry in the income statement. The fair value of financial

instruments listed on active markets is taken to be their market value. In the absence of an active market, the fair value is determined on the basis of the prices of recent transactions and the market values of similar financial instruments, as well as taking the results of measurement models (mainly based on objective financial variables) into account.

Derivatives are treated as assets in the financial statements if their fair value is positive and as liabilities if their fair value is negative.

SECTION 2 - FINANCIAL ASSETS AVAILABLE FOR SALE

These include financial assets that are not classified as loans, held-to-maturity investments, financial assets held for trading or financial assets measured at fair value through profit or loss. It is permissible to transfer debt securities to Held-to-maturity investments or Loans (providing it is intended to hold them for the foreseeable future). The transfer value is the fair value at the moment of transfer.

The initial recognition of these financial assets is at the settlement date for debt securities and equities. Available-for-sale financial assets are initially recognised in the balance sheet at their fair value, which is usually their purchase price plus any transaction costs, if material and determinable, directly attributable to them.

After their initial recognition, available-for-sale financial assets are measured at fair value through profit or loss with a balancing entry in a specific reserve in shareholders' equity, and any changes in the year are recognised in the statement of comprehensive income. The amortised cost of debt securities is always recognised in the income statement. Certain unlisted equities, the fair value of which cannot be determined in a reliable or verifiable manner, are carried in the financial statements at cost and written down in those cases where impairment is verified. The valuations recorded in the shareholders' equity reserve are recognised in the income statement upon disposal or when impairment is verified. In the event of impairment losses, the loss is measured as the difference between the book value and fair value of the asset. If the reasons for any impairment cease to apply, reversals are recorded in the income statement for debt securities and in shareholders' equity for equities. The value of the reversals may never exceed the amortised cost that the financial instrument would have had if it had not previously been written down.

SECTION 3 - HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments are quoted non-derivative financial instruments that have fixed or determinable payments and fixed maturities, which the Group intends and has the ability to hold until maturity. The only transfers permitted are to Financial assets available for sale. Whenever a significant sum of investments in this category is sold or transferred prior to maturity in the course of a financial year, the remaining held-to-maturity investments must be transferred to Financial assets available for sale and the portfolio in question cannot be used for the subsequent two financial years unless the sales or transfers:

- Were so close to maturity that fluctuations in market interest rates would not have had a significant effect on the fair value of the assets.
- Occurred after practically all the principal of the investment had been repaid.
- Were attributable to an isolated uncontrollable non-recurring event that could not, therefore, reasonably have been foreseen.

The initial recognition of these investments is at their settlement date. When initially recognised, held-to-maturity investments are recorded in the balance sheet at their fair value, which is usually their purchase price plus any transaction costs directly attributable to their purchase.

They are subsequently measured at amortised cost, using the effective interest method. Gains and losses on held-to-maturity investments are recognised in the income statement when these assets are written off or when their value declines, as well as through the amortisation of the difference between book value and maturity value.

Held-to-maturity investments are monitored for any objective signs of impairment. Impairment losses are recognised in profit or loss and calculated as the difference between the asset's book value and the present value of estimated future cash flows, discounted at the original effective interest rate. If the reasons for any impairment cease to apply as a result of events subsequent to the recognition of an impairment loss, the reversal of the impairment loss is recognised in profit or loss. The reversals may not exceed the amortised cost that the financial instrument would have had if it had not previously been written down.

SECTION 4 - LOANS

Loans include non-derivative financial assets, including debt securities, that provide for fixed or determinable payments and do not have a quoted price in an active market and were not designated at purchase as financial assets available for sale. This item also includes business loans. Transfers to other categories of financial assets provided for by IAS 39 are not permitted.

The loans are recognised in the financial statements at the time the contract is signed, which is generally the disbursement date. When initially recognised, loans are recorded in the balance sheet at their fair value, which is usually their purchase price plus any transaction costs, if material and determinable, directly attributable to their disbursement.

They are subsequently measured at amortised cost, using the effective interest method. The amortised cost method is not used for loans with such a short duration that the impact of discounting may be deemed negligible. Such loans are measured at historical cost. The same measurement criterion is adopted for loans without a specified maturity and for revocable loans.

Loans are assessed to identify any that show objective evidence of potential impairment as a result of events subsequent to their initial recognition. This includes loans that have been classified as doubtful loans, debtor unlikely to pay loans or past due or overdue loans in accordance with the Bank of Italy rules and in line with the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and European supervisory regulations.

Restructured loans are classified in three categories:

- Forborne exposures (as defined by Bank of Italy circular 272).
- Renegotiated for commercial reasons/practices.
- Debt settled by substitution of the debtor or by debt to equity swap.

Under Bank of Italy regulations, a "forborne exposure" is a debt contract to which forbearance measures have been extended. Forbearance measures consist in granting concessions to a debtor in or about to be in financial difficulties that take the form of modifications to the terms and conditions and/or the refinancing of an existing debt contract.

The renegotiation of performing loans to customers basically constitutes the opening of a new position only when granted for primarily commercial reasons other than financial difficulties facing the debtor (and which are not therefore within the scope of forborne exposures), provided that the interest rate applied is a market rate on the date of renegotiation.

As an alternative to the above cases (renegotiation due to financial difficulties of the debtor and renegotiation for commercial reasons/practices), the original debt can be settled by:

- Novation or substituting the original debtor with another debtor.
- Substantively amending the contract to provide for a debt to equity swap.

Since these alternatives involve substantive amendment of the contractual terms and conditions, from an accounting standpoint they extinguish the existing debt and replace it with a new debt recognised at fair value, entailing the recognition of a profit or loss in the income statement that is equal to the difference between the book value of the old loan and the fair value of the assets received.

Loans which have been individually assessed for impairment and found not to be individually impaired are collectively evaluated for impairment. This evaluation is performed on groups of loans with similar credit risk characteristics and the related loss rates are estimated taking historical loss rates into account and other observable data available at the evaluation date, which enable the impairment of each group of loans to be estimated. The evaluations take the country risk of the counterparties into account. Collectively determined write-downs are recognised in the income statement.

The method used for estimating the realisable value of non-performing loans, which is formalised in decisions by senior management and other administrative bodies that have been conferred with specific decision-making powers, is based on the present value of the expected cash flows of the principal and interest of the loans. The core elements used to calculate the present value of the flows are the estimated collections (expected financial flows) and related due dates, together with the discount rate to apply.

The write-downs, which are analytical and collective, are write-downs to the amount recorded under balance sheet assets in accordance with the above principles, and are reinstated by write-backs relating to the income statement item for net write-downs to loans if the reasons for the write-downs cease to apply or the amounts recovered exceed the original write-downs.

SECTION 5 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

This category includes financial instruments measured at fair value through profit or loss, classified as such in accordance with the applicable legislation. Transfers to other categories of financial assets are not permitted.

The Fideuram Group has adopted the Fair Value Option for the insurance policies taken out to insure the market yields of the Personal Financial Adviser Networks' Loyalty Schemes and the Intesa Sanpaolo shares purchased under the bonus schemes for Group management.

The recognition and measurement methods adopted are the same as those set out in Section 1 regarding financial assets held for trading.

SECTION 6 - HEDGING TRANSACTIONS

The Group uses derivative contracts to hedge the interest rate risk of certain of its fixed-rate securities. These hedging transactions aim to neutralise any potential losses from changes in the fair value of financial instruments recorded in the financial statements with the potential income obtained from the hedging instruments.

The hedging derivatives are, like all derivatives, initially recognised and subsequently measured at fair value. In particular, where fair value hedges are concerned, the change in fair value of the hedged instrument is offset by the change in fair value of the hedging instrument. This offsetting is carried out by recording the changes in value of the hedged item (where changes generated by the underlying risk factor are concerned) and of the hedging instrument in the income statement. Any difference, indicating the extent to which the hedge is only partially effective, is the net financial effect.

The relationship between the hedging instruments and items hedged is documented formally and the effectiveness of the hedging verified at regular intervals. A hedge is considered to be effective when the fluctuations in the fair value of the hedged item are completely offset by the fluctuations in the fair value of the hedging instrument, keeping the ratio of these changes between 80% and 125%. If hedging effectiveness tests find the hedges are not effective, accounting of the hedging transactions is suspended from the date of the last effectiveness test that had a positive result. The hedging derivative contract is transferred to financial instruments and the hedged financial instrument is measured using the method applicable to its classification in the financial statements.

SECTION 7 - EQUITY INVESTMENTS

This item includes interests in companies over which the Group exercises significant influence.

A company is considered to be subject to significant influence when the Group is able to participate in deciding its administrative, financial and management choices by virtue of legal and de facto ties, and this is presumed to be the case when the Group holds 20% or more of the voting rights.

The equity investments are recognised at acquisition cost and subsequently measured using the equity method. The equity method involves adjusting the book value of the equity investment in relation to the Group interest in the subsidiary's shareholders' equity. The difference between the value of the equity investment and the interest in the subsidiary's shareholders' equity is included in the carrying value of the equity investment. The Group interest in the subsidiary's operating profit is recognised in the consolidated income statement. If there is evidence of the impairment of an equity investment, the recoverable value of the equity investment is estimated. If the recoverable amount is less than the carrying amount, the difference is recognised in profit or loss. If the reasons for any impairment cease to apply as a result of events subsequent to the recognition of an impairment loss, the reversal of the impairment loss is recognised in profit or loss.

SECTION 8 - PROPERTY AND EQUIPMENT

Property and equipment includes land, immovable property used for operating purposes, technical plant and equipment, furniture and furnishings, machinery, equipment and works of art.

Immovable property used for operating purposes is defined as buildings owned (or leased under financial leasing contracts) that are used for the production and supply of services or for administrative purposes, and which have a useful life that is longer than one year.

Property and equipment are initially recognised at cost, with the latter understood to mean both the purchase price and any related direct charges incurred for the purchase or commissioning of the asset. Any expenses subsequent to purchase increase the book value of the asset or are recorded as separate assets only when they lead to an increase in the future economic benefits deriving from use of the investments. Other expenses incurred subsequent to purchase are recorded in the income statement for the financial year when they are incurred.

Subsequent to their initial recognition, property and equipment are measured at cost, deducting any depreciation and impairment.

The depreciable value is distributed systematically over the useful life of the asset on a straight-line basis with the exception of for the following:

- Land, which has an indefinite useful life and is not, therefore, depreciable. The value of land is, moreover, also accounted for separately from the value of buildings, even when they are purchased together. This splitting of the value of land and the value of buildings is performed on the basis of a survey by independent experts solely for buildings held on a "ground-to-roof" basis.
- Works of art, since their useful life cannot be estimated and their value is not normally likely to decline over time.

The useful life of property and equipment subject to depreciation is verified periodically. If the initial estimates require adjustment, the related depreciation rates are also changed. In addition, at every reporting date, the bank also evaluates whether there is any evidence of an asset having been impaired. In such cases the book value and recoverable value of the asset are compared. Any adjustments required are recorded in the income statement. Should the reasons for the impairment cease to apply, a reversal is recognised that cannot, however, exceed the value the asset would have had, net of any depreciation calculated, had there not been any previous impairment.

Tangible fixed assets are eliminated from the balance sheet upon disposal or when an asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

SECTION 9 - INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets without physical substance, possessed for long-term use. They include software developed in-house or purchased from third parties, and goodwill.

Intangible assets are recognised at cost, adjusted for any related expenses only if the future economic benefits attributable to the assets are likely to be obtained and the cost of the assets themselves can be calculated reliably. When this is not the case, the cost of the intangible asset is recognised in the income statement for the year in which it was borne. The cost of assets with a finite useful life is amortised on a straight-line basis, calculated in relation to the anticipated flow of the economic benefits of the asset. Conversely, assets with an indefinite useful life are not subject to systematic amortisation, but to a periodic test to verify the appropriateness of their carrying value. If there is evidence of the impairment of an asset, the asset's recoverable value is estimated. The impairment is recognised profit or loss as the difference between the asset's carrying value and recoverable value.

Expenses regarding the in-house development of software are recognised in the financial statements as intangible assets following verification of the technical feasibility of completion and their ability to generate future economic benefits. During the development phase, these assets are valued at cost, complete with any related direct expenses, including expenses for the personnel involved in the projects. If the verification has a negative outcome, the expenses are recognised in the income statement.

In business combinations, goodwill can be recognised when the positive difference between the consideration transferred and the fair value (if applicable) of the non-controlling interest and the fair value of the equity interest acquired is representative of the equity investment's future income-generating capacity (goodwill). If this difference is negative (badwill) or if the goodwill is not justified by the future income generating capacity of the company in which the investment is held, the difference is recognised directly in profit or loss. A test is conducted at yearly intervals (or whenever there is evidence of impairment) to verify the appropriateness of the goodwill valuation. The cash-generating unit to which the goodwill is attributable is identified for this purpose. Impairment is measured as the difference between the carrying value of the goodwill and its recoverable value, if lower. The recoverable value of the cash-generating unit is the higher of its fair value, less any costs to sell, and its value in use. The resulting adjustments are recorded in profit or loss.

SECTION 11 - CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

Income taxes, calculated in accordance with national tax legislation, are recognised as costs on an accruals basis in line with the accounting treatment of the costs and income that generated them. They therefore represent the balance of current and deferred tax assets and liabilities for the year.

Current tax assets and liabilities are the net balance of the Group companies' tax positions with the inland revenues in and outside Italy. More specifically, they are the net balance of the current tax liabilities for the year, calculated on the basis of a cautious forecast of the tax burden due for the year, determined on the basis of current tax legislation, and current tax assets represented by advance tax payments and other tax credits for withholding taxes paid, as well as other tax credits

from prior years which Group companies have requested be offset against taxes for subsequent years.

Current tax assets also include tax credits for which Group companies have requested rebates from the competent tax authorities.

The Italian companies in the Fideuram Group avail themselves of the "Istituto del Consolidato Fiscale Nazionale" tax consolidation regime introduced by Italian Legislative Decree No. 344 of 12.12.2003 as subsidiaries of Intesa Sanpaolo. This tax consolidation regime provides for the aggregation of the taxable income of all the subsidiaries and a single payment of IRES corporate income tax by Parent Company Intesa Sanpaolo.

Deferred tax assets and liabilities are calculated using the balance sheet liability method, which takes into account the tax effect of the timing differences between the book values of the assets and liabilities and their tax values which result in taxable or tax-deductible amounts arising in future periods. To this end, "taxable timing differences" are taken to be differences that result in taxable amounts arising in future periods, and "deductible timing differences" are taken to be differences that result in tax-deductible amounts arising in future financial years.

Deferred tax assets and liabilities are calculated applying the tax rates specified by current tax legislation, for each consolidated company, to the taxable timing differences for which it is probable that taxes will have to be paid, and to the deductible timing differences for which there is reasonable certainty of recovery. When the deferred tax assets and liabilities refer to components recognised in the income statement, they are recorded in a balancing entry under income taxes. Whereas when the deferred tax assets and liabilities regard transactions that have had a direct effect on shareholders' equity without impacting the income statement (such as, for example, the valuation of available-for-sale financial instruments), they are recorded as a balancing entry under shareholders' equity, in respect of the related reserves, if any.

SECTION 12 - PROVISIONS FOR RISKS AND CHARGES

Pensions and similar obligations

Pension funds are established in accordance with company agreements as defined-benefit schemes.

The liability in respect of these schemes and the related pension cost of current employees are calculated using the Projected Unit Credit method, which discounts at a market interest rate the future outflows estimated on the basis of statistical historical analyses and demographic data. The contributions paid in each year are considered as separate units, recognised and measured individually to determine the final obligation. The discount rate used is set in relation to the market yields of primary corporate bonds at the measurement dates, taking the average residual maturity of the liability into account. The present value and obligation at the accounting reference date is in addition adjusted to take into account the fair value of any assets serving the scheme.

Any actuarial gains and losses (which is to say any changes in the present value of the obligation resulting from changes in the actuarial criteria and from adjustments on the basis of past experience) are recognised in the Statement of Comprehensive Income.

Other provisions

The other provisions for risks and charges are provisions for liabilities of uncertain amount or due date that are recognised in the financial statements for the following reasons:

- There is a present obligation (legal or implicit) arising from a past event.
- It is probable that financial resources will have to be disbursed to fulfil the commitment.
- It is possible to make a reliable estimate of the probable future disbursement.

When the effect of deferring meeting the estimated expense becomes a significant factor, the Group calculates the provisions as amounting to the present value of the expenses it is envisaged will be required to discharge the obligations. In those cases where the provisions are discounted, the total amount of the provisions recorded in the financial statements increases in each financial year to reflect the passing of time. The provisions set aside are reassessed at every accounting reference date and adjusted to reflect the best current estimate.

These provisions include the provisions set aside to cover potential losses on legal disputes, including claims from receivers, estimated disbursements arising from customer complaints regarding the brokerage of securities, the provisions for the termination of Personal Financial Adviser agency agreements, the provisions set aside for employee expenses, the provisions set aside for the Network Loyalty Schemes and the provisions for losses connected with ongoing tax disputes.

The reserve for the termination of agency agreements, which is determined using actuarial methods, includes the provisions for Personal Financial Adviser termination indemnities and the "meritocratic bonus".

The Network Loyalty Schemes - long-term incentive schemes which entitle the Personal Financial Advisers to a bonus that is linked to the stock of financial assets under their management - involve setting aside provisions that are the best estimate of the amounts due to the Personal Financial Advisers calculated using actuarial valuations.

The provision for personnel expenses includes the variable component of employee remuneration, early retirement incentives and the provisions set aside to pay seniority bonuses to employees, determined on the basis of an independent actuary's report, using the methods specified in IAS 19.

The provision is reversed with a balancing entry in the income statement when it becomes unlikely that it will be necessary to use resources to fulfil the obligation.

SECTION 13 - DEBTS AND DEBT ON ISSUE

The items Due to banks and Due to customers cover all the technical forms of borrowing from said counterparties. These financial liabilities are initially recognised in the balance sheet at fair value, which is usually the amount collected, increased by any transaction costs directly attributable to the individual borrowing transaction. The debts, with the exception of on-demand and short-term items which continue to be recognised at collection value, are subsequently measured at amortised cost using the effective interest rate method, with the related effect being recognised in the income statement.

SECTION 14 - FINANCIAL LIABILITIES HELD FOR TRADING

Financial liabilities held for trading include any negative valuations of derivative contracts held for trading and liabilities regarding technical short positions generated by dealing in securities. The same accounting treatment as for financial assets held for trading are used.

SECTION 16 - FOREIGN EXCHANGE TRANSACTIONS

Foreign exchange transactions are recognised in the functional currency upon initial recognition, applying the exchange rate at the transaction date.

Items in foreign currencies are measured as follows at each reporting date:

- Monetary items are converted using the exchange rate at the reporting date.
- Non-monetary items measured at historical cost are converted using the exchange rate at the date of the transaction.
- Non-monetary items measured at fair value are converted using the exchange rate at the reporting date.

Exchange differences arising from the settlement of monetary items or from the conversion of monetary items at a different rate from the initial conversion or previous financial statements are recognised in profit or loss for the period in which they arise.

When a profit or loss relating to a non-monetary item is recognised in equity (other comprehensive income), the exchange difference of this item is likewise recognised in other comprehensive income. Whereas when a profit or loss is recognised in the income statement, the related exchange rate difference is also recognised in the income statement.

SECTION 18 - OTHER INFORMATION

Provision for employment termination indemnities

Following the coming into force of the complementary social security reform provided for by Italian Legislative Decree No. 252/2005, the provision for employment termination indemnities only regards contributions accrued up until 31.12.2006. The provision for employment termination indemnities accrued up until 31.12.2006 therefore continues to be considered a "defined benefit" scheme, consequently making it necessary to perform an actuarial valuation which, however, differs from the calculation method adopted up until 31 December 2006 in no longer making the benefit proportional to the period of employment. This is because the employment period of the measurement is considered to have been accrued in full as a result of the change to the accounting treatment of the provision from 1 January 2007.

The provision for employment termination indemnities thus constitutes a "post-employment benefit" classified as:

- A "defined contribution scheme" for the employment termination indemnity contributions accrued from 1 January 2007 (which is to say after 1 January 2007, the date when the complementary social security reform provided for by Italian Decree Law No. 252 of 5 December 2005 came into force), irrespective of whether the employee opts for complementary social security or for the contributions to be paid to the Treasury fund managed by Italy's Department of Social Security (INPS). The value of these contributions, which is recorded under personnel expenses, is calculated on the basis of the contributions due without applying actuarial calculation methods.
- A "defined benefit scheme" and therefore recognised on the basis of its actuarial value calculated using the Projected Unit Credit method for the employment termination indemnity contributions accrued up until 31 December 2006. These contributions are recognised on the basis of their actuarial value without pro-rating for length of service since the current service cost of the Provision for employment termination indemnities has almost been accrued in full, and it is considered that its revaluation for future years would not generate significant benefits for the employees. The discount rate used is set with reference to market yield, taking into account the average residual maturity of the liability, weighted in relation to the percentage of the amount paid and advanced, for each maturity, with respect to the total amount to be paid and advanced for the entire obligation to be discharged in full. The service costs of the scheme are recognised under personnel expenses and the actuarial gains and losses are recognised in the valuation reserves, with the effects for the year being recorded in the Statement of Comprehensive Income.

Securities lending transactions

The Securities Lending service is an ancillary banking service available only to customers resident in Italy for tax purposes. Under securities lending agreements, customers transfer ownership of a certain number of securities of a given type (i.e. the securities in their portfolio with the exception of significant equity investments, mutual funds and SICAVs). The Group is required to return them and pay a fee for their loan. The transactions always have a maximum duration of 1 day. The customer retains full control over the loaned securities (in the case of both sale and transfer) and receives the coupon and/or dividend payments in the form of income.

The securities lending agreement entails the transfer of shares or bonds against an undertaking that the transferee will return them by the agreed term. Ownership of the securities is therefore transferred from the transferor to the transferee, and from a legal standpoint the transaction is subject to the regulations governing loan contracts.

Securities lending agreements can be entered into on the following basis:

- With no collateral provided by the transferee to the transferor.
- With cash collateral provided by the transferee to the transferor.
- With collateral provided by the transferee to the transferor in the form of other securities.

Securities lending transactions secured by cash collateral to which the lender has full rights are recognised as repurchase agreements in the financial statements.

Securities lending transactions without collateral, or with collateral in the form of other securities, which do not pass the derecognition test provided for in IAS 39, are accounted for by the loaned security and the security provided as collateral continuing to be recognised under assets in the balance sheet of the lender and borrower respectively. If the borrower sells the loaned security, it is recorded as a debt to the lender under liabilities in the balance sheet. Whereas if the security is used in repurchase lending agreements, the borrower records a debt to the counterparty to the agreement. The lender recognises the fees they receive for the transaction in item 40 "Fee and commission income" in the income statement. Conversely, the borrower is required to record the cost of the transaction under item 50 "Fee and commission expense" in the income statement.

The securities lending transactions in question involve two separate components of remuneration, which are, from the borrower's standpoint:

- A positive component for the remuneration of the balance in hand paid to the lender, normally remunerated at the EONIA rate, in line with market practice.
- A negative component for the service received in the form of a lending fee.

The aforementioned income components are recognised in the income statement as follows:

- Under items 20 "Interest expense and similar expense" and 40 "Fee and commission income" respectively, by the lender.

- Under items 10 "Interest income and similar income" and 50 "Fee and commission expense" respectively by the borrower.

Accrued expenses and deferred income

Accrued expenses and deferred income, which consist of expense and income accrued on assets and liabilities in the year, are recorded in the financial statements as adjustments to the related assets and liabilities.

Leasehold improvements

The costs incurred in renovating leasehold property are capitalised in consideration of the fact that the Group has control of the assets for the term of the lease and can derive future economic benefits from them. These costs are recognised as Other assets and depreciated over a period not exceeding the lease term.

Provisions for guarantees and commitments

The individual and collective provisions set aside to cover the estimated possible disbursements connected with the credit risk of guarantees and commitments, determined adopting the same accounting treatment as for loans above, are stated under Other liabilities.

Valuation reserves

This item includes the valuation reserves regarding financial assets available for sale, the revaluation reserves stated in accordance with special laws, and the revaluation reserves for the net liabilities (assets) for defined-benefit personnel schemes.

Share-based payments

Share-based payments, settled in cash, refer to the remuneration and incentive schemes for the Group's management and employees.

The remuneration and incentive schemes for management provide for the acquisition of Intesa Sanpaolo shares under the schemes, which are recorded under financial assets measured at fair value through profit or loss. The amounts due to personnel under the schemes are recorded under other liabilities as a balancing entry in personnel expenses, and adjusted for any fluctuations in the fair value of the shares until the liability is settled.

The remuneration scheme for employees refers to a financial-instrument based investment plan named the Leveraged Employee Co-Investment Plan (LECOIP). The LECOIP is an employee stock ownership plan that the Intesa Sanpaolo Group offered all employees concomitantly with the launch of its 2014-2017 Business Plan. Having allocated Intesa Sanpaolo ordinary shares acquired on the market to each employee free of charge (free shares), the employees were given the opportunity of a long-term Investment Plan, the term of which is aligned with the Group Business Plan, involving the subscription of certain financial instruments (Certificates) issued by Credit Suisse. The employees could, as an alternative to this opportunity, sell the free shares allocated. Those that opted to join the Investment Plan, were allocated additional Intesa Sanpaolo ordinary shares directly by the parent company (matching shares), and subscribed new-issue Intesa Sanpaolo ordinary shares in a cash capital increase reserved for employees in which the shares were discounted from their market value (discounted sha-

res). The cost of the plan is being systematically recognised in the income statement from 1 December 2014 (the date the shares were allocated) until the Certificates mature. The portion of the cost attributable to the free shares is recorded as a balancing entry in prepaid expenses, whereas the portion attributable to the matching and discounted shares (being borne by Intesa Sanpaolo) is recorded as a balancing entry in a shareholders' equity reserve. The shares acquired for the plan that remained after the allocation of shares to employees are recognised as financial assets available for sale.

Financial Guarantees

The financial guarantee contracts the Group uses to cover counterparty risk provide for the reimbursement of any loss incurred regarding the asset covered as a result of the default of the debtor/issuer, upon payment of commission that is systematically recognised in the income statement during the term of the contract.

If securities designated as available for sale are protected by financial guarantees, the accounting treatment of the financial instruments remains unchanged and the securities are measured at fair value without taking the guarantees into account.

Recognition of costs and income

Costs are recognised in the income statement in the periods in which the related income is recognised. If the association of costs and income can only be made in a generic and indirect manner, the costs are recognised in more than one period following rational, systematic procedures. Costs that cannot be associated with related income are recognised in the income statement immediately.

Income is recognised at the time it becomes receivable, and services at the time they are provided. Specifically:

- Interest income is recognised on an accrual basis applying the contractual interest rate or the effective interest rate when the amortised cost method is being used. The item interest income (or interest expense) also includes the gains (or losses) accrued on financial derivatives contracts at the accounting reference date. Default interest is recognised at the time of collection.
- Dividends are recognised in the income statement during the year their distribution is decided.
- Fee and commission income on services is recorded, on the basis of contractual agreements, in the period when the services are provided.
- For transactions in financial instruments, the difference between the fair value of the instruments and the amount paid or received is recognised in the income statement only in cases where the fair value can be reliably determined.
- Profit and loss on trading in financial instruments are recognised in the income statement when the sale is completed, as the difference between the amount paid or collected and the book value of the instruments.
- The income deriving from the sale of non-financial assets is recognised at the time their sale is completed.

Purchases and sales of financial assets

The Group recognises purchases and sales of financial assets at their settlement date, taking said purchases and sales to be those conducted on the basis of contracts that require the asset to be delivered within a period of time that is in accordance with market regulations or conventions, with the exception of that specified for derivatives.

Derecognition policy

Financial assets are written off in the financial statements when the contractual rights to the cash flows deriving from said assets expire or when the financial assets are sold, largely transferring all the risks/benefits connected with them. Financial liabilities are derecognised when they mature or are settled.

Business combinations

The transfer of control of a company (or of an integrated group of businesses and assets that is run and managed jointly) constitutes a business combination transaction.

IFRS 3 is the reference accounting standard for business combinations and requires an acquirer to be identified for all business combination transactions. The acquirer is normally identified as the entity obtaining control of another entity or group of assets. The acquisition and therefore the initial consolidation of the acquired entity is recognised at the date when the acquirer effectively obtains control of the entity or assets acquired.

The cost of a business combination transaction is calculated as the sum of the following:

- The fair value at the transaction date of the assets acquired, of the liabilities assumed, including any potential liabilities, and of the equity instruments issued by the acquirer in exchange for control.
- Any additional charges directly attributable to the business combination.

Business combination transactions are recorded using the purchase method, which involves recognising:

- The assets, liabilities and contingent liabilities of the acquired entity at their respective fair values at the date of acquisition, including any intangible assets identifiable not already recognised in the financial statements of the acquired entity.
- Non-controlling interests in the acquired entity in proportion to the related interest in the net fair values.
- The goodwill held by the Group, calculated as the difference between the cost of the business combination and the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Any positive difference between the Group's interest in the net fair value of the assets, liabilities and contingent liabilities acquired and the cost of the business combination is recognised in the income statement.

The fair value of the assets, liabilities and contingent liabilities of the acquired entity may be calculated on a provisional basis before the end of the financial year in which the business combination takes place and must be finalised within twelve months of the date of acquisition.

Transactions for the purposes of reorganisation between two or more entities or businesses which are already members of the Fideuram Group, or which belong to the Intesa Sanpaolo Group, and do not involve changes in the control structures irrespective of the percentage of non-controlling interests before and after the transaction (referred to as business combinations of entities subject to joint control) do not constitute business combinations, being excluded from the scope of IFRS 3. Such transactions are considered to have no economic substance unless they result in a significant change in cash flows. Hence, in the absence of any specific IAS/IFRS Standard or Interpretation, and in accordance with IAS 8 - which requires a company, in the absence of any specific Standard or Interpretation, to use its own judgment in applying an accounting policy which provides relevant, reliable and cautious information that reflects the economic substance of the transaction - these transactions are recognised maintaining continuity between the values stated by the acquired entity and the values stated in the financial statements of the acquiring entity. In accordance with this policy, the same values are recorded in the balance sheet as if the companies (or company divisions) involved in the business combination had always been combined. The businesses acquired are stated in the financial statements of the acquiring company at the same values that they had in the financial statements of the transferor company. Any difference between the price paid/received and the net book value of the businesses transferred is recorded directly as a balancing entry in shareholder's equity net of any deferred tax assets and liabilities (if necessary).

Use of estimates and assumptions in the preparation of the financial statements

The preparation of financial statements may also require the use of estimates and assumptions that can have significant effects on the amounts stated in the balance sheet and income statement, and on the information on assets and contingent liabilities provided in the financial statements. These estimates are made using the information available and adopting subjective valuations, which are also based on historical experience, to formulate reasonable assumptions for reporting operating performance. The estimates and assumptions used may by their nature vary from year to year, such that one cannot rule out the possibility of the values currently stated in the financial statements differing, even significantly, in subsequent years as a result of changes in the subjective valuations used.

Subjective valuations by company directors are mainly required for:

- Quantifying impairment losses on loans and, as a rule, other financial assets.
- The valuation models used for the fair value measurement of financial instruments not listed on active markets.
- Quantifying staff provisions and provisions for risks and charges.
- Making estimates and assumptions regarding the recoverability of deferred tax assets.
- Calculating the prepaid expenses regarding the Personal Financial Adviser Network bonuses linked to specified inflow targets. In this regard, the amortisation period for incentives paid to the networks was changed to ensure closer correlation with the commission income generated by customer

investments, taking into account the increase in the average investment period of client assets in the portfolio. Implementing this change prospectively in accordance with IAS 8 had a negative impact of €37m on the income statement.

Fair value measurements

The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. not a forced liquidation or below-cost sale) at the measurement date. Fair value is a market-based measurement and not an entity-specific measurement. The concept of fair value implicitly assumes that the entity is engaged in normal business operations and has no intention of liquidating its assets, of significantly reducing its assets or of entering into transactions with unfavourable conditions.

When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability, assuming that these market participants act in their best economic interests. Fair Value measurement assumes that the sale of an asset or transfer of a liability took place:

- In the principal market for that asset or liability.
- In the absence of a principal market, in the most advantageous market for the asset or liability.

A market considered to be active when the transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. An instrument is considered to be quoted in an active market when the price quotations representing effective, standard market transactions that have occurred are readily and regularly available through stock exchanges, dealers, brokers, principal-to-principal markets, pricing services or authorised bodies. In cases where there is a significant reduction in the volume or level of transactions compared with normal business for the asset or liability (or for similar assets or liabilities) shown by a number of indicators (number of transactions, limited significance of market prices, significant increase in liquidity risk premiums, widening or narrowing bid-ask spread, fall or total lull in market for new issues, lack of information in the public domain), an analysis must be carried out on the transactions or quoted prices. A fall in the volume or level of business on its own does not indicate that the transaction price or quoted price does not represent the fair value or that the transaction in that market is not an ordinary transaction. If it is established that a transaction or quoted price does not represent the fair value (e.g. non-ordinary transactions), then it is necessary to make an adjustment to the transaction prices or quoted prices if those prices are being used as the fair value measurement basis and this adjustment must be significant with respect to the overall fair value measurement.

The best indication of fair value is a quoted price in an active market. These quoted prices are therefore given precedence for the measurement of financial assets and liabilities. In the absence of an active market, the fair value is determined using valuation techniques which ultimately aim to establish the price that the financial instrument would have had on the measurement date in an arm's-length exchange motivated by normal business considerations. An entity is required to use valuation techniques appropriate in the circumstances and

for which sufficient data are available to measure fair value, maximising observable inputs and minimising unobservable inputs. These techniques include:

- Reference to market values that can be indirectly linked to the financial instrument being measured and that can be obtained from products with similar risk characteristics.
- Valuations based even only partially on inputs that are not obtained from observable market parameters, using estimates and assumptions formulated by the valuer.

There is no choice regarding which of these methodologies is selected, since they have to be applied in hierarchical order, meaning that if a quoted price in an active market is available, this prevents another valuation method from being used.

IFRS 13 sets out a fair value hierarchy that categorises the inputs of the valuation techniques used to measure fair value into three levels. This hierarchy assigns the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the least importance to unobservable inputs (Level 3 inputs). Specifically:

- Fair value level 1 is when the instrument is measured directly from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Fair value level 2 is when a quoted price in an active market cannot be obtained and the measurement uses a valuation technique based on parameters that are observable on the market, or unobservable parameters that are however supported and corroborated by market data, such as prices, spreads or other outputs (comparable approach).
- Fair value level is 3 is when the measurement uses different inputs, not all of which are obtained from parameters that are directly observable in the market and therefore involve estimates and assumptions by the valuer.

Level 1 financial instruments are priced using the current "bid" price for financial assets and the current "ask" price for financial liabilities in the entity's principal market at the end of the reporting period.

If the financial instruments have a negligible bid-ask spread or the characteristics of the financial assets and liabilities create positions that offset market risk, the Group uses the average market price (at the last day in the reporting period as above) instead of the bid price or ask price. The following are classified as Level 1 instruments: quoted bonds (i.e. bonds traded on the EuroMTS platform, or for which the major international pricing services have continuously provided executable quotes), quoted shares (i.e. shares traded on the reference official market), quoted harmonised mutual funds, foreign exchange spot transactions and derivatives quoted in an active market (e.g. futures and exchange-traded options). Conversely, any financial instruments which do not belong to the above categories cannot be considered Level 1 instruments. If the instrument is not quoted in an active market or if the market is not operating normally, which is to say when there is an insufficient number of continuous transactions and the bid-ask spread and volatility are not sufficiently low, the fair value of the financial instruments is mainly determined using valuation techniques that aim to establish the price at which the asset would be sold or the liability transferred in an orderly transaction between market participants at the measure-

ment date under current market conditions. These techniques include:

- The use of market values that can be indirectly linked to the financial instrument being measured and can be obtained from products with similar risk characteristics (Level 2 inputs).
- Measurements based even only partially on inputs that are not obtained from observable market parameters, using estimates and assumptions formulated by the valuer (Level 3 inputs).

With Level 2 inputs, the measurement is based on the prices or credit spreads obtained from the quoted prices of instruments that are broadly similar in terms of risk, using a given valuation model. This approach consists in researching transactions in active markets in instruments which are comparable in risk with the instrument being valued. The Level 2 valuation methods allow one to use the prices of financial instruments quoted in active markets (model calibration) without including subjective parameters - which is to say parameters the value of which cannot be obtained from the prices of financial instruments quoted in active markets or cannot be set at levels replicating quoted prices on active markets - able to substantially impact the final measurement price. The following are measured adopting valuation models that use Level 2 inputs:

- Unquoted bonds the fair value of which is measured using an appropriate credit spread, identified from quoted and liquid financial instruments with similar characteristics.
- Derivatives measured using special valuation models fed by input parameters observed in the market, such as interest rate, exchange rate and volatility curves.
- Asset-backed securities for which significant prices are not available, the fair value of which is measured using valuation techniques based on market inputs.
- Equities measured using direct transactions, which is to say significant transactions in the equity recorded in constant market conditions and over a sufficiently short time frame in relation to the measurement date to allow relative valuation models based on multiples to be used.
- Financial assets and liabilities measured using the present value of future cash flows.

The fair value measurement of Level 3 financial instruments requires the use of valuation models that use input parameters which cannot be observed directly on the market and accordingly involve estimates and assumptions by the valuer.

For short-term assets and liabilities, the book value is considered to equate reasonably well to the fair value.

Foreign exchange derivatives that are not traded on regulated markets are referred to as being traded Over the Counter (OTC), which is to say traded bilaterally with market counterparties, and are measured using special pricing models fed by input parameters (such as interest rate, exchange rate and volatility curves) observed in the market.

In addition, non-performance risk is also taken into account in determining the fair value. This risk includes changes in the credit risk of the counterparty and changes in the credit risk of the issuer (own credit risk).

The Bilateral Credit Value Adjustment (BCVA) model fully measures the effects of changes in the credit risk of the counterparty and of changes in own credit risk. The BCVA is in fact the sum of the following two addends calculated to express the default potential of both counterparties:

- The CVA (Credit Value Adjustment), which is a negative value that takes into consideration scenarios in which the counterparty defaults first and the Group has a positive exposure to the counterparty. In these scenarios, the Group suffers a loss equal to the cost of replacing the derivative.
- The DVA (Debt Value Adjustment), which is a positive value that takes into consideration scenarios in which the Group defaults before the Counterparty and has a negative exposure to the Counterparty. In these scenarios, the Group benefits from a gain equal to the cost of replacing the derivative.

The BCVA depends on the exposure, the probability of default and the Loss Given Default of the counterparties. Lastly, the BCVA needs to be calculated taking any counterparty risk mitigation agreements into consideration, and collateral and netting agreements for each individual counterparty in particular. If netting agreements are in place with a given counterparty, the BCVA is calculated taking into account the portfolio containing all the netting transactions with that counterparty. The measurement method adopted for a given financial instrument is maintained over time and only changed if there are substantial changes in market conditions or subjective changes regarding the issuer of the financial instrument. The fair value disclosures incorporated in the notes to the financial statements use this fair value measurement hierarchy to provide analyses of the financial assets and liabilities by fair value level.

Amortised cost measurements

The amortised cost of a financial asset or liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, calculated using the effective interest method, of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The effective interest rate is the rate that discounts the contractual future cash payments or receipts up to maturity or the next repricing date to the present value of a financial asset or liability. The present value is calculated by applying the effective interest rate to the future receipts or payments throughout the useful life of the financial asset or financial liability or for a shorter period in certain conditions (e.g. a change in market interest rates).

Subsequent to the initial recognition, the amortised cost allows one to add income and subtract costs from the value of the financial instrument throughout its useful life using the process of amortisation. The manner in which amortised cost is calculated differs depending on whether a fixed or floating rate financial asset or liability is concerned, and - for floating-rate financial instruments - on whether the interest rate variability is known in advance or not. For instruments with a fixed rate or which have a fixed rate for given periods of time, the future cash flows are quantified using the known interest rate (single or multiple) over the life of the instrument. For floating-rate financial assets and liabilities

where the variability is not known in advance (e.g. index-linked), the cash flows are calculated using the last known interest rate. Whenever the interest rate changes, the amortisation schedule and effective rate of return are recalculated for the whole of the useful life of the instrument, which is to say to maturity. The adjustment is recognised as cost or income in the income statement.

Amortised cost measurements are used for loans, held-to-maturity investments, available-for-sale debt securities and debts.

Financial assets and liabilities traded in arm's-length transactions are initially recognised at fair value, which is normally the amount received or paid, including - for instruments valued at amortised cost - any directly related transaction costs, commission and fees.

Amortised cost measurements are not used for financial assets and liabilities with maturities so short that the financial impact of discounting may be deemed negligible or for loans without a specified maturity or for revocable loans.

Impairment measurements

Financial assets

At every reporting date, financial assets that are not classified as Financial assets held for trading or Financial assets measured at fair value through profit or loss undergo an impairment test to check for any objective evidence that their recoverable value is less than their carrying value.

The assets are considered non-performing if there is objective evidence that their future cash flows will be lower than originally estimated as a result of specific events. It must be possible to quantify the impairment reliably and it must be related to actual and not merely anticipated events.

The impairment is assessed individually for financial assets that show specific evidence of impairment, or collectively for financial assets that do not require individual assessment or which have been individually assessed for impairment and found not to be individually impaired.

Where Loans and advances to customers and Loans and advances to banks are concerned, individual assessments for impairment are performed for loans classified as doubtful loans, debtor unlikely to pay loans or overdue loans in accordance with the Bank of Italy rules, in line with the International Accounting Standards and International Financial Reporting Standards. Non-performing loans are individually assessed for impairment and each loan is written down by the difference between its carrying value at the time of the impairment assessment (amortised cost) and the present value of estimated future cash payments, calculated using the original effective interest rate.

These estimated future cash payments take the anticipated payback period and the estimated realisable values of any guarantees into account, together with the estimated cost of securing repayment of the loan. Cash payments regarding loans that are expected to be repaid in the short term are not discounted, since the time value of money is deemed negligible. Loans which have been individually tested for impairment and found not to be individually impaired are tested for impairment collectively. This evaluation is performed

on groups of loans with similar credit risk characteristics and the related loss rates are estimated taking historical loss rates into account that are based on observable data available at the evaluation date, which enable the impairment inherent in each group of loans to be evaluated.

The impairment is measured in relation to the fair value of the financial asset.

Other non-financial assets

Property and equipment and intangible assets with a finite useful life undergo impairment tests if there is evidence that the carrying value can no longer be recovered. The recoverable value is calculated in relation to the fair value of the property, equipment or intangible asset less the costs of disposal, or in relation to its value in use if this is determinable and exceeds its fair value.

For buildings, fair value is mainly determined on the basis of an independent expert's valuation, which is updated periodically whenever a change in property market trends means that previous valuations may no longer be valid and under all circumstances every three years. Any impairment is only recognised when the fair value less costs to sell or the value in use is less than the carrying value for a continuous period of three years.

For other property and equipment and intangible assets (other than those recognised following business combination transactions), the carrying value is normally taken to be the value in use since the latter is estimated using an amortisation process based on the value that the asset actually contributes to the production process, whereas determination of the fair value would be extremely subjective.

A.3 - TRANSFERS OF FINANCIAL ASSETS DISCLOSURES

In accordance with the related compulsory disclosure requirements, the Group states that it availed itself of the amendment to IAS 39 endorsed by EC Regulation 1004/2008 and reclassified €580m available-for-sale bonds as Loans & Receivables in the third quarter of 2008. If the Group had not availed itself

of the option to reclassify these bonds, they would have suffered a further loss of approximately €238m as the difference between the theoretical total negative reserve at 31 December 2016 (€278m) and the total negative reserve recorded under shareholders' equity at the reclassification date (€40m).

A.3.1 Reclassified financial assets: book value, fair value and effect on total comprehensive income

(€m)

TYPE OF FINANCIAL INSTRUMENT	SOURCE CATEGORY	DESTINATION CATEGORY	BOOK VALUE AT 31.12.2016	FAIR VALUE AT 31.12.2016	COMPREHENSIVE INCOME WITHOUT TRANSFER (BEFORE TAX)		COMPREHENSIVE INCOME FOR THE YEAR (BEFORE TAX)	
					ESTIMATIONS	OTHER	ESTIMATIONS (*)	OTHER
Debt securities	Financial assets available for sale	Loans and advances to customers	1,612	1,374	(96)	46	74	48

(*) Includes changes in fair value attributable to interest-rate hedging.

A.3.4 Effective interest rate and anticipated financial flows of reclassified assets

TYPE OF FINANCIAL INSTRUMENT	SOURCE CATEGORY	DESTINATION CATEGORY	EFFECTIVE INTEREST RATE	ANTICIPATED FINANCIAL FLOWS
Debt securities	Financial assets available for sale	Loans and advances to customers	5.6%	1,883

A.4 - FAIR VALUE DISCLOSURES

QUALITATIVE INFORMATION

A.4.1 - Fair value levels 2 and 3: measurement techniques and inputs used

The Group has developed a pricing methodology for the measurement of financial instruments which implements the provisions of the IAS/IFRS international accounting standards. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In addition, the fair value measurement must incorporate a counterparty risk premium in the form of a Credit Value Adjustment (CVA) for the assets and a Debit Value Adjustment (DVA) for the liabilities.

The Group consistently calculates the fair value of financial instruments directly from their market value. Wherever possible, the official prices in an active market are always adopted as this market value, otherwise the value is obtained using pricing models based on the values of comparable securities and on market parameters.

In the absence of an active market, the fair value is determined using valuation techniques which ultimately aim to establish the price that the financial instrument would have had on the measurement date in an arm's-length exchange motivated by normal business considerations.

These techniques include:

- Reference to market values that can be indirectly linked to the financial instrument being valued and that can be obtained from products with similar risk characteristics (comparable approach).
- Valuations performed using - even only partially - inputs that are not obtained from observable market parameters, using estimates and assumptions formulated by the valuer (mark-to-model).

Which of these different measurement methods is chosen is not arbitrary, since they have to be applied in hierarchical order and presented by level. Absolute priority is given to the quoted active market prices of the assets and liabilities being measured (Level 1 - Effective market quotes) or of similar assets and liabilities (Level 2 - Comparable approach), and the lowest priority to unobservable inputs, which are accordingly more subjective (Level 3 - Mark-to-Model Approach).

The portfolio of Level 2 Financial assets measured at fair value through profit or loss consisted of the insurance policies that the Group took out to insure the market yields of the Personal

Financial Adviser Networks' Loyalty Schemes. The fair value of Class I policies is determined using a prospective actuarial method based on the principle of the initial equivalence of the average present values of the contractual commitments of the insurer and the average present values contracted by the policyholder/contracting party. The fair value of Class III policies is calculated as the value of the units at the reporting date plus any pure premiums not yet invested at the valuation date.

A mark-to-model approach is used for the valuation of derivatives, fed by market data providers and based on commonly-accepted valuation processes. Hedging and treasury derivatives taken out in ordinary investment activities - interest and exchange rate derivatives in particular - that are not traded on regulated markets but traded bilaterally with market counterparties, are known as "Over the Counter" (OTC) instruments and measured using special pricing models. A new method for determining the fair value of these derivatives has steadily become consolidated practice in recent years, both among the main brokers of OTC derivatives and on regulated markets (central counterparties), which is based on

the Eonia rate instead of the traditional Euribor rate. During the financial crisis, there was an appreciable widening of the Euribor/Eonia spread (historically narrow and very stable). The increasing consensus among operators on the use of the Eonia curve (benchmark rate for transaction agreements with a Credit Support Annex - CSA) has led to two different curves being used to price derivatives from 2012, chosen depending on whether the transaction has a CSA or not. In the former case the fair value is determined using the Eonia rate (risk-free rate), while in the latter case it is determined using the Euribor rate (which is considered to take counterparty risk into account). The derivatives in the bank portfolio consisted principally of Interest Rate Swaps. The Group as a rule uses fair value hedge derivatives to reduce its exposure to adverse fair value movements due to interest rate risk. The Risk Management Unit is responsible for assessing hedge effectiveness, carrying out prior assessments of the conditions that make hedge accounting applicable and formally documenting each hedging relationship. These assessments use prospective tests when the hedges are taken out, followed by retrospective tests at monthly intervals.

QUANTITATIVE INFORMATION

A.4.5 Fair Value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: analysis by fair value level

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	31.12.2016			31.12.2015		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets held for trading	10	31	-	17	28	-
2. Financial assets measured at fair value	5	190	-	3	165	-
3. Financial assets available for sale	3,710	583	4	3,874	585	-
4. Hedging derivatives	-	3	-	-	2	-
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	3,725	807	4	3,894	780	-
1. Financial liabilities held for trading	-	27	-	-	28	-
2. Financial liabilities measured at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	1,103	-	-	977	-
Total	-	1,130	-	-	1,005	-

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS MEASURED AT FAIR VALUE	FINANCIAL ASSETS AVAILABLE FOR SALE	HEDGING DERIVATIVES	PROPERTY AND EQUIPMENT	INTANGIBLES ASSETS
1. Opening balance						
2. Increases	-	-	5	-	-	-
2.1 Purchases	-	-	5	-	-	-
2.2 Profits recognised under:	-	-	-	-	-	-
2.2.1 Income statement	-	-	-	-	-	-
- including capital gains	-	-	-	-	-	-
2.2.2 Shareholders' equity	X	X	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-
3. Decreases	-	-	1	-	-	-
3.1 Sales	-	-	-	-	-	-
3.2 Redemptions	-	-	-	-	-	-
3.3 Losses recognised under:	-	-	1	-	-	-
3.3.1 Income statement	-	-	1	-	-	-
- including losses	-	-	1	-	-	-
3.3.2 Shareholders' equity	X	X	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-
4. Closing balance	-	-	4	-	-	-

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: analysis by fair value level

ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2016				31.12.2015			
	BOOK VALUE	LEVEL 1	LEVEL 2	LEVEL 3	BOOK VALUE	LEVEL 1	LEVEL 2	LEVEL 3
1. Held-to-maturity investments	125	125	-	-	297	297	-	-
2. Loans and advances to banks	18,705	-	12,546	6,293	13,223	-	5,901	7,453
3. Loans and advances to customers	9,602	-	3,676	5,685	8,973	-	3,341	5,497
4. Investment property and equipment	-	-	-	-	-	-	-	-
5. Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	28,432	125	16,222	11,978	22,493	297	9,242	12,950
1. Due to banks	2,665	-	908	1,792	3,110	-	704	2,406
2. Due to customers	27,561	-	23,957	3,604	21,419	-	18,224	3,195
3. Debt on issue	-	-	-	-	-	-	-	-
4. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	30,226	-	24,865	5,396	24,529	-	18,928	5,601

PART B - NOTES TO THE CONSOLIDATED BALANCE SHEET

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS - ITEM 10

1.1 Cash and cash equivalents: analysis

	31.12.2016	31.12.2015
a) Cash	46	38
b) Demand deposits with Central Banks	25	22
Total	71	60

SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

2.1 Financial assets held for trading: analysis

	31.12.2016			31.12.2015		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. Cash assets						
1. Debt securities	10	-	-	17	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	10	-	-	17	-	-
2. Equities	-	-	-	-	-	-
3. Units in mutual funds	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreement assets	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	10	-	-	17	-	-
B. Derivatives						
1. Financial derivatives	-	31	-	-	28	-
1.1 Held for trading	-	31	-	-	28	-
1.2 Connected with fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 Held for trading	-	-	-	-	-	-
2.2 Connected with fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	-	31	-	-	28	-
Total (A+B)	10	31	-	17	28	-

2.2 Financial assets held for trading: analysis by debtor/issuer

	31.12.2016	31.12.2015
A. Cash assets		
1. Debt securities	10	17
a) Governments and Central Banks	8	14
b) Other public entities	-	-
c) Banks	-	3
d) Other issuers	2	-
2. Equities	-	-
a) Banks	-	-
b) Other issuers:	-	-
- Insurance companies	-	-
- Financial Institutions	-	-
- Non-financial companies	-	-
- Other	-	-
3. Units in mutual funds	-	-
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total A	10	17
B. Derivatives		
a) Banks	13	12
- fair value	13	12
b) Customers	18	16
- fair value	18	16
Total B	31	28
Total (A+B)	41	45

SECTION 3 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - ITEM 30

3.1 Financial assets measured at fair value through profit or loss: analysis

	31.12.2016			31.12.2015		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	-	189	-	-	164	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities (*)	-	189	-	-	164	-
2. Equities	5	-	-	3	-	-
3. Units in mutual funds	-	-	-	-	-	-
4. Loans	-	1	-	-	1	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	1	-	-	1	-
Total	5	190	-	3	165	-
Cost	4	142	-	2	119	-

(*) The Level 2 debt securities regard the insurance policies that the Group took out to insure the market yields of the Personal Financial Adviser Networks' Loyalty Schemes.

3.2 Financial assets measured at fair value through profit or loss: analysis by debtor/issuer

	31.12.2016	31.12.2015
1. Debt securities	189	164
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Others issuers	189	164
2. Equities	5	3
a) Banks	5	3
b) Other issuers:	-	-
- Insurance companies	-	-
- Financial Institutions	-	-
- Non-financial companies	-	-
- Other	-	-
3. Units in mutual funds	-	-
4. Loans	1	1
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	1	1
d) Other parties	-	-
Total	195	168

SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE - ITEM 40

4.1 Financial assets available for sale: analysis

	31.12.2016			31.12.2015		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	3,706	583	-	3,678	585	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	3,706	583	-	3,678	585	-
2. Equities	1	-	4	1	-	-
2.1 Measured at fair value	1	-	4	1	-	-
2.2 Measured at cost	-	-	-	-	-	-
3. Units in mutual funds	3	-	-	195	-	-
4. Loans	-	-	-	-	-	-
Total	3,710	583	4	3,874	585	-

4.2 Financial assets available for sale: analysis by debtor/issuer

	31.12.2016	31.12.2015
1. Debt securities	4,289	4,263
a) Governments and Central Banks	1,508	1,484
b) Other public entities	-	-
c) Banks	2,165	2,223
d) Other issuers	616	556
2. Equities	5	1
a) Banks	1	1
b) Other issuers:	4	-
- Insurance companies	-	-
- Financial Institutions	4	-
- Non-financial companies	-	-
- Other	-	-
3. Units in mutual funds	3	195
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	4,297	4,459

4.3 Financial assets available for sale hedged with micro-hedging

	31.12.2016	31.12.2015
1. Financial assets hedged with fair value micro-hedging	1,706	1,652
a) Interest rate risk	1,576	1,524
b) Price risk	-	-
c) Exchange rate risk	-	-
d) Credit risk	-	-
e) Other risks	130	128
2. Financial assets hedged with micro-hedging of financial flows	-	-
a) Interest rate risk	-	-
b) Exchange rate risk	-	-
c) Other	-	-
Total	1,706	1,652

SECTION 5 - HELD-TO-MATURITY INVESTMENTS - ITEM 50

5.1 Held-to-maturity investments: analysis

	TOTAL 31.12.2016				TOTAL 31.12.2015			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Debts securities	125	125	-	-	297	297	-	-
- Structured securities	-	-	-	-	-	-	-	-
- Other debt securities	125	125	-	-	297	297	-	-
2. Loans	-	-	-	-	-	-	-	-

5.2 Held-to-maturity investments: analysis by debtor/issuer

	31.12.2016	31.12.2015
1. Debt securities	125	297
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	125	257
d) Other issuers	-	40
2. Loans	-	-
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	125	297
Total fair value	125	297

SECTION 6 - LOANS AND ADVANCES TO BANKS - ITEM 60

6.1 Loans and advances to banks: analysis

	TOTAL 31.12.2016				TOTAL 31.12.2015			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
A. Due from Central Banks	204	-	-	204	107	-	-	107
1. Term deposits	-	X	X	X	-	X	X	X
2. Statutory reserve	204	X	X	X	107	X	X	X
3. Repurchase agreement assets	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Loans and advances to banks	18,501	-	12,546	6,089	13,116	-	5,901	7,346
1. Loans	12,738	-	6,649	6,089	9,045	-	1,699	7,346
1.1 Current accounts and demand deposits	4,906	X	X	X	4,446	X	X	X
1.2 Term deposits	7,808	X	X	X	4,585	X	X	X
1.3 Other loans:	24	X	X	X	14	X	X	X
- Repurchase agreement assets	-	X	X	X	-	X	X	X
- Finance leases	-	X	X	X	-	X	X	X
- Other	24	X	X	X	14	X	X	X
2. Debt securities	5,763	-	5,897	-	4,071	-	4,202	-
2.1 Structured securities	-	X	X	X	-	X	X	X
2.2 Other debt securities	5,763	X	X	X	4,071	X	X	X
Total	18,705	-	12,546	6,293	13,223	-	5,901	7,453

Fair Value - Level 3 includes the statutory reserve, current accounts and term deposits maturing in more than one year.

6.2 Loans and advances to banks hedged with micro-hedging

	31.12.2016	31.12.2015
1. Loans hedged with fair value micro-hedging	596	382
a) Interest rate risk	596	382
b) Exchange rate risk	-	-
c) Credit risk	-	-
d) Other risks	-	-
2. Loans hedged with micro-hedging of financial flows	-	-
a) Interest rate	-	-
b) Exchange rate	-	-
c) Other	-	-
Total	596	382

SECTION 7 - LOANS AND ADVANCES TO CUSTOMERS - ITEM 70

7.1 Loans and advances to customers: analysis

	TOTAL 31.12.2016						TOTAL 31.12.2015					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
	PERFORMING	NON-PERFORMING (*)		LEVEL 1	LEVEL 2	LEVEL 3	PERFORMING	NON-PERFORMING (*)		LEVEL 1	LEVEL 2	LEVEL 3
		PURCHASED	OTHER					PURCHASED	OTHER			
Loans	7,705	-	9	-	2,029	5,685	7,437	1	10	-	1,951	5,497
1. Current accounts	5,198	-	6	X	X	X	5,078	1	9	X	X	X
2. Repurchase agreement assets	820	-	-	X	X	X	966	-	-	X	X	X
3. Loans	519	-	2	X	X	X	380	-	1	X	X	X
4. Credit cards, personal loans and loans with repayments deducted directly from wages	103	-	-	X	X	X	90	-	-	X	X	X
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other transactions	1,065	-	1	X	X	X	923	-	-	X	X	X
Debt securities	1,888	-	-	-	1,647	-	1,525	-	-	-	1,390	-
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	1,888	-	-	X	X	X	1,525	-	-	X	X	X
Total	9,593	-	9	-	3,676	5,685	8,962	1	10	-	3,341	5,497

(*) Non-performing loans comprised doubtful loans totalling €1m, debtor unlikely to pay loans totalling €5m and past due or overdue loans totalling €3m.

Fair Value - Level 3 mainly includes current accounts and non-performing loans.

7.2 Loans and advances to customers: analysis by debtor/issuer

	TOTAL 31.12.2016			TOTAL 31.12.2015		
	PERFORMING	NON-PERFORMING		PERFORMING	NON-PERFORMING	
		PURCHASED	OTHER		PURCHASED	OTHER
1. Debt securities	1,888	-	-	1,526	-	-
a) Governments	1,610	-	-	1,488	-	-
b) Other public entities	-	-	-	-	-	-
c) Other issuers	278	-	-	38	-	-
- Non-financial companies	-	-	-	-	-	-
- Financial institutions	278	-	-	38	-	-
- Insurance companies	-	-	-	-	-	-
- Other	-	-	-	-	-	-
2. Loans to	7,705	-	9	7,436	1	10
a) Governments	-	-	-	-	-	-
b) Other public entities	-	-	-	-	-	-
c) Other parties	7,705	-	9	7,436	1	10
- Non-financial companies	1,916	-	4	1,882	-	5
- Financial companies	1,255	-	1	1,335	1	-
- Insurance companies	143	-	-	124	-	-
- Other	4,391	-	4	4,095	-	5
Total	9,593	-	9	8,962	1	10

7.3 Loans and advances to customers hedged with micro-hedging

	31.12.2016	31.12.2015
1. Loans hedged with fair value micro-hedging	1,811	1,488
a) Interest rate risk	1,811	1,488
b) Exchange rate risk	-	-
c) Credit risk	-	-
d) Other risks	-	-
2. Loans hedged with micro-hedging of financial flows	-	-
a) Interest rate	-	-
b) Exchange rate	-	-
c) Other	-	-
Total	1,811	1,488

SECTION 8 - HEDGING DERIVATIVES - ITEM 80

8.1 Hedging derivatives: analysis by type of hedge and level

	31.12.2016				31.12.2015			
	FAIR VALUE			NOMINAL VALUE	FAIR VALUE			NOMINAL VALUE
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
A. Financial derivatives	-	3	-	2,520	-	2	-	239
1. Fair value	-	3	-	2,520	-	2	-	239
2. Financial flows	-	-	-	-	-	-	-	-
3. Investments outside Italy	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1. Fair value	-	-	-	-	-	-	-	-
2. Financial flows	-	-	-	-	-	-	-	-
Total	-	3	-	2,520	-	2	-	239

8.2 Hedging derivatives: analysis by portfolio hedged and type of hedging

	FAIR VALUE					MACRO-HEDGING	FINANCIAL FLOWS		INVESTMENTS OUTSIDE ITALY
	MICRO-HEDGING						MICRO-HEDGING	MACRO-HEDGING	
	INTEREST RATE RISK	EXCHANGE RATE RISK	CREDIT RISK	PRICE RISK	OTHER RISKS				
1. Financial assets available for sale	3	-	-	-	-	X	-	X	X
2. Loans	-	-	-	X	-	X	-	X	X
3. Held-to-maturity investments	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	3	-	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	-	-	-	-	-	-	-	-	-
1. Anticipated transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

SECTION 10 - EQUITY INVESTMENTS - ITEM 100

10.1 Equity investments: information on equity relationships

NAME	REGISTERED OFFICE	OPERATIONAL HEAD OFFICE	TYPE OF RELATIONSHIP	OWNERSHIP		
				ASSOCIATE COMPANY	% OWNED	% VOTES
B. Companies subject to significant influence						
1. Qingdao Yicai Wealth Management Co. Ltd	Qingdao	Qingdao	1	Fideuram - Intesa Sanpaolo Private Banking	25.000	
2. Fideuram Vita S.p.A.	Rome	Rome	1	Fideuram - Intesa Sanpaolo Private Banking	19.990	
3. Consorzio Studi e Ricerche Fiscali	Rome	Rome	1	Fideuram - Intesa Sanpaolo Private Banking	7.500	
4. SMIA S.p.A.	Rome	Rome	1	Fideuram - Intesa Sanpaolo Private Banking	0.636	
5. Intesa Sanpaolo Group Services S.C.p.A.	Turin	Turin	1	Fideuram - Intesa Sanpaolo Private Banking	0.007	
				Intesa Sanpaolo Private Banking	0.004	
				Sanpaolo Invest	0.001	
				Fideuram Investimenti	0.001	
6. Infogroup S.C.p.A.	Florence	Florence	1	Fideuram - Intesa Sanpaolo Private Banking	0.002	

Type of relationship:

1. Companies subject to significant influence.

10.2 Significant equity investments: book value, fair value and dividends received

NAME	BOOK VALUE	FAIR VALUE	DIVIDENDS RECEIVED
B. Companies subject to significant influence			
1. Qingdao Yicai Wealth Management Co. Ltd	5		-
2. Fideuram Vita S.p.A.	136		-

10.3 Significant equity investments: accounting information

COMPANY	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	NON-FINANCIAL ASSETS	FINANCIAL LIABILITIES	NON-FINANCIAL LIABILITIES	TOTAL REVENUES	NET INTEREST INCOME	DEPRECIATION AND AMORTISATION	PROFIT (LOSS) BEFORE TAX	NET PROFIT (LOSS) AFTER TAX	NET PROFIT (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS	NET PROFIT (LOSS) FOR THE YEAR	OTHER COMPREHENSIVE INCOME AFTER TAX	TOTAL COMPREHENSIVE INCOME
B. Companies subject to significant influence														
Qingdao Yicai Wealth Management Co. Ltd	X	20	-	-	-	-	X	X	-	-	-	-	-	-
Fideuram Vita	X	29,878	770	29,261	710	2,244	X	X	75	52	-	52	(17)	35

Reconciliation of financial statement data and book value of the equity investment

	FIDEURAM VITA	QINGDAO YICAI WEALTH MANAGEMENT CO. LTD
Shareholders' equity	677	20
Interest held by Fideuram	19.99%	25%
Consolidated book value of the equity investment	136	5

10.5 Equity investments: changes in the year

	31.12.2016	31.12.2015
A. Opening balance	129	119
B. Increases	12	10
B.1 Purchases	-	-
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other increases (*)	12	10
C. Decreases	-	-
C.1 Sales	-	-
C.2 Write-downs	-	-
C.3 Other decreases	-	-
D. Closing balance	141	129
E. Total revaluations	-	-
F. Total adjustments	-	-

(*) Includes €7m effect of adjusting the value of the equity investment in Fideuram Vita to bring it into line with the subsidiary's shareholders' equity and €5m payment of 25% share capital to set up the Chinese company Qingdao Yicai Wealth Management Co. Ltd.

10.6 Significant judgements and assumptions made in determining joint control or significant influence

A company is considered subject to significant influence if Fideuram - Intesa Sanpaolo Private Banking holds 20% or more of the voting rights directly or indirectly, or if it is able to participate in determining the company's financial and management policies due to special legal ties even in the case of holding fewer voting rights.

10.8 Commitments regarding equity investments in entities subject to significant influence

These commitments included approximately €363m put options that Fideuram issued to Intesa Sanpaolo under the agreement between them regarding the latter's holding in Fideuram Vita (amounting to 80.01% of the share capital).

SECTION 12 - PROPERTY AND EQUIPMENT - ITEM 120

12.1 Functional property and equipment: analysis of assets measured at cost

	31.12.2016	31.12.2015
1. Owned assets	40	39
a) land	21	21
b) buildings	9	9
c) furniture	7	6
d) electronic equipment	1	1
e) other	2	2
2. Assets purchased under financial leasing agreements	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total	40	39

12.5 Functional property and equipment: changes in the year

	LAND	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	TOTAL
A. Gross opening balance	21	77	41	44	43	226
A.1 Total net depreciation	-	(68)	(35)	(43)	(41)	(187)
A.2 Net opening balance	21	9	6	1	2	39
B. Increases	-	-	3	1	1	5
B.1 Purchases	-	-	2	-	-	2
of which business combination transactions	-	-	-	-	-	-
B.2 Expenditures for capitalised improvements	-	-	-	1	1	2
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other increases	-	-	1	-	-	1
C. Decreases	-	-	2	1	1	4
C.1 Sales	-	-	-	-	-	-
C.2 Amortisation	-	-	2	1	-	3
C.3 Impairment write-downs recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Decreases in fair value recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfer to:	-	-	-	-	-	-
a) investment property and equipment	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other decreases	-	-	-	-	1	1
D. Net closing balance	21	9	7	1	2	40
D.1 Total net depreciation	-	68	37	44	41	190
D.2 Gross closing balance	21	77	44	45	43	230
E. Valuation at cost	-	-	-	-	-	-

The depreciation rates applied to property and equipment were as follows (% range):

Buildings: 3%

Furniture: between 12% and 15%

Electronic equipment: between 20% and 40%

Other: between 7.5% and 30%

SECTION 13 - INTANGIBLE ASSETS - ITEM 130

13.1 Intangible assets: analysis by type of asset

	31.12.2016		31.12.2015	
	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
A.1 Goodwill	X	140	X	140
A.1.1 Group interests	X	140	X	140
A.1.2 Third party interests	X	-	X	-
A.2 Other intangible assets	41	-	35	-
A.2.1 Assets valued at cost:	41	-	35	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	41	-	35	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	41	140	35	140

13.2 Intangible assets: changes in the year

	GOODWILL	OTHER INTANGIBLE ASSETS: GENERATED INTERNALLY		OTHER INTANGIBLE ASSETS: OTHER		
		FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE	
A. Gross opening balance	140	-	-	88	-	228
A.1 Total net adjustments	-	-	-	(53)	-	(53)
A.2 Net opening balance	140	-	-	35	-	175
B. Increases	-	-	-	23	-	23
B.1 Purchases	-	-	-	23	-	23
of which business combination transactions	-	-	-	-	-	-
B.2 Increases in internally generated intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value recognised in:	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases	-	-	-	17	-	17
C.1 Sales	-	-	-	-	-	-
C.2 Write-downs	-	-	-	17	-	17
- Depreciation and amortisation	X	-	-	17	-	17
- Write-downs	-	-	-	-	-	-
+ shareholders' equity	X	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Decreases in fair value recognised in:	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-	-
D. Net closing balance	140	-	-	41	-	181
D.1 Total net adjustments	-	-	-	43	-	43
E. Gross closing balance	140	-	-	84	-	224
F. Valuation at cost	-	-	-	-	-	-

The amortisation rate applied to intangible assets, mainly software, was 33.33%.

SECTION 14 - TAX ASSETS AND TAX LIABILITIES - ASSETS ITEM 140 AND LIABILITIES ITEM 80

14.1 Deferred tax assets: analysis

	31.12.2016	31.12.2015
Breakdown of deferred tax assets:		
- Provisions for future charges	70	71
- Financial assets available for sale (*)	33	22
- Goodwill	20	25
- Incentive payments to Personal Financial Adviser Networks	14	16
- Losses carried forward (**)	3	8
- Other	12	12
Total	152	154

(*) The increase in this item was due to fair value gains on financial assets available for sale.

(**) Deferred tax assets in respect of losses carried forward regarded the tax benefit of the losses accrued in prior years by the Group's French subsidiaries

14.2 Deferred tax liabilities: analysis

	31.12.2016	31.12.2015
Breakdown of deferred tax liabilities:		
- Financial assets available for sale	18	23
- Future dividends	26	25
- Goodwill	3	3
- Other	6	5
Total	53	56

14.3 Changes in deferred tax assets (balancing entry in income statement)

	31.12.2016	31.12.2015
1. Opening balance	131	78
2. Increases	23	73
2.1 Deferred tax assets recognised in the year	23	17
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	23	17
2.2 New taxes or increases in tax rates	-	1
2.3 Other increases	-	-
2.4 Business combination transactions	-	55
3. Decreases	39	20
3.1 Deferred tax assets reversed in the year	34	15
a) reversals	34	15
b) write-downs for uncollectibility	-	-
c) changes in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	5	5
a) conversion to tax credits in accordance with Italian law No. 214/2011	-	-
b) other	5	5
3.4 Business combination transactions	-	-
4. Closing balance	115	131

14.3.1 Changes in deferred tax assets pursuant to law 214/2011 (balancing entry in income statement)

	31.12.2016	31.12.2015
1. Opening balance	27	-
2. Increases	-	29
of which business combination transactions	-	29
3. Decreases	6	2
3.1 Reversals	6	2
3.2 Conversion to tax credits	-	-
a) from operating losses	-	-
b) from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	21	27

14.4 Changes in deferred tax liabilities (balancing entry in income statement)

	31.12.2016	31.12.2015
1. Opening balance	33	15
2. Increases	28	30
2.1 Deferred tax liabilities recognised in the year	28	26
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) other	28	26
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
2.4 Business combination transactions	-	4
3. Decreases	27	12
3.1 Deferred tax liabilities reversed in the year	2	-
a) reversals	1	-
b) due to changes in accounting policies	-	-
c) other	1	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	25	12
3.4 Business combination transaction	-	-
4. Closing balance	34	33

14.5 Change in deferred tax assets (balancing entry in shareholders' equity)

	31.12.2016	31.12.2015
1. Opening balance	23	46
2. Increases	20	5
2.1 Deferred tax assets recognised in the year	19	3
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) other	19	3
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	1	1
2.4 Business combination transactions	-	1
3. Decreases	6	28
3.1 Deferred tax assets reversed in the year	5	28
a) reversals	-	-
b) write-downs for uncollectibility	-	-
c) due to changes in accounting policies	-	-
d) other	5	28
3.2 Reductions in tax rates	-	-
3.3 Other decreases	1	-
3.4 Business combination transaction	-	-
4. Closing balance (*)	37	23

(*) Principally deferred tax assets regarding losses on debt securities in the available-for sale portfolio.

14.6 Changes in deferred tax liabilities (balancing entry in shareholders' equity)

	31.12.2016	31.12.2015
1. Opening balance	23	11
2. Increases	6	14
2.1 Deferred tax liabilities recognised in the year	6	4
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) other	6	4
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
2.4 Business combination transactions	-	10
3. Decreases	10	2
3.1 Deferred tax liabilities reversed in the year	10	2
a) reversals	7	2
b) due to changes in accounting policies	-	-
c) other	3	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
3.4 Business combination transactions	-	-
4. Closing balance (*)	19	23

(*) Principally deferred tax liabilities regarding gains on debt securities in the available-for sale portfolio.

14.7 Other information

The Italian companies in the Fideuram Group avail themselves of the "Istituto del Consolidato Fiscale Nazionale" tax consolidation regime as subsidiaries of Intesa Sanpaolo. This tax consolidation regime, which is governed by special regulations, provides for the aggregation of the taxable income of all the Group companies involved, and a single payment of IRES corporate income tax by Intesa Sanpaolo in its role as consolidating company.

SECTION 16 - OTHER ASSETS - ITEM 160

16.1 Other assets: analysis

	31.12.2016	31.12.2015
Due from tax authorities (*)	318	368
Clearing accounts and other receivables	310	309
Due from Personal Financial Advisers (**)	199	191
Prepaid expenses relating to Network incentives (***)	173	156
Due from Intesa Sanpaolo under Italy's tax consolidation regime	27	18
Other accrued income and prepaid expenses	22	22
Other	42	31
Total	1,091	1,095

(*) Includes €225k advance stamp duty regarding managed financial products in accordance with art. 13, subparagraph 2-ter of the table of rates forming an annex to Italian Presidential Decree No. 642/72.

(**) Mainly advances on bonuses already accrued but subject to verification of continued attainment of inflow targets. Also includes advances on indemnities, loyalty schemes and other lesser items.

(***) Prepaid expenses regarding the bonuses for meeting net inflow targets set in the 2010-2016 schemes, linked to the duration of contractual relationships with customers.

LIABILITIES

SECTION 1 - DUE TO BANKS - ITEM 10

1.1 Due to banks: analysis

	31.12.2016	31.12.2015
1. Due to Central Banks	-	-
2. Due to banks	2,665	3,110
2.1 Current accounts and demand deposits	140	121
2.2 Term deposits	124	25
2.3 Loans	2,387	2,957
2.3.1 Repurchase agreement liabilities (*)	2,387	2,957
2.3.2 Other	-	-
2.4 Debts from commitments to repurchase own equity instruments	-	-
2.5 Other debts	14	7
Total	2,665	3,110
Fair value - Level 1	-	-
Fair value - Level 2	908	704
Fair value - Level 3	1,792	2,406
Total Fair value	2,700	3,110

(*) Mainly repurchase agreements with Intesa Sanpaolo Group companies.

Fair Value - Level 3 mainly includes repurchase agreements maturing in more than one year.

SECTION 2 - DUE TO CUSTOMERS - ITEM 20

2.1 Due to customers: analysis

	31.12.2016	31.12.2015
1. Current accounts and demand deposits	23,493	17,097
2. Term deposits	3,966	3,633
3. Loans	7	566
3.1 Repurchase agreement liabilities	7	566
3.2 Other	-	-
4. Debts from commitments to repurchase own equity instruments	-	-
5. Other debts	95	123
Total	27,561	21,419
Fair value - Level 1	-	-
Fair value - Level 2	23,957	18,224
Fair value - Level 3	3,604	3,195
Total Fair value	27,561	21,419

Fair Value - Level 3 mainly includes term deposits maturing in more than one year.

SECTION 4 - FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 40

4.1 Financial liabilities held for trading: analysis

	31.12.2016					31.12.2015				
	NOMINAL VALUE	FAIR VALUE			FV*	NOMINAL VALUE	FAIR VALUE			FV*
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
A. Cash Liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivatives										
1. Financial derivatives	-	-	27	-	-	-	-	28	-	-
1.1 Held for trading	X	-	27	-	X	X	-	28	-	X
1.2 Connected with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Connected with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	-	27	-	X	X	-	28	-	X
Total (A+B)	X	-	27	-	X	X	-	28	-	X

FV*: fair value calculated excluding any changes in value due to changes in the credit rating of the issuer with respect to the issue date.

SECTION 6 - HEDGING DERIVATIVES - ITEM 60

6.1 Hedging derivatives: analysis by type of hedge and level

	31.12.2016				31.12.2015			
	FAIR VALUE			NOMINAL VALUE	FAIR VALUE			NOMINAL VALUE
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
A. Financial derivatives	-	1,103	-	3,927	-	977	-	3,304
1. Fair value	-	1,103	-	3,927	-	977	-	3,304
2. Financial flows	-	-	-	-	-	-	-	-
3. Investments outside Italy	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1. Fair value	-	-	-	-	-	-	-	-
2. Financial flows	-	-	-	-	-	-	-	-
Total	-	1,103	-	3,927	-	977	-	3,304

6.2 Hedging derivatives: analysis by portfolio hedged and type of hedging

	FAIR VALUE					FINANCIAL FLOWS			INVESTMENTS OUTSIDE ITALY
	MICRO-HEDGING					MACRO- HEDGING	MICRO- HEDGING	MACRO- HEDGING	
	INTEREST RATE RISK	EXCHANGE RATE RISK	CREDIT RISK	PRICE RISK	OTHER RISKS				
1. Financial assets available for sale	363	-	-	-	34	X	-	X	X
2. Loans	706	-	-	X	-	X	-	X	X
3. Held-to-maturity investments	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	1,069	-	-	-	34	-	-	-	-
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	-	-	-	-	-	-	-	-	-
1. Anticipated transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

SECTION 10 - OTHER LIABILITIES - ITEM 100

10.1 Other liabilities: analysis

	31.12.2016	31.12.2015
Due to Personal Financial Advisers	359	381
Clearing accounts and other payables	88	113
Due under past Loyalty Schemes	70	71
Due to suppliers	58	64
Amounts to be collected by customers	57	52
Due to tax authorities	53	64
Payroll and social security payables	25	27
Due to pension and social security institutions	15	15
Due to Intesa Sanpaolo under Italy's tax consolidation regime	12	70
Due to Single Resolution Fund	12	-
Other	10	8
Total	759	865

SECTION 11 - PROVISION FOR EMPLOYMENT TERMINATION INDEMNITIES - ITEM 110

11.1 Provision for employment termination indemnities: changes in the year

	31.12.2016	31.12.2015
A. Opening balance	52	27
B. Increases	6	29
B.1 Provision for the year	1	-
B.2 Other increases	5	29
of which business combination transactions	-	28
C. Decreases	4	4
C.1 Indemnities paid	2	2
C.2 Other decreases	2	2
D. Closing balance	54	52

The main actuarial assumptions and reference rates used to determine the provision for company pension funds were as follows:

- Discount rate: 1.13%
- Anticipated rate of increase in remuneration: 2.67%
- Annual inflation rate: 1.5%

SECTION 12 - PROVISIONS FOR RISKS AND CHARGES - ITEM 120

12.1 Provisions for risks and charges: analysis

	31.12.2016	31.12.2015
1. Company pension funds	8	6
2. Other provisions for risks and charges	450	425
2.1 Litigation	93	95
2.2 Personnel expenses	56	54
2.3 Reserve for the termination of PFA agency agreements	204	184
2.4 Network loyalty schemes	80	73
2.5 Other provisions	17	19
Total	458	431

The main actuarial assumptions and reference rates used to determine the provision for company pension funds were as follows:

- Discount rate: 2.17%
- Anticipated rate of increase in remuneration: 2.76%
- Annual inflation rate: 1.5%

12.2 Provisions for risks and charges: changes in the year

	TOTAL	
	PENSION FUNDS	OTHER PROVISIONS
A. Opening balance	6	425
B. Increases	2	99
B.1 Provisions for the year	1	97
B.2 Changes due to the passage of time	-	-
B.3 Changes due to changes in the discount rate	-	1
B.4 Other increases of which business combination transactions	1	1
C. Decreases	-	74
C.1 Utilisation in the year	-	58
C.2 Changes due to changes in the discount rate	-	-
C.3 Other decreases	-	16
D. Closing balance	8	450

12.3 Defined-benefit company pension funds

The actuarial values required by IAS 19 "Employee benefits" for the defined-benefit complementary social security funds were calculated by an Independent Actuary using the projected unit credit method. The Group is a joint obligor in the external fund "Cassa di Previdenza Integrativa per il Personale dell'Istituto Bancario San Paolo di Torino" (Supplementary Pension Fund for Istituto Bancario San Paolo di Torino Personnel), a fund which has legal personality together with complete financial and asset management independence, in the fund "Fondo di Previdenza Complementare per il Personale del Banco di Napoli" (Supplementary Pension Fund for Banco di Napoli Personnel), which also has legal personality and asset management independence, and in the fund "Fondo di Previdenza per il Personale della Cassa di Risparmio di Firenze" (Pension Fund for Cassa di Risparmio di Firenze Personnel) which also has legal personality and asset management independence. The item balance of €8m is for the Fideuram and Intesa Sanpaolo Private Banking funds. Both banks have recorded the information on the external funds and operations for their pension plans in section 12.3 of their separate financial statements.

12.4 Provisions for risks and charges - other provisions

Other provisions for risks and charges comprised the following:

- The Provisions for litigation, which comprised the provisions set aside to cover potential losses on litigation, including claims from receivers and the provisions connected with the Group policy regarding corporate securities in default.
- The Provisions for personnel expenses, which comprised the variable component of the remuneration of employees (including the Sales Network of subsidiary Intesa Sanpaolo Private Banking) and the provisions set aside to pay seniority bonuses to employees.
- The provision for the termination of Personal Financial Adviser agency agreements determined using actuarial valuations that take the indemnities actually accrued into account, together with the composition of the Network and the indemnities paid to Personal Financial Advisers.
- The Provisions for the Network Loyalty Schemes, which represent the best estimate of the amount required to discharge the obligation at the accounting reference date, calculated using actuarial valuations.
- Other provisions principally concerned expenses that the Group could incur to settle a dispute with the Italian Inland Revenue regarding the tax deduction of the Fideuram - Intesa Sanpaolo Private Banking Personal Financial Adviser Network's Loyalty Schemes, and a potential dispute regarding a tax inspectorate report received by subsidiary Fideuram Investimenti.

Other provisions for risks and charges: changes in the year

	LITIGATION	PERSONNEL EXPENSES	RESERVE FOR THE TERMINATION OF PERSONAL FINANCIAL ADVISER AGENCY AGREEMENTS	NETWORK LOYALTY SCHEMES	OTHER PROVISIONS
A. Opening balance	95	54	184	73	19
B. Increases	19	42	28	9	1
B.1 Provisions for the year	19	41	28	9	-
B.2 Changes due to the passage of time	-	-	-	-	-
B.3 Changes due to fluctuations in the discount rate	-	1	-	-	-
B.4 Other increases	-	-	-	-	1
C. Decreases	21	40	8	2	3
C.1 Utilisation in the year	11	37	6	2	2
C.2 Changes due to fluctuations in the discount rate	-	-	-	-	-
C.3 Other decreases	10	3	2	-	1
D. Closing balance	93	56	204	80	17

SECTION 15 - EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY – ITEMS 140, 160, 170, 180, 190, 200 AND 220

15.1 “Share capital” and “Treasury shares”: analysis

The share capital and share premium reserve were the same as the amounts for the corresponding items in the shareholders' equity of Fideuram - Intesa Sanpaolo Private Banking. At 31 December 2016, the share capital totalled €300,000,000 divided into 1,500,000,000 no-par ordinary shares. The Group did not hold any treasury shares at 31 December 2016.

15.2 Share capital - Number of shares held by parent company: changes in the year

	ORDINARY	OTHER
A. Shares at beginning of financial year	1,500,000,000	-
- full paid-up	1,500,000,000	-
- partially paid-up	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	1,500,000,000	-
B. Increases	-	-
B.1. New issues	-	-
- Cash issues:	-	-
- business combination transactions	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- Free issues:	-	-
- for employees	-	-
- for directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other increases	-	-
C. Decreases	-	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Company sale transactions	-	-
C.4 Other decreases	-	-
D. Outstanding shares: closing balance	1,500,000,000	-
D.1 Treasury shares (+)	-	-
D.2 Shares at end of financial year	1,500,000,000	-
- full paid-up	1,500,000,000	-
- partially paid-up	-	-

15.4 Reserves: other information

The reserves totalled €1,373m and include Fideuram's legal reserve and other reserves.

The legal reserve, established in accordance with the law, is required to total at least one fifth of the share capital. In the past, it was made up of retained annual net profit in the amount of one twentieth.

The item Other reserves comprises Fideuram's remaining reserves and Group changes in the shareholders' equity of the companies included in the consolidation.

The Group's valuation reserves were negative to the tune of €84m and comprised the valuation reserves for available-for-sale assets, which were negative to the tune of €98m, the valuation reserve for actuarial gains and losses on defined benefit plans, which was negative to the tune of €9m, the foreign exchange valuation reserve, which was positive at €4m, and the reserves in compliance with special revaluation laws, which were also positive, totalling €19m.

OTHER INFORMATION

1. Guarantees and commitments

	31.12.2016	31.12.2015
1. Financial guarantees	164	114
a) Banks	1	1
b) Customers	163	113
2. Commercial guarantees	105	35
a) Banks	-	-
b) Customers	105	35
3. Commitments to grant finance	364	819
a) Banks	2	3
i) certain to be called on	2	3
ii) not certain to be called on	-	-
b) Customers	362	816
i) certain to be called on	353	815
ii) not certain to be called on	9	1
4. Commitments underlying credit derivatives: protection sales	-	-
5. Assets pledged as security for third-party liabilities	-	-
6. Other commitments	363	363
Total	996	1,331

2. Assets pledged as security for own liabilities and commitments

	31.12.2016	31.12.2015
1. Financial assets held for trading	-	-
2. Financial assets measured at fair value	-	-
3. Financial assets available for sale	2,086	1,874
4. Held-to-maturity investments	-	45
5. Loans and advances to banks	3,615	4,135
6. Loans and advances to customers	660	424
7. Property and equipment	-	-

5. Administration and trading on behalf of third parties

	31.12.2016
1. Execution of customer instructions	
a) Purchases	563
1. Settled	563
2. Not settled	-
b) Sales	428
1. Settled	428
2. Not settled	-
2. Portfolio management	
a) Individual	44,902
b) Collective	44,354
3. Custody and administration of securities	
a) Third-party securities held on deposit: connected with activities as depositary bank (excluding portfolio management)	56,203
1. Securities issued by companies included in the consolidation	-
2. Other securities	56,203
b) Third-party securities held on deposit (excluding portfolio management): other	38,386
1. Securities issued by companies included in the consolidation	-
2. Other securities	38,386
c) Third-party securities deposited with third parties	59,002
d) Portfolio securities deposited with third parties	10,300
4. Other transactions	37,344

6. Financial assets subject to offsetting, master netting arrangements or similar agreements.

	GROSS FINANCIAL ASSETS	FINANCIAL LIABILITIES SET OFF IN THE FINANCIAL STATEMENTS	NET FINANCIAL ASSETS RECOGNISED IN THE FINANCIAL STATEMENTS	RELATED AMOUNTS NOT SET OFF IN THE FINANCIAL STATEMENTS		NET AMOUNT AT 31.12.2016	NET AMOUNT AT 31.12.2015
				FINANCIAL INSTRUMENTS	CASH DEPOSITS HELD AS COLLATERAL		
1. Derivatives	12	-	12	4	-	8	7
2. Repurchase agreements	820	-	820	820	-	-	3
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31.12.2016	832	-	832	824	-	8	X
Total at 31.12.2015	975	-	975	965	-	X	10

7. Financial liabilities subject to offsetting, master netting arrangements or similar agreements.

	GROSS FINANCIAL LIABILITIES	FINANCIAL ASSETS SET OFF IN THE FINANCIAL STATEMENTS	NET FINANCIAL LIABILITIES SET OFF IN THE FINANCIAL STATEMENTS	RELATED AMOUNTS NOT SET OFF IN THE FINANCIAL STATEMENTS		NET AMOUNT AT 31.12.2016	NET AMOUNT AT 31.12.2015
				FINANCIAL INSTRUMENTS	CASH DEPOSITS PLEDGED AS COLLATERAL		
1. Derivatives	1,112	-	1,112	249	851	12	16
2. Repurchase agreements	455	-	455	455	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other transactions	-	-	-	-	-	-	-
Total at 31.12.2016	1,567	-	1,567	704	851	12	X
Total at 31.12.2015	1,442	-	1,442	690	736	X	16

The Group subordinates Over-The-Counter (OTC) derivatives transactions and most of its repurchase and reverse repurchase agreement transactions to the ISDA Master Agreement and Global Master Repurchase Agreements (GMRA) respectively.

These agreements enable the Group to reduce counterparty risk using what are known as close-out netting clauses under which the agreement is terminated and the net amount owing is settled. Pursuant to these clauses, when certain termination events occur - including non-performance of the contract, failure to deliver collateral and the insolvency of one of the parties - the contractual obligations arising from the individual transactions are terminated and replaced by a single obligation to pay the creditor the global net amount resulting from offsetting the current market values of the previous obligations, with which the parties settle their mutual accounts.

The Group enters into financial guarantee agreements in accordance with the ISDA Credit Support Annex (CSA) standard for OTC derivatives and in accordance with the GMRA standard for repurchase and reverse repurchase agreement transactions, which provide for the bilateral exchange of collateral in the form of cash and/or government securities. In accordance with the terms of the CSA and GMRA, the Group is able to make use of the assets held as collateral, including thorough disposal and transfers to third parties as collateral. Information on the measurement criteria adopted for the above financial assets and liabilities is provided in section A of the Accounting Policies.

Schedule 6 presents the financial derivatives subject to netting agreements recognised in balance sheet assets and the repurchase agreements recognised in Loans and advances to customers.

Schedule 7 presents the financial derivatives subject to netting agreements recognised in balance sheet liabilities and the repurchase agreements recognised in Due to banks.

PART C - NOTES TO THE CONSOLIDATED INCOME STATEMENT

SECTION 1 - INTEREST - ITEMS 10 AND 20

1.1 Interest income and similar income: analysis

	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	2016 TOTAL	2015 TOTAL
1. Financial assets held for trading	-	-	-	-	-
2. Financial assets measured at fair value	-	-	-	-	-
3. Financial assets available for sale	76	-	-	76	78
4. Held-to-maturity investments	-	-	-	-	1
5. Loans and advances to banks	84	36	-	120	114
6. Loans and advances to customers	48	73	-	121	117
7. Hedging derivatives	X	X	-	-	-
8. Other assets	X	X	9	9	1
Total	208	109	9	326	311

1.3 Interest income and similar income: other information

1.3.1 Interest income on financial assets denominated in foreign currencies

	2016	2015
On financial assets denominated in foreign currencies	8	7

1.4 Interest expense and similar expense: analysis

	DEBTS	SECURITIES	OTHER TRANSACTIONS	2016 TOTAL	2015 TOTAL
1. Due to Central Banks	-	X	-	-	-
2. Due to banks	16	X	-	16	16
3. Due to customers	37	X	-	37	43
4. Debt on issue	X	-	-	-	-
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities measured at fair value	-	-	-	-	-
7. Other liabilities and provisions	X	X	8	8	1
8. Hedging derivatives	X	X	89	89	83
Total	53	-	97	150	143

1.5 Interest expense and similar expense: hedging gains and losses

	2016	2015
A. Hedging gains	26	18
B. Hedging losses	115	101
C. Net gains / losses (A-B)	(89)	(83)

1.6 Interest expense and similar expense: other information

1.6.1 Interest expense on liabilities denominated in foreign currencies

	2016	2015
On liabilities denominated in foreign currencies	7	6

SECTION 2 - FEE AND COMMISSION INCOME AND EXPENSE - ITEMS 40 AND 50

2.1 Fee and commission income: analysis

	2016	2015
a) Guarantees given	1	1
b) Credit derivatives	-	-
c) Management, brokerage and advisory services:	2,145	1,838
1. Trading in financial instruments	5	3
2. Currency trading	2	1
3. Portfolio management:	866	845
3.1 Individual	333	267
3.2 Collective	533	578
4. Custody and administration of securities	26	22
5. Depository bank	10	10
6. Placement of securities	104	10
7. Receipt and transmission of instructions	37	29
8. Advisory services	113	110
8.1 Regarding investments	113	110
8.2 Regarding investment structure	-	-
9. Supply of third-party services	982	808
9.1 Portfolio management	460	377
9.1.1 Individual	93	64
9.1.2 Collective	367	313
9.2 Insurance products	516	426
9.3 Other products	6	5
d) Collection and payment services	7	7
e) Securitization services	-	-
f) Factoring services	-	-
g) Tax collection services	-	-
h) Management of multilateral trading systems	-	-
i) Processing and management of current accounts	6	6
j) Other services	20	18
k) Securities lending transactions	11	11
Total	2,190	1,881

2.2 Fee and commission expense: analysis

	2016	2015
a) Guarantees received	16	15
b) Credit derivatives	-	-
c) Management and brokerage services:	627	713
1. Trading in financial instrument	3	3
2. Currency trading	-	-
3. Portfolio management:	13	47
3.1 Owned	13	47
3.2 On behalf of third parties	-	-
4. Custody and administration of securities	11	10
5. Placement of financial instruments	16	15
6. Sales of financial products, products and services through non-branch channels	584	638
d) Collection and payment services	5	5
e) Other services	7	5
f) Securities lending transactions	8	8
Total	663	746

SECTION 4 - NET PROFIT (LOSS) ON TRADING ACTIVITIES - ITEM 80

4.1 Net profit (loss) on trading activities: analysis

	PROFITS	TRADING PROFITS	LOSSES	TRADING LOSSES	NET PROFITS OR LOSSES
1. Financial assets held for trading	-	1	-	-	1
1.1 Debt securities	-	1	-	-	1
1.2 Equities	-	-	-	-	-
1.3 Units in mutual funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange rate differences	X	X	X	X	7
4. Derivatives:	-	-	-	-	2
4.1 Financial derivatives:	-	-	-	-	2
- Debt derivatives and interest rate derivatives	-	-	-	-	-
- Equity derivatives and index derivatives	-	-	-	-	-
- Currencies and gold	X	X	X	X	2
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	-	1	-	-	10

SECTION 5 - NET PROFIT (LOSS) ON HEDGING DERIVATIVES - ITEM 90

5.1 Net profit (loss) on hedging derivatives: analysis

	2016	2015
A. Profit on:		
A.1 Fair value hedge derivatives	14	137
A.2 Hedged financial assets (fair value)	137	3
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Financial derivatives hedging financial flows	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total profit on hedging derivatives (A)	151	140
B. Loss on:		
B.1 Fair value hedge derivatives	(135)	(4)
B.2 Hedged financial assets (fair value)	(14)	(133)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Financial derivatives hedging financial flows	-	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
Total loss on hedging derivatives (B)	(149)	(137)
C. Net profit (loss) on hedging derivatives (A-B)	2	3

SECTION 6 - NET PROFIT (LOSS) ON SALES/REPURCHASES - ITEM 100

6.1 Net profit (loss) on sales/repurchases: analysis

	2016			2015		
	PROFIT	LOSS	NET PROFIT/ LOSS	PROFIT	LOSS	NET PROFIT/ LOSS
Financial assets						
1. Loans and advances to banks	7	-	7	-	(1)	(1)
2. Loans and advances to customers	1	-	1	-	-	-
3. Financial assets available for sale	19	(5)	14	1	(3)	(2)
3.1 Debt securities	19	(5)	14	1	(3)	(2)
3.2 Equity	-	-	-	-	-	-
3.3 Units in mutual funds	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	27	(5)	22	1	(4)	(3)
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt on issue	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-

SECTION 7 - NET PROFIT (LOSS) ON FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - ITEM 110

7.1 Net profit (loss) on financial assets/liabilities measured at fair value through profit or loss: analysis

	PROFIT	PROFIT ON DISPOSAL	LOSS	LOSS ON DISPOSAL	NET PROFIT OR LOSS
1. Financial assets	6	-	(1)	-	5
1.1 Debt securities (*)	6	-	-	-	6
1.2 Equities	-	-	-	-	-
1.3 Units in mutual funds	-	-	-	-	-
1.4 Loans	-	-	(1)	-	(1)
2. Financial liabilities	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Financial assets and liabilities denominated in foreign currencies: exchange rate differences	X	X	X	X	-
4. Credit and financial derivatives	-	-	-	-	-
Total	6	-	(1)	-	5

(*) The profit regarded the insurance policies taken out as part of the Personal Financial Adviser loyalty schemes.

SECTION 8 - NET IMPAIRMENT OF FINANCIAL ASSETS - ITEM 130

8.1 Net impairment of loans: analysis

	WRITE-DOWNS			WRITE-BACKS				2016 TOTAL	2015 TOTAL
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		INTEREST	OTHER WRITE-BACKS	INTEREST	OTHER WRITE-BACKS		
A. Loans and advances to banks	-	-	-	-	-	-	-	-	
- Loans	-	-	-	-	-	-	-	-	
- Debt securities	-	-	-	-	-	-	-	-	
B. Loans and advances to customers	-	(3)	(1)	-	2	-	(2)	1	
Purchased impaired loans	-	-	-	-	-	-	-	-	
- Loans	-	-	X	-	-	-	X	-	
- Debt securities	-	-	X	-	-	-	X	-	
Other receivables	-	(3)	(1)	-	2	-	(2)	1	
- Loans	-	(3)	(1)	-	2	-	(2)	1	
- Debt securities	-	-	-	-	-	-	-	-	
C. Total	-	(3)	(1)	-	2	-	(2)	1	

8.2 Net impairment of financial assets available for sale: analysis

	WRITE-DOWNS		WRITE-BACKS		2016 TOTAL	2015 TOTAL
	SPECIFIC		SPECIFIC			
	WRITE-OFFS	OTHER	INTEREST	OTHER WRITE-BACKS		
A. Debt securities	-	-	-	-	-	-
B. Equities	-	(1)	X	X	(1)	-
C. Units in mutual funds	-	-	X	-	-	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	-	(1)	-	-	(1)	-

SECTION 11 - ADMINISTRATIVE EXPENSES - ITEM 180

11.1 Personnel expenses: analysis

	2016	2015
1) Employees	313	206
a) Wages and salaries	193	139
b) Social security contributions	49	35
c) Termination indemnities	2	1
d) Pension costs	-	-
e) Provision for employee termination indemnities	1	-
f) Provision for retirement benefits and similar obligations:	1	-
- defined contribution	-	-
- defined benefit	1	-
g) Payments to external supplementary pension funds:	14	9
- defined contribution	14	9
- defined benefit	-	-
h) Costs arising from payment agreement based on own equity instruments	-	-
i) Other employee benefits	53	22
2) Other staff	2	1
3) Directors and auditors	2	2
4) Retired staff	-	-
Total	317	209

11.2 Average number of employees by category

	2016
Employees:	2,834
a) Directors	74
b) Executive Management	1,770
c) Other employees	990
Other staff	33

11.3 Defined-benefit company pension funds: costs and income

Expenses regarding current service costs and actuarial expenses for external funds totalling €1m were recognised in the year.

11.4 Other employee benefits

These mainly comprised the variable component of the remuneration of employees (including the sales network of subsidiary Intesa Sanpaolo Private Banking).

11.5 Other administrative expenses: analysis

	2016	2015
IT costs	18	21
- Software maintenance and upgrades	12	14
- Maintenance and rental of electronic equipment	1	2
- Data transmission	-	-
- Rental of office equipment	4	4
- Telephone	1	1
- Recovery of IT costs	-	-
Property management costs	54	49
- Property rent	41	35
- Maintenance of rented property	2	2
- Maintenance of own property	-	-
- Security	1	1
- Cleaning	2	2
- Power	4	5
- Miscellaneous building costs	4	4
- Recovery of property management costs	-	-
General expenses	45	33
- Postage and telegraphic expenses	3	3
- Office supplies	3	3
- Transport and counting of valuables	1	1
- Couriers and transport	3	3
- Search and information services	6	5
- Other expenses	29	18
- Recovery of general expenses	-	-
Professional and insurance costs	21	14
- Professional fees	11	5
- Legal advice and court fees	4	4
- Bank and customer insurance premiums	6	5
- Recovery of professional and insurance costs	-	-
Promotional and advertising expenses	8	7
- Advertising and entertainment	8	7
- Recovery of promotional and advertising expenses	-	-
Indirect personnel expenses	7	5
- Indirect personnel expenses	7	5
- Recovery of indirect personnel expenses	-	-
Services by third parties	105	93
- Expenses for services by third parties	33	29
- Expenses for outsourcing within the Group	72	64
- Recovery of services by third parties	-	-
Total other administrative costs net of indirect taxes	258	222
Indirect taxes		
- Stamp duty	218	167
- Substitute tax (Italian Presidential Decree No. 601/73)	1	-
- Local council property tax	1	1
- Other indirect taxes	3	2
- Recovery of indirect taxes	(3)	(2)
Total Indirect taxes	220	168
Total other administrative expenses	478	390

SECTION 12 - NET PROVISIONS FOR RISKS AND CHARGES - ITEM 190

12.1 Net provisions for risks and charges: analysis

	2016		
	PROVISIONS	UTILISATION	TOTAL
Termination of Personal Financial Adviser agency agreements	28	2	26
Litigation and claims from receivers	19	10	9
Costs relating to the Personal Financial Adviser Networks' Loyalty Schemes (*)	9	-	9
Other	1	1	-
Total	57	13	44

(*) Includes €4m gains on the insurance policies taken out under the Personal Financial Adviser loyalty schemes.

SECTION 13 - DEPRECIATION OF PROPERTY AND EQUIPMENT - ITEM 200

13.1 Depreciation of property and equipment: analysis

	DEPRECIATION	NET ADJUSTMENTS FOR IMPAIRMENT LOSSES	WRITE-BACKS	NET ADJUSTMENTS
A. Property and equipment				
A.1 Owned	3	-	-	3
- Functional property and equipment	3	-	-	3
- Investment property and equipment	-	-	-	-
A.2 Purchased under finance lease arrangements	-	-	-	-
- Functional property and equipment	-	-	-	-
- Investment property and equipment	-	-	-	-
Total	3	-	-	3

SECTION 14 - AMORTISATION OF INTANGIBLE ASSETS - ITEM 210

14.1 Amortisation of intangible assets: analysis

	AMORTISATION	NET ADJUSTMENTS FOR IMPAIRMENT LOSSES	WRITE-BACKS	NET ADJUSTMENTS
A. Intangible assets				
A.1 Owned	17	-	-	17
- Generated internally	-	-	-	-
- Other	17	-	-	17
A.2 Purchased under finance lease arrangements	-	-	-	-
Total	17	-	-	17

SECTION 15 - OTHER INCOME (EXPENSE) - ITEM 220

15.1 Other expense: analysis

	2016	2015
Personal Financial Advisers - related expenses	-	4
Settlement of litigation	1	3
Depreciation of leasehold improvements	3	2
Other	2	-
Total	6	9

15.2 Other income: analysis

	2016	2015
Recovery of indirect taxes	217	167
Other income	3	4
Total	220	171

SECTION 16 - PROFIT (LOSS) ON EQUITY INVESTMENTS - ITEM 240

16.1 Profit (loss) on equity investments: analysis

	2016	2015
1) Jointly-controlled entities		
A. Income	-	-
1. Revaluations	-	-
2. Profit from sales	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expenses	-	-
1. Write-downs	-	-
2. Impairment	-	-
3. Losses from sales	-	-
4. Other	-	-
Net profit (loss)	-	-
2) Entities subject to significant influence		
A. Income	10	9
1. Revaluations (*)	10	9
2. Profit on sales	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expenses	-	-
1. Write-downs	-	-
2. Impairment	-	-
3. Losses from sales	-	-
4. Other	-	-
Net profit (loss)	10	9
Total	10	9

(*) Regards the holding in Fideuram Vita S.p.A. carried at equity.

SECTION 20 - INCOME TAXES - ITEM 290

20.1 Income taxes: analysis

	2016	2015
1. Current taxes (-)	(292)	(225)
2. Changes to current taxes for prior years (+/-)	11	8
3. Reduction in current taxes (+)	-	-
3.bis Reduction in current taxes due to tax credit pursuant to Italian Law No. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	(11)	3
5. Change in deferred tax liabilities (+/-)	(26)	(26)
6. Taxes for the year (-)	(318)	(240)

20.2 Reconciliation of theoretical tax burden and actual financial statement tax burden

	2016
Taxable income	1,104
Standard tax rate applicable	33%
Theoretical tax burden	364
Tax impact with respect to:	
Different tax rates applying to foreign subsidiaries	(66)
Consolidation adjustments	5
Changes to current taxes for prior years	11
Non-deductible costs	6
IRAP regional business tax and minor effects	(2)
Actual tax burden	318

SECTION 24 - EARNINGS PER SHARE

24.1 Average number of diluted capital ordinary shares

	2016		2015	
	ORDINARY SHARES	SAVINGS SHARES	ORDINARY SHARES	SAVINGS SHARES
Weighted average shares (number)	1,500,000,000	-	1,240,131,783	-
Income attributable to different share classes (€m)	786	-	594	-
Basic earnings per share (€)	0.524	-	0.479	-
Diluted earnings per share (€)	0.524	-	0.479	-

PART D - TOTAL COMPREHENSIVE INCOME

COMPONENTS OF TOTAL COMPREHENSIVE INCOME

	GROSS AMOUNT	INCOME TAX	NET AMOUNT
10. Net profit (Loss) for the year	X	X	786
Other comprehensive income not transferred to the income statement:	(4)	1	(3)
20. Property and equipment	-	-	-
30. Intangible assets	-	-	-
40. Defined-benefit plans	(4)	1	(3)
50. Non-current assets held for sale	-	-	-
60. Valuation reserves related to investments carried at equity	-	-	-
Other comprehensive income that may be transferred to the income statement:	(50)	19	(31)
70. Hedging of net investments in foreign operations	-	-	-
a) Changes in fair value	-	-	-
b) Transfers to income statement	-	-	-
c) Other changes	-	-	-
80. Exchange rate differences	-	-	-
a) Changes in value	-	-	-
b) Transfers to income statement	-	-	-
c) Other changes	-	-	-
90. Cash flow hedges	-	-	-
a) Changes in fair value	-	-	-
b) Transfers to income statement	-	-	-
c) Other changes	-	-	-
100. Financial assets available for sale	(45)	17	(28)
a) Changes in fair value	(45)	15	(30)
b) Transfers to income statement	(6)	3	(3)
- Adjustments for impairment losses	-	-	-
- Income/losses on disposal	(6)	3	(3)
c) Other changes	6	(1)	5
110. Non-current assets held for sale	-	-	-
a) Changes in fair value	-	-	-
b) Transfers to income statement	-	-	-
c) Other changes	-	-	-
120. Valuation reserves related to investments carried at equity	(5)	2	(3)
a) Changes in fair value	(1)	-	(1)
b) Transfers to income statement	(1)	1	-
- Adjustments for impairment losses	-	-	-
- Income/losses on disposal	(1)	1	-
c) Other changes	(3)	1	(2)
130. Total other comprehensive income	(54)	20	(34)
140. Total comprehensive income (Items 10+130)	X	X	752
150. Total comprehensive income attributable to non-controlling interests	X	X	-
160. Total comprehensive income attributable to parent company	X	X	752

PART E - INFORMATION ON RISK AND RELATED HEDGING POLICIES

INTRODUCTION

The Fideuram - Intesa Sanpaolo Private Banking Group considers the effective management and organisation of risk control essential for ensuring the dependable and sustainable creation of value in a context of controlled risk, in which capital adequacy, stable profits, substantial liquidity and a strong reputation form the foundation for maintaining present and future profitability.

Our risk management strategy is based on a complete and coherent vision of risk, considering both the macroeconomic scenario and the specific risk profile of the Fideuram Group, stimulating the growth of risk culture and strengthening our transparent presentation of portfolio risk.

The underlying principles of risk management and control organisation are as follows:

- Clearly identify the responsibilities pertaining to the assumption of risks.
- Implement measurement and control systems aligned with international best practice.
- Maintain organisational separation of the departments responsible for management and the departments responsible for control.

The Fideuram Group has formulated Risk Management Guidelines which implement the Guidelines issued by Intesa Sanpaolo. These documents specify the roles and responsibilities of the Company Bodies, departments and units, together with the methods and procedures required to ensure prudent corporate risk management.

The Company Bodies play a core role in the Group's risk management and control, each of which has specified competencies for ensuring appropriate risk management, identifying strategic and management policies, continuously verifying their effectiveness and specifying the duties and responsibilities of the departments and units involved in the processes.

The following are involved in this work:

- The Company Bodies (Board of Directors and Board of Statutory Auditors).
- Managing Director and Joint General Managers.
- The Internal Audit Department.
- The Banking Services, Management Planning and Control, Administration and Reporting, and Finance and Treasury departments, each in their respective areas of responsibility.
- Corporate Affairs.
- The Chief Risk Officer.

Fideuram - Intesa Sanpaolo Private Banking has also established special committees, which have consultative roles and duties that include monitoring the risk management process and disseminating risk culture.

The Chief Risk Officer is responsible for the following in the risk management process:

- Drawing up risk management guidelines and policies in line with the Group's strategies and objectives as well as Intesa Sanpaolo's guidelines, and coordinating their implementation.
- Ensuring effective measurement and control of exposure to the various different types of risk.

The Chief Risk Officer is independent from the company units with operational management duties in risk areas, and reports hierarchically to the Managing Director and functionally to the Intesa Sanpaolo Chief Risk Officer.

The dissemination of risk culture is supported through the publication and constant updating of internal regulations and through special training and refresher training courses for the personnel involved, using training catalogue courses and dedicated class-based training courses.

1.1 CREDIT RISK

QUALITATIVE INFORMATION

GENERAL INFORMATION

The Fideuram Group's lending activities support its core business of providing investment services to private customers. Loans and advances to customers principally consist of repayable-upon-demand current account overdrafts to counterparties who also receive investment services. Loans are mainly granted in the technical form of agreeing a current account overdraft facility and are linked directly to the bank's private banking business. Loans and advances to banks are predominantly short-term interbank loans, principally to leading banks in the euro area.

CREDIT RISK MANAGEMENT POLICIES

Organisational aspects

The Group's credit risk policies are formulated by the Board of Directors and governed by internal lending regulations following guidelines issued by Intesa Sanpaolo. These regulations ensure appropriate loan portfolio risk management, governing the authority to grant loans and specifying the company bodies so authorised, together with their related limits. The internal regulations also specify the organisational units responsible for managing credit risk, problem loans and

non-performing loans. Credit risk management is carried out by a central unit that is separate from those in charge of granting and managing loans.

Management, measurement and control systems

The Group's credit strategies are directed towards the efficient selection of individual borrowers. Irrespective of any collateral, the granting of any loan is always subject to an appropriate analysis of the applicant's creditworthiness and their current and prospective ability to generate adequate cash flows to repay the debt. The quality of the loan portfolio is ensured through the adoption of special operating procedures at every stage in the life of each loan, which use special monitoring systems to obtain prompt notification of any symptoms of impairment in the collateral securing the loans granted. In addition, dedicated application procedures monitor any signs of non-performing loan positions. This monitoring is carried out during every stage in the loan management process (enquiry, granting and monitoring) and consists of a critical analysis of all the relevant indicators and the periodic review of every position. Further controls are carried out by our central departments on both the nature and quality of the overall exposures. In addition, special controls are carried out to limit the concentration of exposure within the Intesa Sanpaolo Group. Risk monitoring and measurement tools and techniques developed within the Group are also used to this end.

Credit risk mitigation techniques

In order to mitigate the credit risk of loans and advances to customers, the Group normally obtains collateral, bank guarantees or irrevocable mandates to sell financial instruments. The types of collateral obtained are principally products distributed by the Fideuram Group (mutual funds and discretionary accounts) or financial instruments listed on the main regulated markets. Bonds are only accepted as collateral if the issuer or loan has an appropriate rating (by leading rating agencies). The value of the financial instruments obtained as collateral is discounted differentially in relation to the type of product and technical form concerned as a precautionary measure when calculating the credit limit to be granted, with a view to protecting the Group against any fluctuations in market value. The concentration of collateral in issuers is very low, excepting for mutual funds and other products distribu-

ted by the Fideuram Group. There were no encumbrances at the time this report was prepared capable of undermining the legal validity of any collateral, which is moreover subject to periodic verification. The Group used bilateral netting agreements, which offset creditor and debtor positions in the event of the default of one counterparty, to mitigate counterparty risk regarding over-the-counter derivatives (unregulated) and Security Financing Transactions (SFT), specifically securities lending transactions and repurchase agreements. ISDA and ISMA/GMRA agreements were used to this end, which also enable one to reduce the regulatory capital allocation while operating in accordance with supervisory regulations.

Non-performing financial assets

The potential impairment of financial assets undergoes detailed ongoing monitoring, examining positions due/past due and carefully analysing all the other indicators available. Loans assessed as high risk, confirmed over time, are identified and allocated to other categories appropriate to their risk profile. These loans are classified as doubtful loans when the borrower is insolvent or in a substantially equivalent position. Loans where the borrower is assessed as being unlikely to meet their payment obligations in full (principal and/or interest) are classified as "Debtor unlikely to pay". Lastly, loans that are past due and/or overdue which have exceeded the objective overdue payment conditions specified by the Bank of Italy are also considered problem loans. The Group's internal lending regulations govern the procedures for transferring performing positions to non-performing assets, and specify the different types of problem loans, their management and the company bodies empowered to authorise the transfer of positions between different classes of loans. Doubtful loans net of write-downs accounted for a very small percentage of total loans (0.01% of loans and advances to customers). Loss forecasts are formulated analytically for each individual loan on the basis of all the relevant valuation factors (debtor assets, employment income and estimated recovery date etc.). The valuations are examined at regular intervals and revised if any significant new elements emerge. The impairment of performing loans and past due loans is determined on a collective basis, adopting a historical/statistical approach to estimate the impairment losses that are deemed to have effectively been incurred at the reference date without the amounts yet being known at the time of valuation.

Loans and advances to customers: credit quality

(€m)

	31.12.2016		31.12.2015		CHANGE
	NET EXPOSURE	%	NET EXPOSURE	%	NET EXPOSURE
Doubtful loans	1	-	1	-	-
Unlikely to pay	5	-	7	-	(2)
Past due loans or overdue loans	3	-	3	-	-
Non-performing assets	9	-	11	-	(2)
Performing loans	7,705	80	7,437	83	268
Debt instruments	1,888	20	1,525	17	363
Loans and advances to customers	9,602	100	8,973	100	629

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 Non-performing and performing loans: amounts, adjustments, changes and financial and geographical distribution

A.1.1. Analysis of financial assets by asset class and credit quality (book value)

ASSET CLASS/QUALITY	DOUBTFUL LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST DUE EXPOSURES	OTHER NON-PERFORMING EXPOSURES	PERFORMING EXPOSURES	TOTAL
1. Financial assets available for sale	-	-	-	-	4,289	4,289
2. Held-to-maturity investments	-	-	-	-	125	125
3. Loans and advances to banks	-	-	-	-	18,705	18,705
4. Loans and advances to customers	1	5	3	71	9,522	9,602
5. Financial assets measured at fair value	-	-	-	-	190	190
6. Financial assets held for sale	-	-	-	-	-	-
Total at 31.12.2016	1	5	3	71	32,831	32,911
Total at 31.12.2015	1	7	3	71	26,839	26,921

Performing loans included:

- Loans not past due subject to renegotiation totalling €1m.
- Loan repayment instalments past due with a repayment plan or bullet repayment of the entire amount due totalling €68m (comprised of €61m less than three months past due, €2m between three and six months past due, €2m between six months and one year past due and €3m over one year past due).
- Residual debts with payment plans totalling €3m (including €2m less than three months past due and €1m between three and six months past due).

A.1.2. Analysis of exposures by asset class and credit quality (gross and net)

ASSET CLASS/QUALITY	NON-PERFORMING ASSETS			PERFORMING ASSETS			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	SPECIFIC ADJUSTMENTS	NET EXPOSURE	GROSS EXPOSURE	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	
1. Financial assets available for sale	-	-	-	4,289	-	4,289	4,289
2. Held-to-maturity investments	-	-	-	125	-	125	125
3. Loans and advances to banks	-	-	-	18,706	(1)	18,705	18,705
4. Loans and advances to customers	20	(11)	9	9,600	(7)	9,593	9,602
5. Financial assets measured at fair value	-	-	-	X	X	190	190
6. Financial assets held for sale	-	-	-	-	-	-	-
Total at 31.12.2016	20	(11)	9	32,910	(8)	32,902	32,911
Total at 31.12.2015	21	(10)	11	26,918	(8)	26,910	26,921

ASSET CLASS/QUALITY	ASSETS WITH LOW CREDIT QUALITY		OTHER ASSETS
	ACCRUED LOSSES	NET EXPOSURE	NET EXPOSURE
1. Financial assets held for trading	-	-	41
2. Hedging derivatives	-	-	3
Total at 31.12.2016	-	-	44
Total at 31.12.2015	-	-	47

A.1.3 Banking Group - Cash and off-balance-sheet exposure of loans and advances to banks: gross and net values, and past-due bands

TYPE OF EXPOSURE/ VALUE	GROSS VALUE				PERFORMING ASSETS	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
	NON-PERFORMING ASSETS							
	UP TO 3 MONTHS	BETWEEN MORE THAN 3 MONTHS AND 6 MONTHS	BETWEEN MORE THAN 6 MONTHS AND 1 YEAR	OVER 1 YEAR				
A. Cash exposures								
a) Doubtful loans	-	-	-	-	X	-	X	-
- of which: forborne exposures	-	-	-	-	X	-	X	-
b) Unlikely to pay	-	-	-	-	X	-	X	-
- of which: forborne exposures	-	-	-	-	X	-	X	-
c) Non-performing past due exposures	-	-	-	-	X	-	X	-
- of which: forborne exposures	-	-	-	-	X	-	X	-
d) Performing past due exposures	X	X	X	X	-	X	-	-
- of which: forborne exposures	X	X	X	X	-	X	-	-
e) Other performing exposures	X	X	X	X	20,997	X	(1)	20,996
- of which: forborne exposures	X	X	X	X	-	X	-	-
Total A	-	-	-	-	20,997	-	(1)	20,996
B. Off-balance-sheet exposures								
a) Non-performing	-	-	-	-	X	-	X	-
b) Performing	X	X	X	X	527	X	-	527
Total B	-	-	-	-	527	-	-	527
Total (A+B)	-	-	-	-	21,524	-	(1)	21,523

A.1.6 Banking Group - Cash and off-balance-sheet exposure of loans and advances to customers: gross and net values, and past-due bands

TYPE OF EXPOSURE/ VALUE	GROSS VALUE				PERFORMING ASSETS	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
	NON-PERFORMING ASSETS							
	UP TO 3 MONTHS	BETWEEN MORE THAN 3 MONTHS AND 6 MONTHS	BETWEEN MORE THAN 6 MONTHS AND 1 YEAR	OVER 1 YEAR				
A. Cash exposures								
a) Doubtful loans	-	-	-	9	X	(8)	X	1
- of which: forborne exposures	-	-	-	-	X	-	X	-
b) Unlikely to pay	5	-	1	2	X	(3)	X	5
- of which: forborne exposures	-	-	-	-	X	-	X	-
c) Non-performing past due exposures	2	-	-	1	X	-	X	3
- of which: forborne exposures	-	-	-	-	X	-	X	-
d) Performing past due exposures	X	X	X	X	71	X	-	71
- of which: forborne exposures	X	X	X	X	-	X	-	-
e) Other performing exposures	X	X	X	X	11,852	X	(7)	11,845
- of which: forborne exposures	X	X	X	X	1	X	-	1
Total A	7	-	1	12	11,923	(11)	(7)	11,925
B. Off-balance-sheet exposures								
a) Non-performing	-	-	-	-	X	-	X	-
b) Performing	X	X	X	X	648	X	-	648
Total B	-	-	-	-	648	-	-	648
Total (A+B)	7	-	1	12	12,571	(11)	(7)	12,573

A.1.7 Banking Group - Cash exposure of loans and advances to customers: changes in gross non-performing loans

ITEM / CATEGORY	DOUBTFUL LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST DUE EXPOSURES
A. Gross exposure at beginning of period	9	10	3
- of which: loans disposed of but not written off	-	-	-
B. Increases	1	2	4
B.1 Transfers from performing assets	-	1	3
B.2 Transfers from other categories of non-performing exposures	-	1	-
B.3 Other increases	1	-	1
C. Decreases	(1)	(4)	(4)
C.1 Transfers to performing assets	-	(1)	(1)
C.2 Write-offs	-	-	-
C.3 Collections	-	(1)	-
C.4 Disposals	-	-	-
C.5 Losses on sales	-	-	-
C.6 Transfers to other categories of non-performing exposures	-	-	(1)
C.7 Other decreases	(1)	(2)	(2)
D. Gross exposure at end of period	9	8	3
- of which: loans disposed of but not written off	-	-	-

A.1.7 bis Banking Group - Cash exposure of loans and advances to customers: changes in forbore exposures by credit quality

ITEM / QUALITY	FORBONE EXPOSURES: NON-PERFORMING	FORBONE EXPOSURES: PERFORMING
A. Gross exposure at beginning of period	-	2
- of which: loans disposed of but not written off	-	-
B. Increases	-	1
B.1 Transfers from performing exposures	-	1
B.2 Transfers from performing forbore exposures	-	X
B.3 Transfers from non-performing forbore exposures	X	-
B.4 Other increases	-	-
C. Decreases	-	(1)
C.1 Transfers to performing exposures	X	(1)
C.2 Transfers to performing forbore exposures	-	X
C.3 Transfers to forbore exposures	X	-
C.4 Write-offs	-	-
C.5 Collections	-	-
C.6 Disposals	-	-
C.7 Losses on sales	-	-
C.8 Other decreases	-	-
D. Gross exposure at end of period	-	1
- of which: loans disposed of but not written off	-	-

A.1.8 Banking Group - Cash exposure of loans and advances to customers: changes in total adjustments

	DOUBTFUL LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE EXPOSURES	
	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES
A. Total adjustments at beginning of period	8	-	2	-	-	-
- of which: loans disposed of but not written off	-	-	-	-	-	-
B. Increases	1	-	1	-	1	-
B.1 Adjustments	1	-	1	-	1	-
B.2 Losses on sales	-	-	-	-	-	-
B.3 Transfers from other categories of non-performing exposures	-	-	-	-	-	-
B.4 Other increases	-	-	-	-	-	-
C. Decreases	(1)	-	-	-	(1)	-
C.1 Write-backs from year-end valuations	-	-	-	-	(1)	-
C.2 Write-backs following collections	-	-	-	-	-	-
C.3 Profit on sales	-	-	-	-	-	-
C.4 Write-offs	(1)	-	-	-	-	-
C.5 Transfers to other categories of non-performing exposures	-	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-	-
D. Total adjustments at end of period	8	-	3	-	-	-
- of which: loans disposed of but not written off	-	-	-	-	-	-

A.2 Classification of exposures by external and internal rating

A.2.1 Banking Group - Analysis of cash and off-balance-sheet loan exposures by external rating

EXPOSURES	EXTERNAL RATING CLASS						NO RATING	TOTAL
	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6		
A. Cash exposures	367	2,224	22,702	5		9	7,617	32,924
B. Derivatives	-	8	4	-	-	-	17	29
B.1 Financial derivatives	-	8	4	-	-	-	17	29
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	-	1	-	-	-	268	269
D. Commitments to grant finance	-	-	2	-	-	-	362	364
E. Other	-	-	263	-	-	-	250	513
Total	367	2,232	22,972	5	-	9	8,514	34,099

		CREDIT RATING					
		CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6
Rating agency (ECAI)	Standard & Poor's	from AAA to AA-	from A+ to A-	from BBB+ to BBB-	from BB+ to BB-	from B+ to B-	CCC+ and below
	Moody's	from Aaa to Aa3	from A1 to A3	from Baa1 to Baa3	from Ba1 to Ba3	from B1 to B3	Caa1 and below
	Fitch	from AAA to AA-	from A+ to A-	from BBB+ to BBB-	from BB+ to BB-	from B+ to B-	CCC+ and below

A.3 Analysis of secured loan exposures by type of guarantee

A.3.2 Banking Group - Exposure of secured loans and advances to customers

	NET EXPOSURE	COLLATERAL			OTHER COLLATERAL
		MORTGAGES	BUILDINGS - FINANCIAL LEASING	SECURITIES	
1. Cash exposure of secured loans	6,369	340	-	5,375	371
1.1 Fully secured	5,141	340	-	4,414	322
- including impaired	2	1	-	1	-
1.2 Partially secured	1,228	-	-	961	49
- including impaired	5	-	-	4	-
2. Off-balance-sheet exposures of secured loans	574	-	-	140	432
2.1 Fully secured	569	-	-	137	431
- including impaired	-	-	-	-	-
2.2 Partially secured	5	-	-	3	1
- including impaired	-	-	-	-	-

B. DISTRIBUTION AND CONCENTRATION OF LOANS

B.1 Banking Group - Analysis of cash and off-balance-sheet exposure of loans and advances to customers by sector (book value)

	GOVERNMENTS			OTHER PUBLIC ENTITIES			FINANCIAL INSTITUTIONS		
	NET EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS
A. Cash exposures									
A.1 Doubtful loans	-	-	X	-	-	X	1	(3)	X
- of which: forborne exposures	-	-	X	-	-	X	-	-	X
A.2 Unlikely to pay	-	-	X	-	-	X	-	-	X
- of which: forborne exposures	-	-	X	-	-	X	-	-	X
A.3 Non-performing past due exposures	-	-	X	-	-	X	-	-	X
- of which: forborne exposures	-	-	X	-	-	X	-	-	X
A.4 Performing exposures	3,126	X	(1)	-	X	-	1,874	X	-
- of which: forborne exposures	-	X	-	-	X	-	-	X	-
Total A	3,126	-	(1)	-	-	-	1,875	(3)	-
B. Off-balance-sheet exposures									
B.1 Doubtful loans	-	-	X	-	-	X	-	-	X
B.2 Unlikely to pay	-	-	X	-	-	X	-	-	X
B.3 Other non-performing assets	-	-	X	-	-	X	-	-	X
B.4 Performing exposures	-	X	-	-	X	-	375	X	-
Total B	-	-	-	-	-	-	375	-	-
Total at 31.12.2016	3,126	-	(1)	-	-	-	2,250	(3)	-
Total at 31.12.2015	2,986	-	(1)	-	-	-	2,549	(3)	(1)

CREDIT LINKED NOTES	PERSONAL GUARANTEES									TOTAL
	CREDIT DERIVATIVES					ENDORSEMENT CREDIT				
	OTHER DERIVATIVES			BANKS	OTHER PARTIES	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	OTHER PARTIES	
	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES								
-	-	-	-	-	-	-	-	153	7	6,246
-	-	-	-	-	-	-	-	13	6	5,095
-	-	-	-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	-	140	1	1,151
-	-	-	-	-	-	-	-	-	-	4
-	-	-	-	-	-	-	-	-	-	572
-	-	-	-	-	-	-	-	-	-	568
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	4
-	-	-	-	-	-	-	-	-	-	-

INSURANCE COMPANIES			NON-FINANCIAL COMPANIES			OTHER PARTIES		
NET EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS
-	-	X	-	(1)	X	-	(4)	X
-	-	X	-	-	X	-	-	X
-	-	X	3	(1)	X	2	(2)	X
-	-	X	-	-	X	-	-	X
-	-	X	1	-	X	2	-	X
-	-	X	-	-	X	-	-	X
346	X	-	2,180	X	(2)	4,390	X	(4)
-	X	-	-	X	-	-	X	-
346	-	-	2,184	(2)	(2)	4,394	(6)	(4)
-	-	X	-	-	X	-	-	X
-	-	X	-	-	X	-	-	X
-	-	X	-	-	X	-	-	X
5	X	-	73	X	-	195	X	-
5	-	-	73	-	-	195	-	-
351	-	-	2,257	(2)	(2)	4,589	(6)	(4)
389	-	-	2,101	(2)	(1)	4,187	(5)	(4)

B.2 Banking Group - Geographical distribution of cash and off-balance-sheet exposure of loans and advances to customers (book value)

	ITALY		OTHER EUROPEAN COUNTRIES	
	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
A. Cash exposures				
A.1 Doubtful loans	1	(8)	-	-
A.2 Unlikely to pay	5	(3)	-	-
A.3 Non-performing past due exposures	3	-	-	-
A.4 Performing exposures	10,652	(7)	787	-
Total A	10,661	(18)	787	-
B. Off-balance-sheet exposures				
B.1 Doubtful loans	-	-	-	-
B.2 Unlikely to pay	-	-	-	-
B.3 Other non-performing assets	-	-	-	-
B.4 Performing exposures	633	-	14	-
Total B	633	-	14	-
Total at 31.12.2016	11,294	(18)	801	-
Total at 31.12.2015	11,131	(17)	607	-

B.2 bis Distribution by geographical area of business with customers domiciled in Italy (book value)

	NORTH-WEST		NORTH-EAST	
	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
A. Cash exposures				
A.1 Doubtful loans	-	-	-	-
A.2 Unlikely to pay	1	(1)	1	(1)
A.3 Non-performing past due exposures	1	-	1	-
A.4 Performing exposures	2,698	(3)	1,450	(1)
Total A	2,700	(4)	1,452	(2)
B. Off-balance-sheet exposures				
B.1 Doubtful loans	-	-	-	-
B.2 Unlikely to pay	-	-	-	-
B.3 Other non-performing assets	-	-	-	-
B.4 Performing exposures	162	-	53	-
Total B	162	-	53	-
Total at 31.12.2016	2,862	(4)	1,505	(2)
Total at 31.12.2015	2,581	4	1,628	2

AMERICA		ASIA		REST OF THE WORLD	
NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
467	-	-	-	10	-
467	-	-	-	10	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
467	-	-	-	10	-
474	-	-	-	-	-

CENTRAL		SOUTH AND ISLANDS	
NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
1	(6)	-	(2)
1	-	2	(1)
-	-	1	-
5,600	(2)	904	(1)
5,602	(8)	907	(4)
-	-	-	-
-	-	-	-
-	-	-	-
389	-	29	-
389	-	29	-
5,991	(8)	936	(4)
6,092	8	830	3

B.3 Banking Group - Geographical distribution of cash and off-balance-sheet exposure of loans and advances to banks (book values)

	ITALY		OTHER EUROPEAN COUNTRIES	
	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
A. Cash exposures				
A.1 Doubtful loans	-	-	-	-
A.2 Unlikely to pay	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-
A.4 Performing exposures	19,806	-	1,137	-
Total A	19,806	-	1,137	-
B. Off-balance-sheet exposures				
B.1 Doubtful loans	-	-	-	-
B.2 Unlikely to pay	-	-	-	-
B.3 Other non-performing assets	-	-	-	-
B.4 Performing exposures	7	-	8	-
Total B	7	-	8	-
Total at 31.12.2016	19,813	-	1,145	-
Total at 31.12.2015	14,767	-	898	-

B.3 bis - Distribution by geographical area of business with banks domiciled In Italy (book value)

	NORTH-WEST		NORTH-EAST	
	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
A. Cash exposures				
A.1 Doubtful loans	-	-	-	-
A.2 Unlikely to pay	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-
A.4 Performing exposures	19,568	-	1	-
Total A	19,568	-	1	-
B. Off-balance-sheet exposures				
B.1 Doubtful loans	-	-	-	-
B.2 Unlikely to pay	-	-	-	-
B.3 Other non-performing assets	-	-	-	-
B.4 Performing exposures	7	-	-	-
Total B	7	-	-	-
Total at 31.12.2016	19,575	-	1	-
Total at 31.12.2015	14,570	-	1	-

AMERICA		ASIA		REST OF THE WORLD	
NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
44	-	6	-	3	-
44	-	6	-	3	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
44	-	6	-	3	-
55	-	1	-	1	-

CENTRAL		SOUTH AND ISLANDS	
NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
-	-	-	-
-	-	-	-
-	-	-	-
237	-	-	-
237	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
237	-	-	-
196	-	-	-

D. DISCLOSURES ON STRUCTURED ENTITIES (OTHER THAN SECURITISATION VEHICLES)

D.2 Unconsolidated structured entities

D.2.2 Other structured entities

Fee and commission income from mutual fund management totalled €533m.

E. DISPOSAL TRANSACTIONS

A. FINANCIAL ASSETS DISPOSED OF BUT NOT WRITTEN OFF

QUALITATIVE INFORMATION

The item Financial assets disposed of but not written off regarded repurchase agreements.

In 2012, the Group entered into six repurchase agreements with Banca IMI in order to improve the overall risk/return ratio of the portfolio. The repurchase agreements had the same terms as the maturities of a number of BTP Italian government bonds with a total face value of €467.8m and maturities between 2019 and 2033 that Fideuram - Intesa Sanpaolo Private Banking acquired from market counterparties in previous years. These bonds were already recorded under financial assets available for sale and hedged against interest rate risk using interest rate swaps. The liquidity obtained from this transaction was used to purchase bonds issued by Intesa Sanpaolo. The group simultaneously entered into six financial guarantee contracts to cover the associated credit risk, again with Banca IMI, which on average expire three years before the maturities of the related bonds. The cost of these guarantees recorded in the 2016 income statement was €15m.

QUANTITATIVE INFORMATION

E.1 Banking group - Financial assets disposed of but not written off: book value and full value

	FINANCIAL ASSETS HELD FOR TRADING			FINANCIAL ASSETS MEASURED AT FAIR VALUE			FINANCIAL ASSETS AVAILABLE FOR SALE		
	A	B	C	A	B	C	A	B	C
A. Cash assets	-	-	-	-	-	-	1,491	-	-
1. Debt securities	-	-	-	-	-	-	1,491	-	-
2. Equities	-	-	-	-	-	-	-	-	-
3. Units in mutual funds	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	X	X	X	X	X	X
Total 31.12.2016	-	-	-	-	-	-	1,491	-	-
Including non-performing	-	-	-	-	-	-	-	-	-
Total 31.12.2015	-	-	-	-	-	-	1,400	-	-
Including non-performing	-	-	-	-	-	-	-	-	-

LEGEND

A = Financial assets disposed of recognised in full (book value)

B = Financial assets disposed of and partially recognised (book value)

C = Financial assets disposed of and partially recognised (full value)

The bank went through a rigorous process to determine how these repurchase agreements should be recognised, analysing the underlying aims of the contractual agreements in the light of the guidance provided by the Supervisory Authorities in document No. 6 of 8 March 2013 on the Accounting treatment of long-term structured repurchase transactions, issued jointly by the Bank of Italy, the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) and the Italian Insurance Regulator (IVASS). The analysis considered the structure, cash flows and risks connected with the transactions concerned to verify whether they could be considered term-structured repurchase transactions as described in this document and whether, in accordance with the principle of substance over form, they accord with the guidelines provided in IAS 39, Guidance on Implementing, paragraph B.6, on the basis of which the substance of the transaction is substantially the same as a derivative contract and a credit default swap in particular.

The aforementioned transactions clearly differ in certain respects from term-structured repurchase transactions as described in the Document.

The differences are specifically as follows:

- The BTP Italian government bonds and the Interest Rate Swaps hedging interest rate risk were already held by the bank through independent purchases made in prior years (between 2008 and 2010).
- Said transactions were entered into with different market counterparties from the repurchase agreements.
- The cash flows from the transactions are not substantially the same as those of credit derivatives.
- The different management purpose of the transactions considered as a whole, which aim to cover counterparty risk through the purchase of a financial guarantee.

The transactions were therefore recognised separately depending on the type of contract concerned.

HELD-TO-MATURITY INVESTMENTS			LOANS AND ADVANCES TO BANKS			LOANS AND ADVANCES TO CUSTOMERS			TOTAL	
A	B	C	A	B	C	A	B	C	31.12.2016	31.12.2015
-	-	-	887	-	-	208	-	-	2,586	2,435
-	-	-	887	-	-	208	-	-	2,586	2,435
X	X	X	X	X	X	X	X	X	-	-
X	X	X	X	X	X	X	X	X	-	-
-	-	-	-	-	-	-	-	-	-	-
X	X	X	X	X	X	X	X	X	-	-
-	-	-	887	-	-	208	-	-	2,586	X
-	-	-	-	-	-	-	-	-	-	X
-	-	-	948	-	-	87	-	-	X	2,435
-	-	-	-	-	-	-	-	-	X	-

E.2 Banking group - Financial liabilities regarding financial assets disposed of but not written off: book value

	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS MEASURED AT FAIR VALUE	FINANCIAL ASSETS AVAILABLE FOR SALE	HELD-TO-MATURITY INVESTMENTS	LOANS AND ADVANCES TO BANKS	LOANS AND ADVANCES TO CUSTOMERS	TOTAL
1. Due to customers	-	-	-	-	-	7	7
a) regarding assets recognised in full	-	-	-	-	-	7	7
b) regarding assets partially recognised	-	-	-	-	-	-	-
2. Due to banks	-	-	455	-	-	-	455
a) regarding assets recognised in full	-	-	455	-	-	-	455
b) regarding assets partially recognised	-	-	-	-	-	-	-
3. Due on issue	-	-	-	-	-	-	-
a) regarding assets recognised in full	-	-	-	-	-	-	-
b) regarding assets partially recognised	-	-	-	-	-	-	-
Total 31.12.2016	-	-	455	-	-	7	462
Total 31.12.2015	-	-	455	-	497	69	1,021

E.3 Banking Group - Disposal transactions with transfer of liabilities exclusively for assets disposed of: fair value

	FINANCIAL ASSETS HELD FOR TRADING		FINANCIAL ASSETS MEASURED AT FAIR VALUE		FINANCIAL ASSETS AVAILABLE FOR SALE	
	A	B	A	B	A	B
A. Cash assets						
1. Debt securities	-	-	-	-	1,491	-
2. Equities	-	-	-	-	-	-
3. Units in mutual funds	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
B. Derivatives	-	-	X	X	X	X
Total assets	-	-	-	-	1,491	-
C. Associated liabilities						
1. Due to customers	-	-	-	-	-	-
2. Due to banks	-	-	-	-	491	-
3. Debt on issue	-	-	-	-	-	-
Total liabilities	-	-	-	-	491	-
Net value 31.12.2016	-	-	-	-	1,000	-
Net value 31.12.2015	-	-	-	-	1,197	-

LEGEND

A = Financial assets disposed of recognised in full

B = Financial assets disposed of and partially recognised

HELD-TO-MATURITY INVESTMENTS (FAIR VALUE)		LOANS AND ADVANCES TO BANKS (FAIR VALUE)		LOANS AND ADVANCES TO CUSTOMERS (FAIR VALUE)		TOTAL	
A	B	A	B	A	B	31.12.2016	31.12.2015
-	-	890	-	204	-	2,585	2,726
X	X	X	X	X	X	-	-
X	X	X	X	X	X	-	-
-	-	-	-	-	-	-	-
X	X	X	X	X	X	-	-
-	-	890	-	204	-	2,585	2,726
-	-	-	-	7	-	X	X
-	-	-	-	-	-	X	X
-	-	-	-	-	-	X	X
-	-	-	-	7	-	498	1,049
-	-	890	-	197	-	2,087	X
-	-	469	-	11	-	X	1,677

1.2 MARKET RISK

QUALITATIVE INFORMATION

Fideuram - Intesa Sanpaolo Private Banking adheres to the directives of Intesa Sanpaolo concerning the governance and supervision of market risk, regarding which its role extends to the entire Fideuram Group with centralisation and monitoring functions. This governance and control is based, among other things, on extending the policies adopted by the Board of Directors to the entire Group and on the functional coordination provided by the bank's related departments.

The Risk Committee meets quarterly as a rule to analyse investment performance, proposing strategic guidelines to the Managing Director on the basis of the risk situation identified. The Managing Director reports quarterly to the Board of Directors on the investment choices made and on the performance of the Group's portfolios and risk management.

The Chief Risk Officer continually monitors market risk exposure and compliance with the limits specified by the Investment Policy, and periodically informs the Managing Director, Risk Committee and Finance and Treasury Manager regarding the levels of exposure to the different types of risk subject to operating limits. Similar information is presented to the Board of Directors on a quarterly basis.

The composition of the securities holdings is governed by limits with respect to asset allocation, rating, currency area, geographical area, sector concentration and counterparty. Market risk limits are likewise specified.

The Investment Policy splits investments in securities into a liquidity portfolio, an investment portfolio and a service portfolio. The former has a cautious minimum limit of assets deemed eligible by the Central Bank with financial characteristics that limit their risk to ensure immediate liquidity. The size of the Investment Portfolio depends on the structure of the Group's inflows, investments and shareholders' equity.

The service portfolio is largely tailored to support the requirements of the Group's retail customer transactions and use of its cash surplus.

1.2.1 INTEREST RATE RISK AND PRICE RISK - REGULATORY TRADING BOOK

The trading book also includes a securities component resulting from secondary market transactions with customers, certain Intesa Sanpaolo Group bond issues and foreign exchange and exchange rate derivative transactions, which are likewise undertaken to meet the needs of the Group's customers and asset management companies.

1.2.2 INTEREST RATE RISK AND PRICE RISK - BANK PORTFOLIO

The bank portfolio comprises interest rate hedging derivatives as well as long-term investment securities. The Group's investment portfolio totalled €12.1bn at 31 December 2016 and comprised securities classified as financial assets available for sale, held-to-maturity investments, debt securities classified as loans and advances to banks and customers, and hedging derivatives.

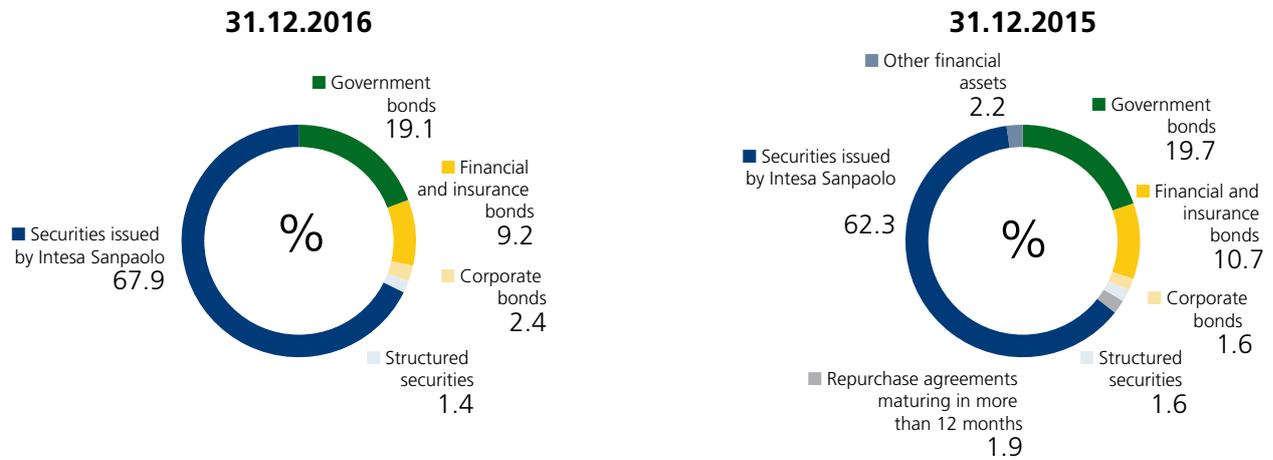
Banking Book

(€m)

	31.12.2016	31.12.2015	CHANGE	
			AMOUNT	%
Financial assets available for sale	4,297	4,459	(162)	-4
Held-to-maturity investments	125	297	(172)	-58
Debt securities classified as loans and advances to banks	5,763	4,071	1,692	42
Debt securities classified as loans and advances to customers	1,888	1,525	363	24
Hedging derivatives	3	2	1	50
Total	12,076	10,354	1,722	17

At 31 December 2016, the Group portfolio had the following overall composition with respect to product type and rating.

Analysis by product type



Analysis by rating



The market risk of this portfolio mainly regards the management of investments in securities. The Group's exposure to interest rate risk is, moreover, also influenced by other typical banking balance sheet items (customer deposits and loans). The financial risk of the bank portfolio is measured using the following methods:

- Value at Risk (VaR) for the available-for-sale portfolio only.
- Sensitivity analysis for the entire bank portfolio.

The Value at Risk is the maximum potential amount that the portfolio could lose over the next working day with a confidence interval of 99%, and is calculated using the same method adopted by Intesa Sanpaolo (volatility of the individual risk factors and the historical correlations observed between them). VaR is a risk measurement applied to securities available for sale which takes interest rates and credit spreads into account.

At 31 December 2016, the Value at Risk calculated for a one-day time horizon was €9.68m, which was within the limit assigned to the Fideuram Group (€16.5m).

The Group used derivatives (mainly interest rate swaps) to hedge interest rate risk following a strategy that involved buying swaps linked to the individual fixed-coupon bonds in the portfolio. This strategy made the Group's long-term securities holdings less sensitive to interest rate risk. Where risk concentration is concerned, the securities holdings are highly-diversified as a result of the

stringent limits specified by the Investment Policy, which limits the maximum exposure to any single corporate Group to 5% of the total holdings with the sole exception of Intesa Sanpaolo. The Fideuram Group's total exposure to interest rate risk is monitored using Asset Liability Management (ALM) techniques to determine the shift sensitivity of fair value and net interest income. The shift sensitivity, which measures the change in fair value of the bank portfolio resulting from an upward parallel movement in the interest rate curve, is calculated taking into account the risk generated by customer demand deposits and other assets and liabilities of the bank portfolio sensitive to shifts in the interest rate curve. The shift sensitivity for an upward parallel movement of 100 basis points in the interest rate curve was -€24.9m at the end of December 2016.

The Group has developed a pricing methodology for the measurement of financial instruments which rigorously implements the provisions of the IAS/IFRS international financial reporting standards.

This measurement is based on the concept of Fair Value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In addition, the fair value measurement must incorporate a counterparty risk premium in the form of a Credit Value Adjustment (CVA) for assets and a Debit Value Adjustment (DVA) for liabilities.

The Group consistently calculates the fair value of financial instruments directly from their market value. Wherever possible, the official prices on active markets are adopted as this market value, otherwise the value is obtained using pricing models based on the values of comparable securities and on market parameters. In situations where the market is not operating normally, which is to say when there is an insufficient number of continuous transactions and the bid/ask spread and volatility are not sufficiently narrow, it is however necessary to abandon the principle of obtaining the fair value directly from market prices and to apply models that mostly use market parameters to calculate an appropriate fair value for the financial instruments. The following are considered in assessing whether a market is operating normally:

- Availability of price contributions.
- Reliability of price contributions.
- Size of the bid-ask spread.

In the absence of an active market, the fair value is determined using valuation techniques which ultimately aim to establish the price that the financial instrument would have had on the measurement date in an arm's-length exchange motivated by normal business considerations.

These techniques include:

- Reference to market values that can be indirectly linked to the financial instrument being valued and that can be obtained from products with similar risk characteristics (comparable approach).
- Valuations performed using - even only partially - inputs that are not obtained from observable market parameters, using estimates and assumptions formulated by the valuer (mark-to-model).

Which of these methods is chosen is not arbitrary, since they have to be applied in hierarchical order and presented in the financial statements by level. Absolute priority is given to the quoted active market prices of the assets and liabilities being measured (Level 1 - Effective market quotes) or of similar assets and liabilities (Level 2 - Comparable Approach), and the lowest priority to unobservable inputs, which are accordingly more subjective (Level 3 - Mark-to-Model Approach).

The priority of market prices is put into practice through a process based on market-maker prices. The valuation price is calculated as the average of the prices available, selected using objectively-identified criteria. The number of contributions, the bid/ask spread and the reliability of the contributors are monitored regularly, enabling the Group to keep market prices as the appropriate prime parameter for the determination of fair value.

All the Group's available-for-sale securities were valued at market bid prices (mark to market) to ensure the maximum transparency of the values in the financial statements. This ensures the overall holdings meet the ready liquidity criteria for items in the financial statements.

The portfolio of Level 2 Financial assets measured at fair value through profit or loss consisted of the insurance policies that the Group took out to insure the market yields of the Personal Financial Adviser Networks' Loyalty Schemes. The fair value of Class I policies is determined using a prospective actuarial method based on the principle of the initial equivalence of the average present values of the contractual commitments of the insurer and the average present values contracted by the policyholder/contracting party. The fair value of Class III policies is the value of the units at the reporting date plus any pure premiums not yet invested at the valuation date.

The derivatives in the bank portfolio consisted principally of Interest Rate Swaps. The Group as a rule uses fair value hedge derivatives to reduce its exposure to adverse fair value movements due to interest rate risk. The Chief Risk Officer is responsible for assessing hedge effectiveness, carrying out prior assessments of the conditions that make hedge accounting applicable and formally documenting each hedging relationship. These assessments use prospective tests when the hedges are taken out, followed by retrospective tests at monthly intervals. An approach consistent with fair value measurement hierarchy Level 2 is used for the measurement of derivatives, based on commonly-accepted valuation processes and fed by market data providers. Hedging and treasury derivatives taken out in ordinary investment activities - interest and exchange rate derivatives in particular - that are not traded on regulated markets but traded bilaterally with market counterparties, are known as "Over the Counter" (OTC) instruments and measured using special pricing models.

1.2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

Exchange rate risk is defined as the possibility of fluctuations in market exchange rates generating either positive or negative changes in the value of the Group's net assets.

The principle sources of exchange rate risk are:

- Purchases of securities and other financial instruments in foreign currencies.
- Buying and selling of foreign currencies.
- Collection and/or payment of interest, commission, dividends or administrative expenses in foreign currencies.

Spot and forward transactions on foreign exchange markets were mainly entered into with the aim of optimising proprietary risk arising in relation to the buying and selling of foreign currencies to and from customers. Exchange rate risk is mitigated by the practice of funding in the same currency as the assets, while the residual exposures are included in the trading book.

QUANTITATIVE INFORMATION

1. Analysis of assets and liabilities and derivatives by currency of denomination

	CURRENCY					
	US DOLLAR	STERLING	YEN	CANADIAN DOLLAR	SWISS FRANC	OTHER CURRENCIES
A. Financial assets	423	6	4	-	36	12
A.1 Debt securities	280	-	-	-	-	-
A.2 Equities	-	-	-	-	-	-
A.3 Loans and advances to banks	126	6	1	-	25	12
A.4 Loans and advances to customers	17	-	3	-	11	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	-	-	-	-	-	-
C. Financial liabilities	671	23	10	4	18	11
C.1 Due to banks	48	-	-	-	-	1
C.2 Due to customers	623	23	10	4	18	10
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	2	-	-	-	-
E. Financial derivatives						
- Options						
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other derivatives						
+ Long positions	2,435	152	188	7	17	52
+ Short positions	2,180	133	182	5	24	48
Total assets	2,858	158	192	7	53	64
Total liabilities	2,851	158	192	9	42	59
Balance (+/-)	7	-	-	(2)	11	5

1.2.4 DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1 Regulatory trading book: period-end notional values

	31.12.2016 TOTAL		31.12.2015 TOTAL	
	OVER THE COUNTER	CENTRAL COUNTERPARTIES	OVER THE COUNTER	CENTRAL COUNTERPARTIES
1. Debt securities and interest rate derivatives	2	-	1	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	2	-	1	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity derivatives and index derivatives	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	4,917	-	4,876	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	4,917	-	4,876	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlyings	-	-	-	-
Total	4,919	-	4,877	-

A.2 Bank portfolio: period-end notional values

A.2.1 Hedging

	31.12.2016 TOTAL		31.12.2015 TOTAL	
	OVER THE COUNTER	CENTRAL COUNTERPARTIES	OVER THE COUNTER	CENTRAL COUNTERPARTIES
1. Debt securities and interest rate derivatives	6,324	-	3,424	-
a) Options	-	-	-	-
b) Swap	6,324	-	3,424	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity derivatives and index derivatives	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	123	-	119	-
a) Options	-	-	-	-
b) Swap	123	-	119	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlyings	-	-	-	-
Total	6,447	-	3,543	-

A.2.2 Other derivatives

	31.12.2016 TOTAL		31.12.2015 TOTAL	
	OVER THE COUNTER	CENTRAL COUNTERPARTIES	OVER THE COUNTER	CENTRAL COUNTERPARTIES
1. Debt securities and interest rate derivatives	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity derivatives and index derivatives	495	-	495	-
a) Options	495	-	495	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlyings	-	-	-	-
Total	495	-	495	-

A.3 Financial derivatives: gross positive fair value - distribution by product

POSITIVE FAIR VALUE

	31.12.2016 TOTAL		31.12.2015 TOTAL	
	OVER THE COUNTER	CENTRAL COUNTERPARTIES	OVER THE COUNTER	CENTRAL COUNTERPARTIES
A. Regulatory trading book	31	-	28	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	31	-	28	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Hedging bank portfolio	3	-	2	-
a) Options	-	-	-	-
b) Interest rate swap	3	-	2	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Bank portfolio other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	34	-	30	-

A.4 Financial derivatives: gross negative fair value - distribution by product

NEGATIVE FAIR VALUE

	31.12.2016 TOTAL		31.12.2015 TOTAL	
	OVER THE COUNTER	CENTRAL COUNTERPARTIES	OVER THE COUNTER	CENTRAL COUNTERPARTIES
A. Regulatory trading book	27	-	28	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	27	-	28	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Hedging bank portfolio	1,103	-	977	-
a) Options	-	-	-	-
b) Interest rate swap	1,069	-	945	-
c) Cross currency swap	34	-	32	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Bank portfolio other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	1,130	-	1,005	-

A.5 OTC financial derivatives: regulatory trading book - notional values, gross positive and negative fair values by counterparty - contracts other than netting agreements

	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	FINANCIAL INSTITUTIONS	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER PARTIES
1. Debt securities and interest rate derivatives							
- notional values	-	-	2	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2. Equity derivatives and index derivatives							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional values	-	-	508	2,295	487	6	15
- positive fair value	-	-	4	13	5	-	-
- negative fair value	-	-	2	15	1	-	-
- future exposure	-	-	4,981	23	5	-	-
4. Other values							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.6 OTC financial derivatives: regulatory trading book - notional values, gross positive and negative fair values by counterparty - netting agreements

	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	FINANCIAL INSTITUTIONS	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER PARTIES
1. Debt securities and interest rate derivatives							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Equity derivatives and index derivatives							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Currencies and gold							
- notional values	-	-	1,606	-	-	-	-
- positive fair value	-	-	9	-	-	-	-
- negative fair value	-	-	8	-	-	-	-
4. Other values							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.7 OTC financial derivatives: bank portfolio - notional values, gross positive and negative fair values by counterparty - contracts other than netting agreements

	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	FINANCIAL INSTITUTIONS	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER PARTIES
1. Debt securities and interest rate derivatives							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2. Equity derivatives and index derivatives							
- notional values	-	-	495	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	11	-	-	-	-
3. Currencies and gold							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4. Other values							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.8 OTC financial derivatives: bank portfolio - notional values, gross positive and negative fair values by counterparty - netting agreements

	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	FINANCIAL INSTITUTIONS	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER PARTIES
1. Debt securities and interest rate derivatives							
- notional values	-	-	6,324	-	-	-	-
- positive fair value	-	-	3	-	-	-	-
- negative fair value	-	-	1,069	-	-	-	-
2. Equity derivatives and index derivatives							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Currencies and gold							
- notional values	-	-	123	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	34	-	-	-	-
4. Other values							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.9 Residual life of OTC financial derivatives: notional values

	UP TO 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
A Regulatory trading book	4,919			4,919
A.1 Debt derivatives and interest rate derivatives	2			2
A.2 Equity derivatives and index derivatives	-	-	-	-
A.3 Currency derivatives and gold derivatives	4,917	-	-	4,917
A.4 Financial derivatives on other instruments	-	-	-	-
B. Bank portfolio	1,350	2,813	2,779	6,942
B.1 Debt derivatives and interest rate derivatives	1,350	2,266	2,708	6,324
B.2 Equity derivatives and index derivatives	-	495	-	495
B.3 Currency derivatives and gold derivatives	-	52	71	123
B.4 Financial derivatives on other instruments	-	-	-	-
Total 31.12.2016	6,269	2,813	2,779	11,861
Total 31.12.2015	4,954	1,221	2,740	8,915

C. FINANCIAL AND CREDIT DERIVATIVES

C.1 OTC financial and credit derivatives: net fair values and future exposure by counterparty

	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	FINANCIAL INSTITUTIONS	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER PARTIES
1) Bilateral agreements: financial derivatives							
- Positive fair value	-	-	8	-	-	-	-
- Negative fair value	-	-	1,107	-	-	-	-
- Future exposure	-	-	45	-	-	-	-
- Net counterparty risk	-	-	37	-	-	-	-
2) Bilateral agreements: credit derivatives							
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- Future exposure	-	-	-	-	-	-	-
- Net counterparty risk	-	-	-	-	-	-	-
3) Cross-product agreements							
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- Future exposure	-	-	-	-	-	-	-
- Net counterparty risk	-	-	-	-	-	-	-

1.3 LIQUIDITY RISK

QUALITATIVE INFORMATION

The Fideuram Group manages liquidity risk in accordance with Intesa Sanpaolo's Liquidity Risk Governance Guidelines, which ensure prompt implementation of national and supra-national legal and regulatory changes.

The cardinal principles of said laws and regulations demand highly-prudential rules to govern both short-term liquidity risk management and long-term liquidity risk management (structural liquidity). The Group's solidity is based on balance sheet liabilities that are mainly centred on retail customer deposits. These are deposits that benefit from considerable stability over time, meaning that the Group does not need to depend on the interbank market and can thus avoid exposure to the risk of a liquidity crisis in that market. In addition to the stability of customer deposits, where interest-bearing assets are concerned, the Group has an investment portfolio that is governed by stringent liquidity limits for securities (readily-negotiable and eligible for Central Bank refinancing) in accordance with the provisions of the Group Investment Policy based on highly-prudential criteria suitable for ensuring high and stable liquidity.

The introduction of said Policy also involved setting up an operational limit monitoring and reporting unit in line with the revised Group regulations. Liquidity-risk exposure is monitored constantly to ensure compliance with the operational limits and the regulations adopted with the Group Liquidity Risk Governance Policy, as updated to align it with the Intesa Sanpaolo Group's Guidelines and approved by the Board of Directors on 16 June 2016. The new provisions principally implement the European Commission Delegated Regulation of 10 October 2014 (the "Delegated Act") with specific regard to Commission Implementing Regulation 2016/313, which amended the community regulation to align it with the functioning of the Union, specifying the short-term liquidity requirements for EU credit institutions in detail, introducing additional liquidity monitoring metrics and, among other things, updating the minimum ratios for both normal and stress conditions. The methods adopted to measure the Group's exposure to liquidity risk follow the cardinal principles of the European Banking Authority (EBA) and the provisions of the Supervisory Regulations and ensure that the assets and liabilities items are calculated in a wholly suitable manner for providing an appropriate representation of anticipated cash flows.

QUANTITATIVE INFORMATION

1. Analysis of financial assets and liabilities by remaining contractual term (euro)

	DEMAND DEPOSITS	BETWEEN MORE THAN 1 AND 7 DAYS	BETWEEN MORE THAN 7 AND 15 DAYS	BETWEEN MORE THAN 15 DAYS AND 1 MONTH	BETWEEN MORE THAN 1 MONTH AND 3 MONTHS	BETWEEN MORE THAN 3 MONTHS AND 6 MONTHS	BETWEEN MORE THAN 6 MONTHS AND 1 YEAR	BETWEEN MORE THAN 1 AND 5 YEARS	OVER 5 YEARS	UNSPECIFIED MATURITY
Cash assets	10,204	826	7	674	1,410	1,556	2,046	9,684	5,686	204
A.1 Government securities	-	-	-	-	10	283	15	442	2,057	-
A.2 Other debt securities	2	1	2	11	55	128	184	5,641	2,975	-
A.3 Units in mutual funds	3	-	-	-	-	-	-	-	-	-
A.4 Loans	10,199	825	5	663	1,345	1,145	1,847	3,601	654	204
- Banks	4,386	5	-	474	1,218	1,121	1,624	3,405	350	204
- Customers	5,813	820	5	189	127	24	223	196	304	-
Cash liabilities	23,017	1,989	85	148	554	397	873	2,198	236	-
B.1 Deposits and current accounts	22,886	57	85	146	550	397	872	1,981	-	-
- Banks	101	-	-	-	-	-	100	24	-	-
- Customers	22,785	57	85	146	550	397	772	1,957	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	131	1,932	-	2	4	-	1	217	236	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	46	85	28	1,242	929	5	2	52	72	-
- Short positions	17	79	129	1,506	998	1	5	-	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	3	2	11	15	-	-	-
- Short positions	-	-	-	7	13	5	32	-	-	-
C.3 Deposits and loans receivable										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to grant finance										
- Long positions	8	353	-	-	-	-	-	-	-	-
- Short positions	356	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

(Other currencies)

	DEMAND DEPOSITS	BETWEEN MORE THAN 1 AND 7 DAYS	BETWEEN MORE THAN 7 AND 15 DAYS	BETWEEN MORE THAN 15 DAYS AND 1 MONTH	BETWEEN MORE THAN 1 MONTH AND 3 MONTHS	BETWEEN MORE THAN 3 MONTHS AND 6 MONTHS	BETWEEN MORE THAN 6 MONTHS AND 1 YEAR	BETWEEN MORE THAN 1 AND 5 YEARS	OVER 5 YEARS	UNSPECIFIED MATURITY
Cash assets	90	1	6	2	35	3	101	175	71	-
A.1 Government securities	-	-	-	-	29	-	-	74	-	-
A.2 Other debt securities	-	-	3	-	-	-	3	100	71	-
A.3 Units in mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	90	1	3	2	6	3	98	1	-	-
- Banks	70	1	3	-	1	-	96	-	-	-
- Customers	20	-	-	2	5	3	2	1	-	-
Cash liabilities	720	-	3	9	1	1	-	-	-	-
B.1 Deposits and current accounts	719	-	3	-	1	1	-	-	-	-
- Banks	39	-	-	-	-	-	-	-	-	-
- Customers	681	-	3	-	1	1	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	9	-	-	-	-	-	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	50	143	138	1,497	1,014	2	6	-	-	-
- Short positions	79	150	30	1,241	942	4	5	52	71	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to grant finance										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1.4 OPERATIONAL RISK

Operational risk is defined as the risk of loss arising from inadequate or dysfunctioning internal processes, human resources or systems, or from external events. Operational risk includes legal risk, which is to say the risk of loss arising from failure to comply with laws or regulations, from contractual or extra-contractual responsibilities or other disputes, Information and Communication Technology risk, compliance risk and model risk, but does not include strategic risk or reputational risk.

Intesa Sanpaolo has drawn up regulations and organisational processes for measuring, managing and monitoring operational risk.

The Group assigns responsibility for operational risk management to its Board of Directors, which is charged with developing the Group's risk management policies, and to its Management Control Committee, which is charged with approving and monitoring the implementation of said policies, as well as with ensuring the smooth operation, efficiency and effectiveness of the operational risk management and control system. In addition, the Group Audit Coordination and Operational Risk Committee is responsible, among other things, for periodically verifying the Group's overall operational risk profile, providing for any corrective actions, coordinating and monitoring the effectiveness of the principal mitigation activities undertaken and approving operational risk transfer strategies. The Group has a centralised operational risk management unit in its Enterprise Risk Management Department. This unit is responsible for designing, implementing and supervising the methodological and organisational framework adopted, and for measuring risk profiles, verifying the effectiveness of risk mitigation measures and reporting to company senior management.

In accordance with current legislation and regulations, the companies in the Fideuram Group are responsible for identifying, measuring, managing and mitigating risk. Each has clearly identified internal units coordinated by Fideuram Operational Risk Management which are responsible for their Operational Risk Management processes (collection and structured recording of information on operational loss events, scenario analyses and the evaluation of risks associated with the Group's operating context).

Fideuram has developed its own system of governance for the operational risk management process which establishes the following responsibilities: a) The Board of Directors is responsible for the development and strategic supervision of the risk management policies, and for ensuring the smooth operation, efficiency and effectiveness of the operational risk management and control system over time, while also deciding on matters regarding compliance with the criteria for calculating the bank's capital requirement. b) The Internal Audit Committee is responsible for monitoring the suitability of the operational risk management and control system, and for ascertaining whether it complies with the related regulatory requirements. c) The Managing Director is responsible for ensuring the suitability and effectiveness over time of the risk management and control systems, and the procedures used for determining the capital requirement. d) The Internal Audit Department is responsible for periodically auditing the operational risk management system and for reporting on it to the Company Bodies. e) The Operational Risk Committee is

a consultative body that is responsible for analysing the reports on the operational risk profile and proposing any actions required to prevent and mitigate operational risk. f) The Decentralised Operational Risk Management (ORM) Unit, which reports to the Chief Risk Officer, is responsible for organising and maintaining the body of activities provided for by the operational risk management system. The other companies in the Fideuram Group have developed appropriate Operational Risk Management governance systems in accordance with the parent company's guidelines.

The Self-Diagnosis Process, performed annually, supports the following:

- The identification, measurement, monitoring and mitigation of operational risk through identifying the principal critical operational risk issues and formulating the most appropriate mitigation actions.
- The analysis of IT risk exposure.
- The creation of substantial synergies with the Group's specialist Human Resources and General Affairs units in charge of the development of operating processes and business continuity, with the Financial Management Governance Unit and with the Compliance and Internal Audit units that manage compliance with certain specific laws, regulations and related matters (Italian Legislative Decree 231/01 and Law 262/05) or carry out effectiveness tests on the controls on company processes.

Overall, the Self-Diagnosis process showed good operational risk management in 2016 and contributed to extending the dissemination of a corporate culture focused on continuous operational risk management. As part of this Self-Diagnosis process, the Departments also analysed their own IT risk exposure in parallel with the evaluations by the technical units and units with control duties.

The collection process for data on operational risk events and operational loss data in particular (obtained from internal and external sources) provides significant information on prior exposure, while also contributing to our knowledge and understanding of operational risk on the one hand, and to assessing the effectiveness of or potential weaknesses in the internal audit system on the other.

The internal model for calculating capital absorption has been designed to combine all the main sources of information, whether quantitative (operational loss) or qualitative (self-diagnosis). The quantitative part is based on an analysis of the historical data regarding internal events (monitored by decentred units, verified appropriately by the central unit and managed by a dedicated data processing system) and external events (monitored by the Operational Riskdata eXchange Association).

The qualitative part (scenario analyses) is focused on the prospective valuation of the risk profile of each unit, and is based on the structured and organised collection of subjective estimates which are provided directly by Management with the aim of measuring the potential financial impact of particularly severe operational risk events.

The capital at risk is therefore considered to be the minimum amount at Group level which would be required to meet the maximum potential loss that could be incurred. The capital at risk is estimated using a Loss Distribution Approach model (an actuarial statistical model for calculating the Value at Risk of operational losses), which is applied both to the quantitative

data and to the results of the scenario analysis over a one-year time horizon, with a confidence interval of 99.9%. This method also involves applying a correction factor obtained from qualitative risk analyses of the operating context in order to take the effectiveness of the internal controls in the various different organisational units into account.

Operational risk monitoring is carried out using an integrated reporting system that provides Management with information to support the management and/or mitigation of the risks assumed. A structured training programme has been launched for staff actively involved in the operational risk governance process to provide continuous support for the process.

In addition, the Group follows a traditional policy for transferring operational risk (to cover offences such as employee misconduct, theft and damage, the transport of valuables, computer fraud, forgery, cybercrime, fire and earthquake damage and third-party liability), with a view to mitigating its impact. In order to achieve optimal use of the operational risk transfer instruments available and to leverage the financial benefits while complying with all the related regulatory requirements, the Group has taken out an insurance policy known as an Operational Risk Insurance Programme which provides greater cover and significantly higher limits than traditional policies, transferring the risk of substantial operational losses to the insurance market. Our internal model's insurance mitigation component has been authorised by the Bank of Italy. In addition, the Group has its own operational continuity solutions that can be deployed to contain risks regarding its premises and infrastructures and the impact of events such as environmental disasters, international crises and social protests. The Fideuram Group has also taken out a traditional insurance policy to cover any cases of misconduct by the Personal Financial Advisers in the Group's Sales Networks.

The Group calculates its capital requirement using a combination of the methods provided for in the relevant legislation (the Advanced Measurement Approach - AMA, Traditional Standardised Approach - TSA, and Basic Indicator Approach - BIA), and then applies a cascading process (for the AMA component only) for its subsidiaries. The capital absorption thus obtained for Fideuram was €205m at 31 December 2016, an increase of €180m on the figure at 31 December 2015. At 31 December 2016 there were no emerging phenomena of note.

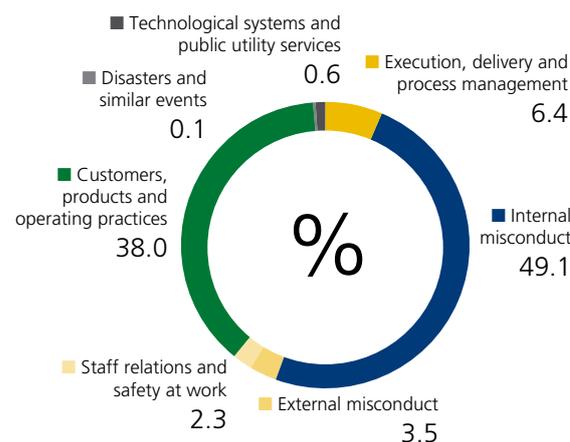
QUANTITATIVE INFORMATION

The operational losses in the year (exceeding the compulsory recording threshold established or the Group) are analysed by type of event below.

Most of the losses were due "Internal Misconduct", mainly consisting of losses due to the misappropriation of customer assets by Personal Financial Advisers and, to a lesser degree, to "Customers, products and operating practices", which concerns losses due to complaints by or disputes with customers regarding the conduct of business relations. The remaining losses, which involved lesser amounts, were expenses generated by payment card fraud, disputes with staff and Personal Financial Advisers, data flow anomalies and process execution and management errors.

The Group continued its work of improving the processes and controls in place to mitigate risk and contain loss, participating fully in every initiative launched by its parent company.

Analysis of operational loss 2016



Legal and tax risk

The Group is involved in civil and tax lawsuits as well as in criminal proceedings against third parties as part of its normal business operations.

The Group monitors pending cases constantly in consultation with external legal advisers, examining them in the light of the relevant contractual documents, the conduct concerned, internal investigations and any critical aspects highlighted by the aforesaid legal advisers during lawsuits. The Group has set aside provisions for legal disputes to amongst other things cover the liabilities that could be incurred, according to internal and external legal advice, as a result of pending legal and other disputes.

At 31 December 2016, these provisions totalled €109m. The total provisions and the amount of the individual provisions set aside are calculated on the basis of external and internal legal advisers' estimations of the proceedings having negative outcomes. As a consequence of said process, certain pending proceedings in which the Group is involved and regarding which a negative outcome is considered either remote or not quantifiable are not included in the provisions for legal disputes. The number and value of pending proceedings at 31 December 2016 were not sufficient to have any eventual significant impact on the business, assets or financial situation of the Group and may be classified as follows:

1) Cases regarding alleged unlawful and/or improper conduct by former financial advisers authorised to offer products and services outside Group premises

The majority of legal proceedings against the Group regard requests for compensation for damages in response to alleged unlawful conduct by former financial advisers authorised to offer products and services outside Group premises. The Group's involvement where damaging events of this kind are concerned is linked to the fact that it is considered jointly and severally liable with its financial advisers pursuant to article 31, subparagraph 3, of the Italian Finance Consolidation Act (Testo Unico della Finanza - TUF), which specifies that the broker is jointly and severally responsible for any damages to third parties caused by a financial adviser authorised to offer products and services outside company premises, even when responsibility for said damages has been ascertained in a court of criminal law. This type of complaint is in most cases due to acts of appropriation, forged signatures on contractual forms and the issue of false statements and/or reports to customers. In June 2016, Fideuram renewed a personal financial adviser

misconduct insurance policy with Lloyd's of London, through the broker AON S.p.A., which covers claims consequent upon unlawful acts committed by Fideuram and Sanpaolo Invest financial advisers for amounts in excess of €3m. The annual per-claim limit provided for in the policy is €16m (to cover all complaints, including out-of-court settlements, regarding the unlawful/improper conduct of a single financial adviser).

2) Cases regarding securities in default and losses on investments in financial products

Legal disputes initiated by customers requesting the cancellation of and/or compensation for damages arising from the purchase of securities in default and cases in which the customer alleges non-compliance with the regulations governing the provision of investment services and activities, consequently requesting the cancellation of transactions, refunding of the principal invested and/or compensation for damages.

3) Disputes initiated by former financial advisers authorised to offer products and services outside Group premises regarding alleged breaches of their agency contract

There are a small number of legal disputes of this kind initiated by former Fideuram and Sanpaolo Invest financial advisers authorised to offer products and services outside Group premises, resulting from the Bank's and Stockbroker's normal operations, which involve complaints regarding alleged breach of contract. They are mainly requests for the payment of various different termination indemnities, commission and compensation for damages.

4) Disputes regarding banking and other operations

These cases are mainly requests for compensation regarding banking operations (e.g. capitalisation of interest, claims from receivers and the disposal of pledged assets) and/or miscellaneous complaints which do not fall within any other category.

5) Disputes regarding supervisory investigations

This category concerns two pending judgements that see Sanpaolo Invest opposing the Italian Ministry of the Economy and Finance and the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB), which launched two penalty proceedings following supervisory investigations, one regarding the years 1992-1997, and the other regarding 2005. In particular, Sanpaolo Invest and the managers involved contest the imposition of financial penalties totalling €213,000 in the first case and €296,500 in the second, and the inefficiencies and/or omissions in its management processes alleged by the Supervisory Authority. The CONSOB's investigations into the years 1992-1997 led to the formulation of a number of objections regarding the alleged inadequacy of the procedures in place with Personal Financial Advisers for the provision of services and, likewise, the alleged inadequacy of the controls on said procedures, failure to notify the Board of Statutory Auditors of the Personal Financial Advisers' irregularities and failure to provide for a register of the audits performed. The Rome Court of Appeal found

in favour of the defence presented by Sanpaolo Invest and the managers concerned, annulling the penalties. The Court of Cassation overturned the Rome Court of Appeal's judgement following an appeal by the CONSOB and Italian Ministry of the Economy and Finance, remitting the case to the Rome Court of Appeal. The Court of Appeal, to which the case was remitted on 11 February 2011, ruled that the penalties against Sanpaolo Invest and its managers be annulled. On 28 March 2012, the Italian Ministry of the Economy and Finance and the CONSOB filed an appeal in Cassation against the Rome Court of Appeal's decision of 11 February 2011. The company and managers subsequently filed their defence. On 15 July 2016, the Court of Cassation overturned the Court of Appeal's judgment of 11 February 2011 and again remitted the case to another section of the Rome Court of Appeal. The company and managers therefore resumed the proceedings in the Rome Court of Appeal on 21 November 2016.

The CONSOB's 2005 investigation was launched in relation to an audit of the efficiency of the management processes and internal audit system. The penalty proceedings for alleged violations of regulatory provisions, principally regarding internal auditing, led to the imposition of administrative monetary penalties totalling €296,500. Sanpaolo Invest presented submissions and filed statements in the course of the proceedings, highlighting that its procedures complied with the applicable regulations. The appeal against these penalties at the Rome Court of Appeal was rejected. The Company and managers therefore filed an appeal at the Court of Cassation. On 26 November 2015, the Court found in favour of their appeal, overturned the penalties and remitted the case to the Rome Court of Appeal. The company and managers therefore resumed the proceedings in the Rome Court of Appeal.

6) Tax disputes

The Latium Regional Tax Police (Polizia Tributaria) sent Fideuram a report concerning the 2003 and 2004 tax years, questioning the tax period adopted by the bank for the tax deduction of the Personal Financial Adviser Network Loyalty Schemes, together with a number of other lesser matters.

Following this report, the bank was served a notice of assessment by the competent office of the Italian Inland Revenue regarding Corporate Income Tax (IRPEG) and Regional Business Tax (IRAP) for the year 2003, against which the bank promptly appealed. The Provincial and Regional Tax Commission found against the bank, which then filed an appeal with the Court of Cassation.

As a further consequence of the inspection by the Tax Police and regarding the same financial statement items as for 2003, the bank subsequently received notices of assessment regarding IRES corporate income tax and IRAP regional business tax for the 2004 tax year, against which the bank filed an appeal with the Tax Commission. The bank then reached a legal settlement regarding the main item while pursuing the dispute regarding a number of lesser items in the court of second instance, where the court found in favour of the bank excepting for one small amount. The Tax Office subsequently filed an appeal with the Court of Cassation.

An additional consequence of said report regarding the 2003 and 2004 tax years was that the bank was also served a notice of assessment for a smaller amount regarding VAT. The bank's appeal against this notice of assessment was granted by the Rome Provincial Tax Commission, but the ruling on the dispute was then overturned in the court of second instance. The dispute over this item is now also awaiting listing in the Court of Cassation.

The provisions for risks and charges are more than sufficient to cover the items still to be settled.

In 2014, the Latium Regional Office of the Inland Revenue - Large Taxpayers Office - conducted a general inspection of Fideuram regarding IRES corporate income tax, IRAP regional business tax, VAT and withholding agent activities for the 2010 tax year. This inspection was subsequently partially extended to 2009. The inspection was completed with the notification of a report contesting the deductibility of certain items for the purposes of IRES corporate income tax and IRAP regional business tax, and alleging non-compliance with respect to withholding tax on interest earned on accounts outside Italy linked to mutual funds distributed by the bank, demanding the payment of taxes totalling €3.4m plus financial penalties and interest.

In that year, the bank settled in compliance with the assessment regarding the deductibility of the various items in respect of IRES corporate income tax and IRAP regional business tax, but appealed to the Rome Provincial Tax Commission in the first half of 2015 over the question of non-compliance and financial penalties regarding withholding tax on mutual fund interest.

During 2015, the Latium Regional Office of the Inland Revenue - Large Taxpayers Office - conducted an inspection of Fideuram regarding the 2011 tax year. The inspection was completed with the notification of a report contesting the deductibility of certain minor items for the purposes of IRES corporate income tax and, as for 2009 and 2010, alleging non-compliance with respect to withholding tax on interest earned on accounts outside Italy linked to mutual funds distributed by the bank, for a total of €1.7m in taxes plus financial penalties and interest.

In 2016, the bank was served the notices of assessment regarding all the matters contested in the report. The Bank

settled in compliance regarding the matter of IRES corporate income tax but appealed to the Rome Provincial Tax Commission over the question of non-compliance in respect of withholding tax on mutual fund interest.

Since these claims are groundless, no provision has been made in the provision for tax disputes regarding the disputes that have arisen in the past two-year period.

In 2015, having completed a general inspection relating to the 2011 tax year, the Lombardy Regional Office of the Inland Revenue notified Fideuram Investimenti of a report contesting adjustments to the prices of mutual fund management activities undertaken on behalf of associate company Fideuram Asset Management (Ireland), corresponding to €3.1m in taxes. The same Tax Office report, however, noted that adequate supporting documentation had been provided (Masterfile in accordance with article 26 of Italian Decree Law No. 78/2010), such that administrative penalties would not be applicable.

The dispute was settled in compliance with the assessment on 22 December 2016, with the payment of additional taxes and interest totalling approximately €2.4m. The dispute for that year can therefore be considered closed.

In 2012, the Lombardy Regional Office of the Inland Revenue - Large Taxpayers Office - notified Intesa Sanpaolo Private Banking of a report setting out its findings regarding the years 2009 to 2011. It subsequently withdrew the assessments for the 2009 and 2010 tax years.

In December 2016, the Lombardy Regional Office of the Inland Revenue - Large Taxpayers Office - served notices of assessment regarding IRES corporate income tax and IRAP regional business tax for the dispute concerning the 2011 tax year consequent upon the findings of a report of which it had notified the Bank in 2012.

The notices dispute the deductibility of the amortisation of the goodwill arising from the transfer of the company division, demanding taxes totalling €3.8m plus penalties and interest.

Considering that it acted correctly, the Bank lodged an appeal with the Provincial Tax Commission. Since the tax office's claim is groundless, no provision has been made for it in the provision for tax disputes.

PART F - NOTES TO THE CONSOLIDATED BALANCE SHEET

SECTION 1 - CONSOLIDATED SHAREHOLDERS' EQUITY

A. QUALITATIVE INFORMATION

Capital management in the Fideuram - Intesa Sanpaolo Private Banking Group is principally directed towards ensuring that the shareholders' equity and capital ratios of the parent company and its banking and financial subsidiaries are consistent with their risk profiles and capital requirements.

The banking and financial companies in the Group are required to comply with the capital adequacy requirements established by the harmonised regulations set out in Directive 2013/36/EU (Capital Requirements Directive - CRD IV) and European Union Regulation 575/2013 (Capital Requirements Regulation - CRR) of 26 June 2013, which implements the standards developed by the Basel Committee on Banking Supervision (Basel III framework) in the European Union, and on the basis of Bank of Italy Circulars No. 285 and No. 286 of 17 December 2013.

These rules provide for a notion of own funds that is distinct from the shareholders' equity recorded in the accounts, and which is calculated as the algebraic sum of positive and negative items that are included on the basis of capital quality.

The Group companies monitor their respect for the regulatory capital ratios during the year and on a quarterly basis, taking appropriate direction and control actions with regard to the capital items when necessary. Whenever a company transaction is to be conducted, the capital adequacy is assessed together with any related interventions that may be required regarding the shareholders' equity and/or capital items that impact on the minimum capital requirements.

The share capital and share premium reserve were the same as the amounts for the corresponding items in the shareholders' equity of Fideuram and of non-controlling shareholders. The item Other reserves comprises Fideuram's remaining reserves and any changes in the shareholders' equity of the companies included in the consolidation and of non-controlling interest shareholders.

At 31 December 2016, Fideuram - Intesa Sanpaolo Private Banking's share capital was €300,000,000 divided into 1,500,000,000 no-par ordinary shares. The Group did not hold any treasury shares at 31 December 2016.

B. QUANTITATIVE INFORMATION

B.1 Consolidated shareholders' equity: analysis by type of company

	BANKING GROUP	INSURANCE COMPANIES	OTHER COMPANIES	CONSOLIDATION ELIMINATIONS AND ADJUSTMENTS	TOTAL	THIRD PARTIES
Share capital	300	-	-	-	300	-
Share premium reserve	206	-	-	-	206	-
Reserves	1,373	-	-	-	1,373	-
Advances on dividends (-)	(600)	-	-	-	(600)	-
Capital instruments	-	-	-	-	-	-
Treasury shares (-)	-	-	-	-	-	-
Valuation reserves:	(84)	-	-	-	(84)	-
- Financial assets available for sale	(106)	-	-	-	(106)	-
- Property and equipment	-	-	-	-	-	-
- Intangible assets	-	-	-	-	-	-
- Hedging of foreign investments	-	-	-	-	-	-
- Hedging of financial flows	-	-	-	-	-	-
- Exchange rate differences	4	-	-	-	4	-
- Non-current assets held for sale	-	-	-	-	-	-
- Actuarial Profit (Loss) on defined-benefit pension plans	(9)	-	-	-	(9)	-
- Valuation reserves related to investments carried at equity	8	-	-	-	8	-
- Special revaluation laws	19	-	-	-	19	-
Profit (Loss) for the year (+/-) of group and third parties	786	-	-	-	786	-
Shareholders' equity	1,981	-	-	-	1,981	-

B.2 Valuation reserves for financial assets available for sale: analysis

	BANKING GROUP		INSURANCE COMPANIES		OTHER COMPANIES		CONSOLIDATION ELIMINATIONS AND ADJUSTMENTS		TOTAL	
	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	44	(142)	-	-	-	-	-	-	44	(142)
2. Equities	-	-	-	-	-	-	-	-	-	-
3. Units in mutual funds	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-
Total 31.12.2016	44	(142)	-	-	-	-	-	-	44	(142)
Total 31.12.2015	59	(126)	-	-	-	-	-	-	59	(126)

B.3 Valuation reserves for financial assets available for sale: changes in the year

	DEBT SECURITIES	EQUITIES	UNITS IN MUTUAL FUNDS	LOANS
1. Opening balance	(63)	1	(5)	-
2. Increases	23	-	5	-
2.1 Increases in fair value	16	-	-	-
2.2 Reversals from negative reserves to the income statement	3	-	-	-
- following impairment	-	-	-	-
- following disposal	3	-	-	-
2.3 Other increases	4	-	5	-
3. Decreases	58	1	-	-
3.1 Reductions in fair value	46	-	-	-
3.2 Adjustments for impairment losses	-	-	-	-
3.3 Reversals from positive reserves to the income statement: following disposal	6	1	-	-
3.4 Other decreases	6	-	-	-
4. Closing balance	(98)	-	-	-

B.4 Valuation reserves for defined-benefit plans: changes in the year

	ACTUARIAL GAINS / LOSSES
1. Opening balance	(6)
2. Increases	1
2.1 Actuarial gains	1
2.2 Other increases	-
3. Decreases	4
3.1 Actuarial losses	4
3.2 Other decreases	-
4. Closing balance	(9)

PART G – BUSINESS COMBINATION TRANSACTIONS OF COMPANIES OR COMPANY DIVISIONS

SECTION 1 - TRANSACTIONS COMPLETED IN THE YEAR

The Group did not engage in any business combination transactions in the year as governed by IFRS 3.

The project reorganising Fideuram's subsidiaries outside Italy proceeded with the merger of Euro-Trésorerie and its immediate parent company Financière Fideuram, which was completed as an internal transaction within the Fideuram Group that could consequently be deemed outside the scope of application of IFRS 3. In consideration of the fact that the transaction was entered into exclusively for the purposes of reorganisation, it was recognised keeping the financial statement values unchanged without recognising the effects in profit or loss in the consolidated financial statements.

The transaction was authorised by the Fideuram Board of Directors' Meeting of 3 May 2016.

The simplified merger procedure known as "Transmission Universelle de Patrimoine" (TUP - Complete Transfer of Assets) provided for by French law was used since Financière Fideuram held all the shares in Euro-Trésorerie. This procedure does not require the appointment of an auditor and simply involves a resolution by the parent company's Board of Directors together with a "deed of dissolution" signed at the same time by the legal representatives of the companies involved, followed by a 30-day opposition period for the creditors of the merged company, after which the company is struck off. The transaction was approved by the Financière Fideuram Board of Directors on 27 May 2016, with legal effect from 1 July 2016, after the 30-day opposition period provided for by French law.

PART H - TRANSACTIONS WITH RELATED PARTIES

OPERATING ASPECTS

The Fideuram - Intesa Sanpaolo Private Banking Board of Directors' meeting of 29 September 2016:

- Adopted, following the procedures provided for by Italian law, the new Group Regulations governing the management of transactions with Intesa Sanpaolo S.p.A. Related Parties, Group Associated Parties and Insiders in accordance with article 136 of Italian Banking Consolidation Act (Testo Unico Bancario - TUB) and adopted the related Addendum.
- Approved the new Addendum containing the Decision-Making Rules and Procedures adopted by Fideuram, including in compliance with Title V, Section 5 of Bank of Italy Circular No. 263 of 27 December 2006.

The new rules, which came into force on 31 October 2016, replace the previous rules approved in 2012 and were also adopted by all the other Fideuram Group companies.

The new regulations, like their predecessors, take into account the regulations issued by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) implementing both article 2391 bis of the Italian Civil Code and the Supervisory Regulations brought in by the Bank of Italy on 12 December 2011 regarding bank and banking group risk assets and conflicts of interest in respect of associated parties, the latter issued to implement article 53, subparagraph 4 et seq. of the Italian Banking Consolidation Act and in accordance with resolution No. 277 of the Italian Interministerial Committee for Credit and Savings (CICR) of 29 July 2008 and, in addition, the rules set out in article 136 of the Italian Banking Consolidation Act (Testo Unico Bancario - TUB).

The Intesa Sanpaolo Regulations govern the following for the entire Group:

- The criteria for identifying Related Parties and Associated Parties.
- The investigative and decision-making process for transactions with related parties and associated parties, together with the process for providing information to the Company Bodies on said transactions.
- Information provided to the market on transactions with related parties.
- The prudential limits for and the requirements for periodically notifying the Bank of Italy about risk assets in respect of Associated Parties.
- The rules regarding controls and organisational supervision.
- The general disclosure and abstention rules for the management of the personal interests of company directors, employees and agents/freelancers, including those other than Associated Parties.

In accordance with said Regulations, the following are considered Intesa Sanpaolo Related Parties: parties holding a controlling interest or a major interest sufficient to exert significant influence, subsidiaries and associate companies, joint ventures, the Group's pension funds, Intesa Sanpaolo Directors and Key Managers and their close relatives, and significant equity investments.

Group associated parties are comprised of the associated parties of each bank in the Group (including Fideuram) and each significant authorised intermediary with own funds exceeding 2% of consolidated shareholders' equity. The following are considered associated parties: i) Shareholders which exert control or significant influence and relative company groups, ii) Subsidiaries, joint subsidiaries and associate companies, as well as entities in whom the latter have a controlling interest, including jointly with others. iii) Company directors and their relatives up to the second degree of consanguinity or affinity and significant equity investments.

As a self-regulatory measure, the regulations were extended to: i) Intesa Sanpaolo shareholders and related company groups that hold shares with voting rights in the parent company above the minimum threshold provided for by the regulations on the disclosure of significant investments in listed companies. ii) Companies where members of the Board of Directors are close family members of directors on the Board of Directors of the Group's banks or Significant Authorised Intermediaries. iii) Companies in which the Group has significant equity or financial interests.

The parties considered insiders by the Regulations also include the Bank's related parties as defined by IAS 24.

The Regulations specify the various investigative safeguards that need to be observed by the Bank's departments in carrying out transactions with Intesa Sanpaolo Related Parties, Group Associated Parties and Relevant Persons in accordance with article 136 of the Italian Banking Consolidation Act (Testo Unico Bancario - TUB), requiring, among other things, a detailed examination of the motives and interests, of the asset-related, economic and financial effects, and of the conditions of the transaction.

The procedure has a number of different decision-making levels, differentiated as follows:

- Transactions of negligible amount: with a value of €250k or less for natural persons and €1m or less for legal persons (exempted from application of the regulations).
- Transactions of minor significance: with a value above the thresholds for transactions of negligible amount or equal to the thresholds for transactions of major significance.
- Transactions of major significance: with a value that is above the 5% threshold of the indicators specified by the Italian National Commission for Listed Companies and the Stock

Exchange (CONSOB) and the Bank of Italy (approximately €2.5bn for the Intesa Sanpaolo Group).

- Transactions requiring the approval of the shareholders' meeting in accordance with the By-Laws.

The Internal Audit Committee, made up of three independent members of the Bank's Board of Directors, plays a consultative role in the process for approving transactions with Intesa Sanpaolo Related Parties and Group Associated Parties. Transactions of major significance require the company departments to involve the Committee in the investigative and negotiation phases by sending a complete flow of prompt information, with the committee being empowered to request further information and formulate observations.

All transactions with a Related Party or Associated Party not exempted are subject to the parent company's consent and a resolution of the Board of Directors, following consultation with the Internal Audit Committee.

The Regulations likewise specify the general criteria for the reports to be submitted, at least quarterly, to the Board of Directors and Board of Statutory Auditors on transactions with Related Parties and Associated Parties completed in the reference period. The reports must detail all the transactions with a value above the thresholds for transactions of negligible amount with the exception of financing transactions of minor significance and banking inflows between group companies. Ordinary transactions of minor significance between group companies and transactions of minor significance between group companies under arm's length conditions, on the other hand, are to be reported on annually in an aggregate report.

In addition to covering the obligations provided for in article 2391 of the Italian Civil Code and article 53 of the Italian Banking Consolidation Act (Testo Unico Bancario - TUB) regarding the interests of directors, the new Regulations also govern Insider transactions in accordance with article 136 of the TUB and therefore adopt the escalated decision-making procedure (unanimous resolution of the Board of Directors, excluding the vote of the director concerned, and vote in favour by the members of the Board of Auditors) provided for to permit bank directors to enter into liabilities either directly or indirectly with the bank in which they hold their position.

1. INFORMATION ON REMUNERATION OF SENIOR MANAGERS WITH STRATEGIC RESPONSIBILITIES

Form of remuneration

(€m)

	31.12.2016
Short-term benefits	5
Post-employment benefits	-
Other long-term benefits	1
Employment termination indemnity	-
Payment in shares	1
Total	7

2. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

Fideuram - Intesa Sanpaolo Private Banking S.p.A. is wholly owned and controlled directly by Intesa Sanpaolo S.p.A..

In accordance with the law and the internal procedures issued by Intesa Sanpaolo and by Fideuram, all transactions with related parties between 1 January and 31 December 2016 were conducted under arms-length conditions as for unrelated parties of corresponding nature and risk, or - in the absence of any reference - under mutually-beneficial conditions, verified taking all the related circumstances, the distinctive characteristics of each transaction and Group interests into account. The bank did not in any case engage in any atypical or unusual transactions and/or transactions under non-standard financial and contractual conditions for the types of related parties concerned.

The Fideuram Board of Directors meeting of 3 May 2016 approved the renewal of the service contract in place with Intesa Sanpaolo Group Services S.C.p.A. and Intesa Sanpaolo S.p.A.. These contracts resulted in the payment of total remuneration of approximately €69.1m in 2016, a 1% decrease on the amount paid in 2015 (€69.7m).

Rationalising the Fideuram Group's representation in France, we completed the merger of subsidiary Euro-Trésorerie S.A. with Financière Fideuram S.A. on 1 July 2016. The business previously conducted by Euro-Trésorerie S.A. is now carried out by Financière Fideuram S.A., which took over the related organisational unit.

The Board of Directors meeting of 29 July 2016 was informed that Fideuram has authorised Intesa Sanpaolo to include it in the agreement amending, among other things, the contract between Fideuram and Setefi Services S.p.A. regarding the management services for:

- Transactions using Intesa Sanpaolo business customer merchant point of sale terminals.
- Cash withdrawal/advance transactions at Group automatic teller machines (ATMs).
- Payment cards.

This agreement provides for a number of additional clauses to align and unify at Intesa Sanpaolo Group level the contracts in place between Setefi Services S.p.A. and each of the Group banks who have signed them.

All Fideuram's relations with its subsidiaries, as well as its relations with Intesa Sanpaolo and the latter's subsidiaries, may be considered to form part of the bank's ordinary operations. Fideuram uses the brokerage services of Banca IMI for buying and selling securities. These transactions are conducted under arm's-length conditions.

All amounts receivable and payable, and all income and expenses at 31 December between the companies in the Intesa Sanpaolo Group are summarised in the tables below:

Assets 31.12.2016

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Debt securities	7,460	61
Equities and mutual funds	6	44
Loans and advances to banks	12,356	95
Loans and advances to customers	174	2
Financial derivatives	11	33
Other	29	3

Liabilities 31.12.2016

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Due to banks	2,437	91
Due to customers	709	3
Financial derivatives	609	54
Other	25	3
Guarantees and commitments	366	37

Income Statement 2016

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Interest income	176	54
Interest expense	(93)	62
Fee and commission income	757	35
Fee and commission expense	(32)	5
Operating income on financial activities	(63)	n.s.
Administrative expenses	(88)	11

n.s.: not significant

Relationships with companies in the Intesa Sanpaolo Group

(€m)

	ASSETS	LIABILITIES	GUARANTEES AND COMMITMENTS	INCOME	EXPENSES
Parent Company					
Intesa Sanpaolo S.p.A.	18,738	69	364	194	36
Companies controlled by the Parent Company					
Banca IMI S.p.A.	630	2,993	2	99	181
Banco di Napoli S.p.A.	1	-	-	1	-
Cassa di Risparmio del Veneto S.p.A.	-	-	-	-	1
Cassa di Risparmio di Firenze S.p.A.	-	-	-	1	-
Cassa di Risparmio in Bologna S.p.A.	-	-	-	-	1
Epsilon Associati SGR S.p.A.	1	-	-	3	-
Eurizon Capital S.A.	7	-	-	27	-
Eurizon Capital SGR S.p.A.	28	-	-	104	-
Fideuram Vita S.p.A.	298	688	-	433	9
Intesa Sanpaolo Assicura S.p.A.	1	2	-	-	-
Intesa Sanpaolo Bank Ireland S.A.	130	-	-	-	-
Intesa Sanpaolo Bank Luxembourg Plc	167	1	-	1	1
Intesa Sanpaolo Group Services S.C.p.A.	-	5	-	-	68
Intesa Sanpaolo Immobiliare S.A.	-	-	-	-	1
Intesa Sanpaolo Life Ltd	4	1	-	41	1
Intesa Sanpaolo Servitia S.A.	-	-	-	-	2
Intesa Sanpaolo Vita S.p.A.	31	21	-	57	3

PART I - SHARE-BASED PAYMENT ARRANGEMENTS

A. QUALITATIVE INFORMATION

1.1 BONUS SCHEME BASED ON FINANCIAL INSTRUMENTS

The Supervisory Regulations regarding the remuneration and bonus and incentive scheme policies and practices of banks and banking groups stipulate, inter alia, that part of the bonuses awarded to "Risk Takers" (at least 50%) be in the form of financial instruments allocated over a long-term time horizon.

To this end, the Fideuram Group has purchased Intesa Sanpaolo shares for a total value of €5m. These shares are recorded under financial assets measured at fair value through profit or loss.

The shares will be assigned to the participants in accordance with the implementation regulations of the bonus systems, which as a rule require the participants to have been in continuous service up until the moment the shares are actually delivered, and make each deferred part of the bonus (whether in the form of cash or financial instruments) subject to an ex-post correction mechanism (known as a malus condition) which can reduce the amount paid and the number of any shares allocated in relation to the extent to which certain specific financial/asset targets that measure the sustainability of the results achieved over time have been met.

1.2 LEVERAGED CO-INVESTMENT PLAN (LECOIP)

Intesa Sanpaolo announced an incentive scheme for Group employees concomitantly with the launch of its 2014-2017 Business Plan, in the form of a stock ownership plan named the Leveraged Employee Co-Investment Plan (LECOIP).

Following the allocation, free of charge, of Intesa Sanpaolo ordinary shares acquired on the market (Free Shares), the employees were given the opportunity to benefit from a long-term Investment Plan, the term of which is aligned with said Company Plan, involving the subscription of certain financial instruments - LECOIP Certificates - issued by a finance company outside the Intesa Sanpaolo Group. Those employees that opted to join the Investment Plan were additionally allocated new-issue Intesa Sanpaolo ordinary shares (Matching Shares) and subscribed new-issue Intesa Sanpaolo ordinary shares in a cash capital increase reserved for employees in which the shares were discounted from their market value (Discounted Shares).

In accordance with the operation of the Plan, the Group companies bought Intesa Sanpaolo ordinary shares on the market for their employees (Free Shares). Conversely, Intesa Sanpaolo assumed the obligation of allocating the Matching and Discounted shares to all Group company employees.

The LECOIP Certificates confer the following rights:

- The right to receive upon maturity an amount in cash (or in Intesa Sanpaolo ordinary shares) equal to the original market value of the Free Shares and Matching Shares.
- The right to receive, again upon maturity, a portion of any appreciation in value of the shares with respect to their original market value.

Participation in the Plan did not require any cash payments by the employees. Upon subscription of the Certificates, the issuer and employees simultaneously entered into a forward contract for the shares allocated. The proceeds of the sale were used by the employees to subscribe the discounted shares, with the remainder being used to purchase the Certificates.

The offer period for employees to join the Investment Plan ended on 31 October 2014. The date of allocation of the shares was 1 December 2014, which thus marked the beginning of the vesting period ending in April 2018.

The cost of this employee benefit is the fair value of the shares allocated, calculated at the allocation date and recognised under personnel expenses. The cost of the Matching Shares and Discounted Shares borne directly by Intesa Sanpaolo was recorded as a balancing entry to an increase in shareholders' equity through the use of a specific reserve. The fair value of the Free Shares and Matching Shares was determined using the market value of the shares at the allocation date. The fair value of the subscription discount on the Discounted Shares was calculated using the stock market price of the shares at the allocation date and the related discount. The cost for those employees who joined the stock ownership plan only, without joining the Investment Plan (and therefore only received the Free Shares), was recognised in full at the moment of allocation, since these shares were not subject to any vesting conditions.

Conversely, for employees joining the LECOIP Investment Plan, it is a condition of the Plan that they remain in service for the length of the Plan, in addition to which there are specific performance conditions for Risk Takers and Senior Managers, which require the completion of a given period of service and the achievement of specified bank net worth and profit targets.

The portion resulting from Intesa Sanpaolo's direct allocation of shares to employees of the other Group companies (part of the Matching Shares and Discounted Shares), which was in effect a contribution to its subsidiaries, was recognised as an increase in the value of the equity investments with a corresponding increase in the beneficiary companies' shareholders' equity.

The income statement and balance sheet effects of the Plan, estimated weighting the vesting conditions appropriately (including the likelihood of the employees remaining in the

Group for the duration of the Plan), will be recognised over the entire vesting period, which is to say over the duration of the Plan.

B. QUANTITATIVE INFORMATION

2.1 Bonus scheme based on financial instruments

	NUMBER OF SHARES	PER-SHARE FAIR VALUE (€)
Intesa Sanpaolo Shares at 31 December 2015	1,002,776	3.0880
- Shares acquired in the year	1,459,880	2.1515
- Shares allocated in the year	409,523	2.2200
Intesa Sanpaolo Shares at 31 December 2016	2,053,133	2.4260

2.2 LECOIP investment plan

LECOIP PLAN								TOTAL NUMBER OF SHARES ALLOCATED	NUMBER OF LECOIP CERTIFICATES AT 31.12.2015	CHANGES IN THE YEAR	NUMBER OF LECOIP CERTIFICATES AT 31.12.2016	AVERAGE FAIR VALUE AT 31.12.2016
FREE SHARES		MATCHING SHARES		DISCOUNTED SHARES		SELL TO COVER SHARES						
NUMBER OF SHARES	AVERAGE PER-SHARE FAIR VALUE	NUMBER OF SHARES	AVERAGE PER-SHARE FAIR VALUE	NUMBER OF SHARES	AVERAGE PER-SHARE FAIR VALUE	NUMBER OF SHARES	AVERAGE PER-SHARE FAIR VALUE					
1,025,554	2.3284	2,961,603	2.3072	15,948,628	0.3699	2,919,114	2.4007	22,854,899	3,708,351	(25,808)	3,682,543	3.7532

The income statement effects of the Leveraged Co-Investment Plan (LECOIP) totalled €10m in 2016.

The background is a classical painting of a Venetian canal scene. On the left, a large, ornate domed building, likely St. Mark's Basilica, is visible. The canal is filled with several gondolas and other small boats. The sky is blue with soft, white clouds. A large, semi-transparent green shape covers the left and middle portions of the image, serving as a background for the text.

8. Certification of the consolidated financial statements

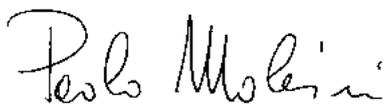
8. Certification of the consolidated financial statements

1. The undersigned Paolo Molesini, as Managing Director and General Manager, and Paolo Bacciga, as Manager responsible for the preparation of the company accounts, of Fideuram - Intesa Sanpaolo Private Banking, hereby certify, also taking account of the provisions of article 154 bis, subparagraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, that the consolidated financial statements are:
 - suitable for the characteristics of the Group, and
 - that the Group has fully applied the administrative and accounting procedures for preparing the consolidated financial statements during 2016.
2. The suitability and effective application of the administrative and accounting procedures for preparing the consolidated financial statements at 31 December 2016 were evaluated using methodologies developed in line with the COSO framework and, for the IT part, COBIT, which are widely accepted internationally as reference frameworks for internal control systems¹.
3. In addition, the undersigned also certify as follows:
 - 3.1 The consolidated financial statements at 31 December 2016:
 - Have been prepared in accordance with the applicable international financial reporting standards recognised in the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002.
 - Correspond with the accounting books and records.
 - Are suitable for providing a faithful and proper representation of the financial performance and cash flows of the issuer and of the group of companies included in the consolidation.
 - 3.2 The Directors' Report contains a reliable analysis of the performance, operating results and financial situations of the issuer and of the companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed and a reliable analysis of the information on significant transactions with related parties.

20 February 2017

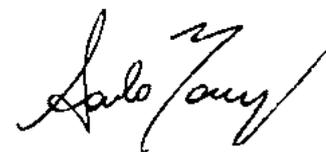
Paolo Molesini

Managing Director and
General Manager



Paolo Bacciga

Manager responsible for the preparation
of the company accounts



1. The COSO Framework was developed by the Committee of Sponsoring Organizations of the Treadway Commission, a US body dedicated to improving the quality of company information by providing guidance on ethical standards and an effective system of corporate governance and organisation. The COBIT Framework - Control Objectives for IT and related technology - is a set of guidance materials developed by the IT Governance Institute, a US body that aims to develop and improve corporate standards in the IT sector.

A classical painting of a Venetian harbor scene, likely by Giovanni Antonio Canal (Canaletto). The scene depicts a busy harbor with numerous boats, including gondolas and larger sailing vessels. In the background, the architecture of Venice is visible, featuring a prominent building with a large dome and a golden orb on top, possibly the Basilica di Santa Maria della Salute. The sky is filled with soft, white clouds. A semi-transparent green overlay covers the left and bottom-left portions of the image, with the text '9. Independent Auditors' Report' centered within it.

9. Independent
Auditors' Report



KPMG S.p.A.
Revisione e organizzazione contabile
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholder of
Fideuram - Intesa Sanpaolo Private Banking S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Fideuram - Intesa Sanpaolo Private Banking Group (the "group"), which comprise the consolidated balance sheet as at 31 December 2016, the consolidated income statement and the statements of consolidated comprehensive income, changes in equity and cash flows for the year then ended and notes thereto.

Directors' responsibility for the consolidated financial statements

The parent's directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 43 of Legislative decree no. 136/2015.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.



An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 43 of Legislative decree no. 136/2015.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report with the consolidated financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report, which is comprised of Chapter 3 "Operating and market context", paragraphs from 4.1 to 4.4, 4.7.1 and 4.8 of Chapter 4 "Performance", Chapter 5 "Growth prospects" and paragraph 6.2 of Chapter 6 "Governance" and is the responsibility of the parent's directors, with the consolidated financial statements. In our opinion, the directors' report is consistent with the consolidated financial statements of the Fideuram - Intesa Sanpaolo Private Banking Group as at and for the year ended 31 December 2016.

Rome, 3 March 2017

KPMG S.p.A.

(signed on the original)

Giuseppe Scimone
Director of Audit



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(Translation from the Italian original which remains the definitive version)

Independent auditors' report on the sustainability report

To the board of directors of
Fideuram - Intesa Sanpaolo Private Banking S.p.A.

We have carried out a limited assurance engagement of the 2016 sustainability report of the Fideuram - Intesa Sanpaolo Private Banking Group (the "Group"), comprised of the following sections of the group's 2016 Integrated annual report:

- Section "Highlights";
- Section 1 "Business model";
- Section 2.1 "Chairman's statement"; 2.2 "Managing Director and General Manager's statement"
- Sections 4.5 "Customer segmentation", 4.7.1 "Financial capital", paragraph "Distribution of value", 4.7.2 "Productive capital", 4.7.3 "Intellectual capital", 4.7.4 "Human capital", 4.7.5 "Relational capital" and 4.7.6 "Natural capital";
- Sections 6.2 "Organisational structure", 6.3 "Ownership structure", 6.4 "Role of subholding company" and 6.5 "Company management";
- Sections 10.1 "Sustainability reporting methodology", 10.2 "Overview table of GRI indicators", and 10.5 "Value created and distributed table"

Directors' responsibility for the sustainability report

The parent's directors are responsible for the preparation of the sustainability report in accordance with the "G4 Sustainability Reporting Guidelines", issued in 2013 by GRI – Global Reporting Initiative, that are detailed in the "Sustainability reporting methodology" section of the Integrated annual report, as well as for that part of internal controls that they consider necessary for the preparation of a sustainability report that is free from material misstatement, including due to fraud or unintentional conduct or events. They are also responsible for defining the Group's objectives regarding its sustainability performance, the reporting of the achieved results and the identification of the stakeholders and the significant matters to report.

Auditors' responsibility

Our responsibility is to issue this report based on our procedures. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000)", issued by the International Auditing and Assurance Standards Board (IAASB) applicable to limited assurance engagements. This standard requires that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the report is free from material misstatement. These procedures include inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

The procedures we performed on the sustainability report aimed at checking that its content and quality complied with the "G4 Sustainability Reporting Guidelines" and may be summarised as follows:

- comparing the information and data presented in the "Distribution of value" paragraph of the sustainability report to the corresponding financial information and data included in the Group's consolidated financial statements as at and for the year ended 31 December 2016, on which we issued our report dated 3 March 2017 pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010;
- holding interviews aimed at analysing the governance system and the process for managing the sustainable development issues relating to the Group's strategy and activities;
- analysing the reporting of significant matters process, specifically how these matters are identified and prioritised for the each stakeholder category and how the process outcome is validated internally; analysing how the processes underlying the generation, recording and management of quantitative data included in the sustainability report operate. In particular, we have performed the following:
 - interviews and discussions with management personnel of Fideuram - Intesa Sanpaolo Private Banking S.p.A. and personnel of Intesa Sanpaolo Private Banking S.p.A. and Sanpaolo Invest SIM S.p.A., to gather information on the IT, accounting and reporting systems used in preparing the sustainability report, and on the processes and internal control procedures used to gather, combine, process and transmit data and information to the office that prepares the sustainability report;
 - sample-based analysis of documentation supporting the preparation of the sustainability report to confirm the existence and adequacy of processes and that the internal controls correctly manage data and information in relation to the objectives described in the sustainability report;
- analysing the compliance and overall consistency of the qualitative information included in the sustainability report with the guidelines referred to herein in the "Directors' responsibility for the sustainability report" paragraph hereof;



- analysing the stakeholder involvement process, in terms of methods used, by reading the minutes of the meetings or any other information available about the salient features identified;
- obtaining the representation letter signed by the legal representative of Fideuram - Intesa Sanpaolo Private Banking S.p.A. on the compliance of the sustainability report with the guidelines indicated in the "Directors' responsibility for the sustainability report" paragraph and on the reliability and completeness of the information and data contained therein.

As required by the "G4 Sustainability Reporting Guidelines", the data and information covered by our procedures are set out in the "GRI Content Index" table of the sustainability report.

A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000, and, therefore, it does not offer assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2016 sustainability report of the Fideuram - Intesa Sanpaolo Private Banking Group has not been prepared, in all material respects, in accordance with the "G4 Sustainability Reporting Guidelines", issued in 2013 by GRI – Global Reporting Initiative, that are detailed in the "Sustainability reporting methodology" section of the sustainability report presented in the Integrated annual report.

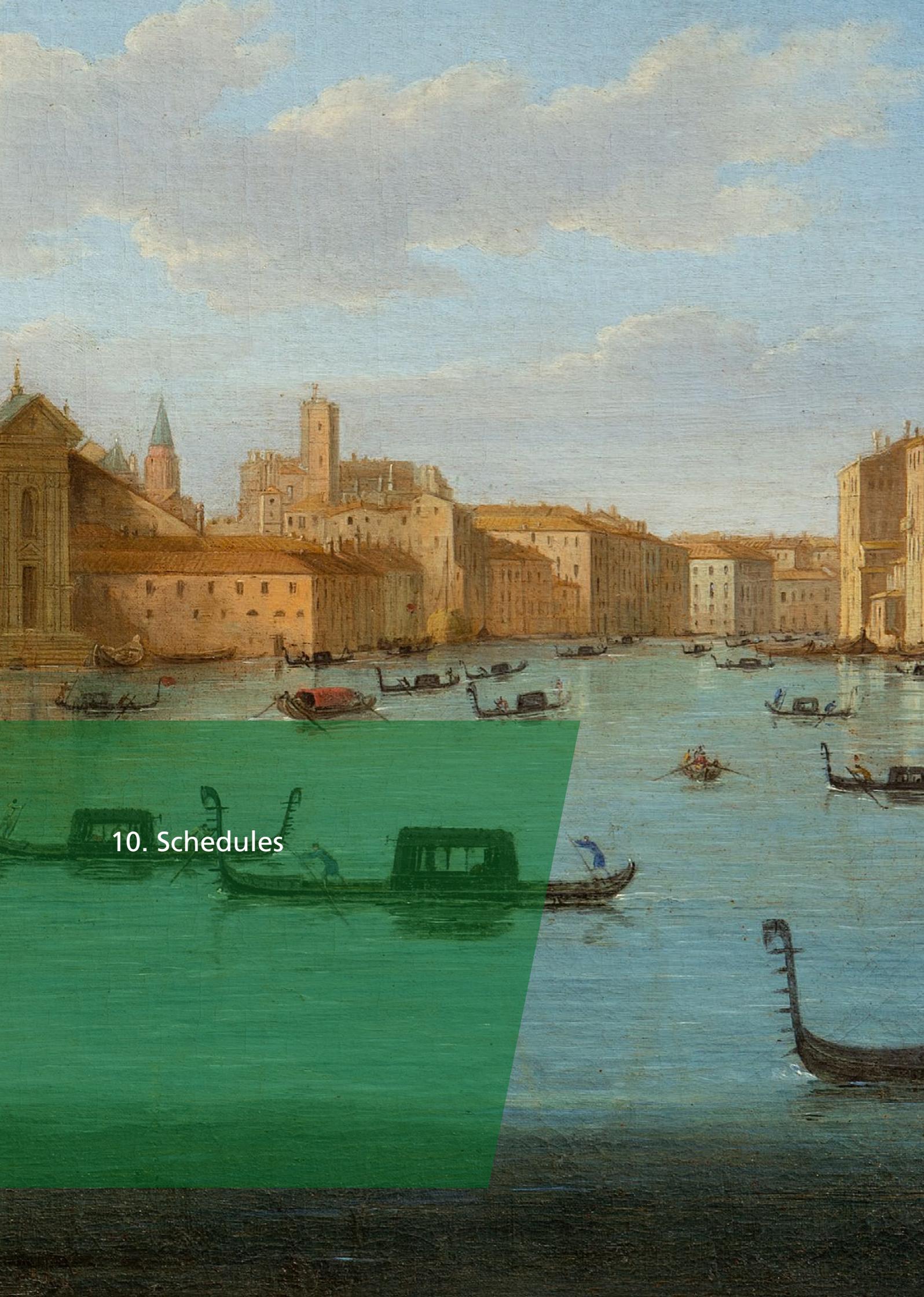
Rome, 3 March 2017

KPMG S.p.A.

(signed on the original)

Marco Maffei
Director of Audit

- 10.1 Sustainability reporting methodology
- 10.2 Overview table of GRI indicators
- 10.3 Basis of preparation of the restated and reclassified financial statements
- 10.4 Reclassified consolidated income statement - New scope of consolidation
- 10.5 Value Added Statement



10. Schedules

10.1 Sustainability reporting methodology

The Fideuram Group's Integrated Annual Report sets out the relationship between the Group's corporate strategies and its management of stakeholder relations, while also reporting on the Group's main activities in 2016.

Our sustainability reporting therefore forms an integral part of the Directors' Report accompanying the consolidated financial statements in order to highlight the interconnectedness of the financial and non-financial information in the value creation process. Our sustainability reporting has consequently been designed to address all the stakeholders identified in the Fideuram Group's Code of Ethical Conduct.



The Integrated Annual Report is available in both Italian and English on the Fideuram website.

In addition, an interactive Annual Report with multimedia information (audio and video aids) is available on our homepage, supplementing and enhancing the financial reporting with a varied array of external corporate communications.

APPOINTMENT OF CSR MANAGER

Formalising the Group's commitment to the integrated management of sustainability matters, Fideuram appointed a Corporate Social Responsibility (CSR) Contact for its Private Banking Division in 2016.

REFERENCE STANDARDS

Italian Legislative Decree No. 254 of 30 December 2016 was published in January 2017, implementing Directive 2014/95/EU regarding the disclosure of non-financial and diversity information by large undertakings and groups. The new requirements will apply from the 2017 Financial Statements. This marks the concluding stage of the long process of implementing the European Directive regarding non-financial information, which our Group has already been providing for a number of years in its Integrated Annual Report.

The Group's sustainability reporting has been prepared in accordance with the G4 Sustainability Reporting Guidelines drawn up by the Global Reporting Initiative (GRI) in 2013. This year's Integrated Annual Report has been prepared on the same basis as the Integrated Annual Report at 31 December 2015, confirming the Group's commitment to transparent sustainability performance reporting.

The GRI-G4 guidelines offer two options for the preparation of sustainability reporting in accordance with the guidelines: Core and Comprehensive. Both options can apply for any organisation, irrespective of its size, sector or location. The choice of option does not have any effect on the quality of the reporting. The Group has prepared this Integrated Annual Report in line with the Core option, considered more in keeping with the principles of conciseness and connectivity of an Integrated Report.

The Report contents have been selected based on the principles outlined in the "Integrated Reporting" Framework of the IIRC, in the GRI-Global Reporting Initiative (GRI-G4) guidelines, and the AA1000APS AccountAbility standard.

In particular, the materiality principle set out in GRI-G4, which considers information material when its omission could significantly influence the decisions of users of the report, has been adopted to define the material topics for reporting the most significant risks and opportunities for the Group. An aspect is defined as material if it simultaneously:

- Reflects the organisation's significant economic, environmental and social impacts (defined on the basis of Management opinion)
- Substantively influences the assessments and decisions of stakeholders (defined on the basis of a specific stakeholder engagement).

The Group is also guided by the definition of materiality in the International Integrated Reporting Framework in its implementation of the materiality analysis process. Consequently, in this document, materiality for the organisation and for its stakeholders is taken to mean the potential to affect, positively or negatively, the ability to create value for the Group.

The principles of materiality, stakeholder inclusiveness, sustainability context and completeness were also taken into account in determining the reporting content.

The information quality criteria and scope of reporting were likewise determined taking the related GRI principles into consideration (balance, comparability, accuracy, timeliness, reliability and clarity).

The sustainability reporting was reviewed in accordance with the applicable criteria set out in the International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). The auditors KPMG S.p.A. were appointed to perform this limited review.

THE REPORTING PROCESS

The process for reporting non-financial information was formalised in 2016 with the issue of a “Sustainability Reporting” operational guide. All our company departments contribute to drafting the content of our sustainability reporting and operate to establish and maintain strong stakeholder dialogues. Data collection for the report is centralised in the Administration and Reporting Department and implemented by sending specific requests to the different departments involved. The dedicated team not only reports on sustainability performance, but also disseminates information on environmental, social and governance topics within the Group.

MEASUREMENT SYSTEMS

The indicators used in our sustainability reporting have been chosen in accordance with the reference standard and the results of the materiality analysis process. Almost all the data are direct measurements obtained from accounting data and other information systems, with the exception of a small number of estimates, which are all appropriately identified. To ensure accuracy of measurement and period-on-period comparability in interpreting the indicators, the Group departments have been equipped with appropriate information to ensure the measurement methods are applied correctly. The financial indicators come from the accounting system and are in line with the International Financial Reporting Standards.

PERIOD AND SCOPE OF REPORTING

The Group’s sustainability reporting is published annually. The data presented refer to the 2016 financial year and are, where applicable, compared with the previous two years. The scope of reporting refers to the companies included in the consolidated financial statements that are material to sustainability, with any limitations appropriately identified.

2016 is the first year that the Intesa Sanpaolo Group Private Banking Division, formed by bringing together Fideuram and its subsidiaries and Intesa Sanpaolo Private Banking S.p.A., Sirefid S.p.A. and Intesa Sanpaolo Private Bank(Suisse) S.A., has operated to full capacity. The sustainability data (financial, social, environmental and governance) has been restated to take the new scope of consolidation into account and enable comparison of the data for different periods.

These restatements and any limitations regarding the companies included in the consolidation are clearly indicated in the Integrated Annual Report.

The Fideuram Group’s sustainability reporting at 31 December 2016 is provided in the following sections and paragraphs of the Integrated Annual Report:

- Highlights
- Section 1. Business model
- Section 2. Strategies: paragraph 2.1 and 2.2
- Section 4. Performance: paragraphs 4.5, 4.7.1 (Distribution of Value), 4.7.2, 4.7.3, 4.7.4, 4.7.5 and 4.7.6
- Section 6. Governance: paragraphs 6.2, 6.3, 6.4 and 6.5
- Section 10. Schedules: paragraphs 10.1, 10.2 and 10.5

MATERIALITY ANALYSIS

The Fideuram Group updated the materiality analysis process during the year to reflect the new structure of the Private Banking Division. The analysis process involved Group Management and stakeholders and was carried out in five stages as follows:

- 1) Identification of a list of topics**, in line with the Group’s strategic objectives, through an analysis of subjects relevant to the banking sector (for example: “Sustainability Topics for Sectors: what do stakeholders want to know”, provided by the GRI in 2013, and “Material Sustainability Issues for the Financial Sector”, provided by the Sustainability Accounting Standards Board - SASB), study of our internal documents (minutes of the company bodies and Code of Ethical Conduct), and a benchmark analysis of the documents published by our main competitors and comparable operators, as well as by reviewing a media search on coverage of the Group.
- 2) Categorisation and selection of material topics** through an internal assessment by the Administration and Reporting Department. A shortlist of topics material to value creation in the Group was drawn up during this phase. The topics identified in the first phase were assigned to six stakeholder categories: Customers, Personal Financial Advisers, Employees, Suppliers, the Community, and Institutions and Shareholders.

3) Prioritisation of material topics through questionnaires submitted to Group management and a sample of external stakeholders in order to take both internal and external perspectives into consideration. The questionnaire covered 16 material topics and asked the respondents to assign a materiality (relevance) score of 1 to 7 to each of them.

For the internal perspective, Management were asked to assess each topic's capacity to generate opportunities for the Group, influencing its ability to create value. For the external perspective, the aspects that guided the stakeholders' scoring of priorities were as follows:

- The topic's impact on expectations of the Fideuram Group.
- The materiality of the topic in terms of the need to receive information on the performance, actions and future plans of the Group.

4) Prioritisation of stakeholders by Group Management, assigning a score of 0 to 100 to the six main categories of stakeholders that interact with the Group regarding:

- The stakeholder category's influence on the Group.
- The stakeholder category's dependency on the Group.

5) Process Review by Management

Management reviewed the results of the materiality analysis.

Materiality Analysis Process

PHASES	1 - Identification of a list of topics	2 - Categorisation and selection of material topics	3 - Prioritisation of material topics	4 - Prioritisation of stakeholders	5 - Process Review by Management
OBJECTIVES	<ul style="list-style-type: none"> - Identify the material topics for the sector, for the Fideuram Group and for its stakeholders - Identify and prioritise significant stakeholders 	<ul style="list-style-type: none"> - Identify the material topics for the creation of value in the Fideuram Group through an internal analysis 	<ul style="list-style-type: none"> - Assess the potential of each topic to generate risks and opportunities regarding the ability to create prospective value. Internal analysis and External analysis (Stakeholder Analysis) 	<ul style="list-style-type: none"> - Assess the importance of the main stakeholder categories in terms of influence on the Group and dependency on the Group. 	<ul style="list-style-type: none"> Review prioritisation of the topics in relation to their impact on the Group's strategies Report procedure followed and results obtained
OUTPUTS	<ul style="list-style-type: none"> Tree of topics Stakeholders tree 	<ul style="list-style-type: none"> Shortlist of material topics 	<ul style="list-style-type: none"> Preparation of materiality matrix 	<ul style="list-style-type: none"> Preparation of materiality matrix and stakeholder matrix 	<ul style="list-style-type: none"> Sharing of materiality matrix with Management Publication of Integrated Annual Report focused on material aspects

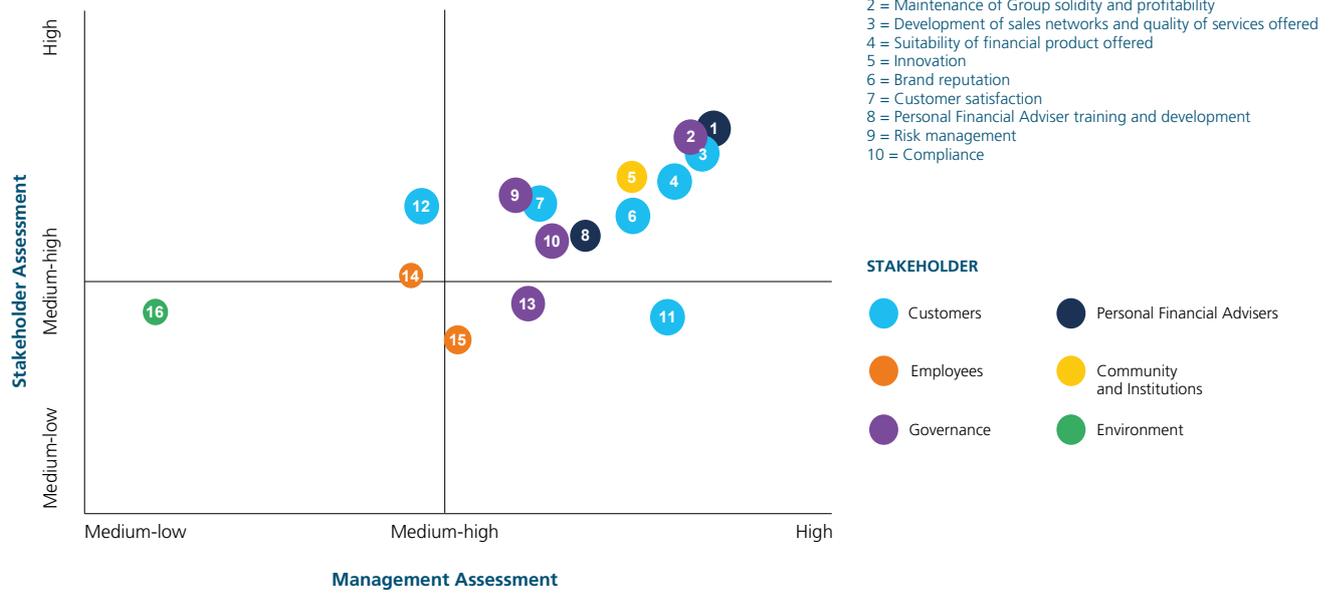
The materiality matrix below shows the positioning of topics in relation to their priority for the Group and relevance for stakeholders.

The area between the two variables is divided into bands of increasing materiality for the creation of value. The material topics are those in the top right-hand quadrant of the ma-

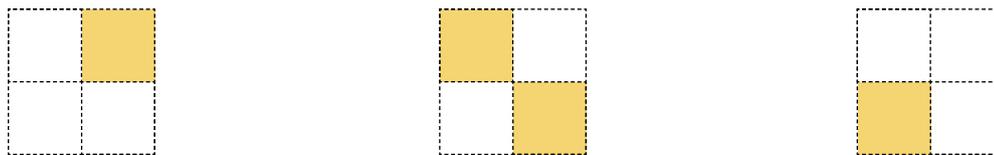
trix, and it is on these that the Group has prevalently focused its sustainability performance monitoring and reporting.

The sizes of the circles in the chart are directly proportional to the importance of the individual topics in the value creation process, and were defined in relation to the contribution of each topic to the various different drivers.

Materiality matrix



The materiality assessments of the individual topics are shown in relation to the matrix quadrants below:



HIGH MATERIALITY		MEDIUM-HIGH MATERIALITY		MEDIUM-LOW MATERIALITY	
1.	SECURITY AND MANAGEMENT OF CUSTOMER PORTFOLIOS	11.	HIGH NET WORTH INDIVIDUAL AND PRIVATE BANKING CUSTOMERS	16.	CLIMATE CHANGE
2.	MAINTENANCE OF GROUP SOLIDITY AND PROFITABILITY	12.	INTERNET AND HOME BANKING		
3.	DEVELOPMENT OF SALES NETWORKS AND QUALITY OF SERVICES OFFERED	13.	CORPORATE GOVERNANCE		
4.	SUITABILITY OF FINANCIAL PRODUCT OFFERED	14.	EMPLOYEE TRAINING		
5.	INNOVATION	15.	PERFORMANCE MANAGEMENT AND CAREER PATHS		
6.	BRAND REPUTATION				
7.	CUSTOMER SATISFACTION				
8.	PERSONAL FINANCIAL ADVISER TRAINING AND DEVELOPMENT				
9.	RISK MANAGEMENT				
10.	COMPLIANCE				

The table below shows the material topics and their related indicators when they are linked to given GRI-G4 aspects. Topics with medium to low materiality for both management and stakeholders (in the lower left quadrant) are not

shown in the table. A number of indicators in the Society (SO), Human Resources (HR) and Environmental (E) categories are not reported in the GRI Content Index since they are not material.

GRI-G4 Core option cross-reference table (high materiality)

MACRO-CATEGORY	TOPIC	RELATED GRI-G4 ASPECT	GRI-G4 INDICATORS	IMPACT INSIDE ORGANISATION	IMPACT OUTSIDE ORGANISATION
Security and management of customer portfolios	<ul style="list-style-type: none"> - Transparent management of customer portfolios - Financial fraud prevention - Monitoring of Personal Financial Adviser-customer relations - Strengthening retention mechanisms (both for Personal Financial Advisers and customer portfolios) 	Product responsibility Complaints Compliance	PR6, PR7, PR8, PR9 FS6, FS16	Fideuram Group Personal Financial Advisers	Customers Regulator Community
Maintenance of Group solidity and profitability	<ul style="list-style-type: none"> - Competitiveness in market - Continuity of customer services 	Economic performance Market presence	EC1, EC4, EC5	Fideuram Group	Customers Regulator Community
Development of sales networks and quality of services offered	<ul style="list-style-type: none"> - Strengthening the sales network and dedicated channels for contacting existing and potential customers - Customisation of product offering to meet customer needs - Development of advisory services, aiming to anticipate market demand - Prompt and effective response to customer needs - Promotion of financial literacy and responsible investment management culture 	Training and education Economic performance	LA1, LA9, LA10, LA11 EC1, EC4	Fideuram Group Personal Financial Advisers	Customers Regulator Community
Suitability of financial product offered	<ul style="list-style-type: none"> - Cost of financial product appropriate for quality of service offered - Appropriateness of products offered for customers' financial literacy - Ease of understanding and relevance of information provided (e.g. prospectuses) - Inclusion of ethical, social and environmental criteria in evaluation of investments (e.g. green bond and social venture fund) 	Product responsibility Complaints Compliance Training and education Product and service information and prospectuses Product portfolio	PR7, FS8	Fideuram Group Personal Financial Advisers	Customers Community
Innovation	<ul style="list-style-type: none"> - New tools available to customers - Product innovation - Service innovation 	Product responsibility	FS14	Fideuram Group	Customers Community
Brand reputation	<ul style="list-style-type: none"> - IT security in terms of computer fraud prevention and customer data protection (privacy) - Brand reputation 	Privacy Compliance Risk management Public policy Anti-corruption	PR8, PR9, SO4, SO5, SO6, SO7, SO8	Fideuram Group	Customers Regulator Community
Customer satisfaction	<ul style="list-style-type: none"> - Accessibility of services for customers with physical disabilities - Customer satisfaction surveys on quality of services offered by the Group - Effective management of customer reports and complaints to improve service 	Product responsibility Complaints Compliance Customer satisfaction	PR5, PR8, PR9, FS14	Fideuram Group Personal Financial Advisers	Customers Regulator Community
Personal Financial Adviser training and development	<ul style="list-style-type: none"> - Recruitment and induction of young talent in sales network through diverse systems of entry to the profession - Specialist training for Personal Financial Advisers - Further development of tools supporting advisory services 	Training and education	LA9	Fideuram Group Personal Financial Advisers	Customers Regulator Community
Risk management	<ul style="list-style-type: none"> - Anti-competitive and antitrust policies - Management of business-related risks 	Risk management Anti-competitive behaviour	SO6, SO7	Fideuram Group	Regulator Community
Compliance	<ul style="list-style-type: none"> - Regulatory compliance - Appropriate updating on developments in the reference regulatory framework 	Compliance	SO8, PR9	Fideuram Group	Regulator Community

GRI-G4 Core option cross-reference table (medium-high materiality)

MACRO-CATEGORY	TOPIC	RELATED GRI-G4 ASPECT	GRI-G4 INDICATORS	IMPACT INSIDE ORGANISATION	IMPACT OUTSIDE ORGANISATION
High Net Worth Individual and Private Banking customers	<ul style="list-style-type: none"> - Customers with financial assets potentially totalling between €500,000 and €10,000,000 - Focus on HNWI customers to obtain economies of scale and ensure creation of value in a manner that is sustainable over time - Growth and development prospects in the market 	<ul style="list-style-type: none"> Product responsibility Privacy Economic performance 	PR5, PR7, EC1	Fideuram Group Personal Financial Advisers	Customers Regulator
Internet and home banking	<ul style="list-style-type: none"> - E-banking and virtualisation of services - Availability of diversified and interactive channels for Bank-customer communications 	<ul style="list-style-type: none"> Product responsibility 	FS14	Fideuram Group	Customers Community
Corporate Governance	<ul style="list-style-type: none"> - Management of changes in Italian and international regulatory frameworks - Transparency and clarity in management of decision-making processes - Conflict of interest management - Policies and initiatives to limit the risk of incidents of corruption occurring - Remuneration and compensation policies for members of the Board of Directors 	<ul style="list-style-type: none"> Governance Ethics and Integrity Anti-corruption Regulatory compliance 	LA12, SO4, SO5, SO8	Fideuram Group	Regulator Community
Employee training	<ul style="list-style-type: none"> - On-the-job training - Induction of new employees and young colleagues - Monitoring quality and effectiveness of training - Training programmes tailored to individual positions and needs 	<ul style="list-style-type: none"> Training and education Economic performance 	LA9, LA10, LA11	Fideuram Group Employees	Customers
Performance management and career paths	<ul style="list-style-type: none"> - Performance management system (assessment of employee performance and transparency of criteria used) - Remuneration systems with reward mechanisms for management and colleagues (MBO, bonuses, balanced management of remuneration differentials etc.) - Transfer and sharing of competencies between colleagues - Attraction capability, development and retention mechanisms 	<ul style="list-style-type: none"> Governance Human resource management Remuneration and incentives Performance management systems 	LA1, LA11, LA13	Fideuram Group Employees	Community

STAKEHOLDER ENGAGEMENT

The Fideuram Group developed and implemented its stakeholder engagement process adopting the principles set out in the AA1000APS standard developed by AccountAbility (the Institute of Social and Ethical Accountability), which identifies the foundations on which effective stakeholder engagement is built in the following principles:

- **Inclusiveness:** promoting stakeholder participation in the development and achievement of an accountable and strategic approach to sustainability.
- **Materiality:** determining the relevance and significance of an issue to an organisation and its stakeholders.
- **Responsiveness:** an organisation's ability to respond to stakeholder issues, through decisions, actions, results and communication.

A management model has been designed to enable us to monitor the entire engagement process with the objective of adhering to the three principles of the AA1000APS standard. This monitoring extends from the mapping of stakeholders and quality assessment of engagement initiatives to the proposals and weaknesses that emerge, and the action plan resulting from balancing corporate strategy and input from stakeholders.

The stakeholders involved in the materiality analysis process were selected at the end of the phase involving Group Management.

The stakeholders were selected to meet the following requirements:

RESPONSIBILITY	Parties for whom the Group has responsibilities (legal, financial and operational) that are formalised in regulations, contracts and company policies.
INFLUENCE	Parties that are currently or could in the future be able to influence the Group's decision-making processes. Can include parties who have an informal influence over those with formal decision-making powers.
PROXIMITY	Parties with whom the Group has established long-term relations and parties on whom the Group depends for its day-to-day operations.
REPRESENTATION	Parties that by law or culture and tradition act in a representative capacity for other individuals.
STRATEGY	Parties with whom the Group has entered into direct or indirect relations in line with its policies and strategic choices.

The following stakeholder groups were identified: customers, Shareholder, Personal Financial Advisers, employees, suppliers and associations.

10.2 Overview table of GRI indicators

KPMG S.p.A. have provided a limited “external assurance” review of all the Fideuram Group’s sustainability reporting at 31 December 2016 in accordance with ISAE 3000 (Revised). Information on the scope of the Independent Auditors’ work and the procedures they followed is provided

in the “Independent Auditors’ Report on Sustainability Reporting”.

The information referred to in the Content Index below is included in the scope of the limited external assurance audit. No other information has been included in the audit.

GENERAL STANDARD DISCLOSURES

GENERAL STANDARD DISCLOSURES	PAGE/S WHERE INFORMATION REQUIRED BY THE INDICATOR IS PROVIDED	OMISSIONS	REASONS FOR OMISSIONS
Strategy and Analysis			
G4-1	Chairman’s Statement: page 28 Managing Director’s Statement: page 29		
Organisational Profile			
G4-3	Cover (Fideuram Group)		
G4-4	Business Model: pages 8-15 Advanced Advisory Services: pages 50-51		
G4-5	Back cover		
G4-6	Business Model: page 8 Role of subholding company: page 187		
G4-7	Role of subholding company: page 187		
G4-8	Business Model: pages 9-11 Business segments: pages 16-19 Customer segmentation: page 49 Segment reporting: pages 62-65 Logistics structure supporting the networks: pages 74-76		
G4-9	Highlights		
G4-10	Employees: pages 117-120 Personal Financial Advisers: pages 98, 101-1014		
G4-11	Contractual practices: pages 106-107, 122		
G4-12	Suppliers: pages 151-153		
G4-13	Business Model: pages 9-11 “Period and scope of reporting” methodology: pages 326-327		
G4-14	The Fideuram Group adopts a precautionary approach to the assessment and management of economic, environmental and social risk.		
G4-15	ComparaConti: page 134		
G4-16	The financial system and other institutions: page 158		
Identification of material aspects and scope of reporting			
G4-17	Business Model: page 8 Role of subholding company: page 187 “Period and scope of reporting” methodology: pages 326-327		
G4-18	“Reference standards” methodology: pages 326-327 “The reporting process”: page 327 “Materiality analysis”: pages 327-331		
G4-19	“Materiality analysis - materiality matrix” methodology: pages 329-331		
G4-20	“Materiality analysis - cross-reference table” methodology: pages 330-331		
G4-21	“Materiality analysis - cross-reference table” methodology: pages 330-331		
G4-22	“Period and scope of reporting” methodology: pages 326-327		
G4-23	“Period and scope of reporting” methodology: pages 326-327		

GENERAL STANDARD DISCLOSURES	PAGE/S WHERE INFORMATION REQUIRED BY THE INDICATOR IS PROVIDED	OMISSIONS	REASONS FOR OMISSIONS
Stakeholder Engagement			
G4-24	Stakeholders: pages 20-23		
G4-25	Stakeholders: pages 20-23 "Stakeholder engagement" methodology: pages 331-332		
G4-26	Tools supporting Advisory Services: pages 82-86 Online Services: page 88 Customer events: pages 138-146 "Stakeholder engagement" methodology: pages 331-332		
G4-27	Legal and tax risk: pages 301-303 No significant topics or problems were reported by Group stakeholders in the reporting period.		
Report Profile			
G4-28	31 December 2016		
G4-29	March 2016		
G4-30	Methodology: pages 326-327		
G4-31	Fideuram in a click: page 365		
G4-32	Content index: pages 333-336		
G4-33	"Reference standards" methodology: pages 326-327 Independent Auditors' Report: pages 318-322		
Governance			
G4-34	Organisational structure: pages 184-185 Governance: pages 188-191 Internal Audit Committee: pages 193-201 A delegation process has not yet been formalised for social and environmental topics. However, responsibility for these topics lies with The Board of Directors. Information on other delegation mechanisms is provided in the section on the Fideuram Group Model of Governance.		
G4-38	Organisational structure: pages 184-185 Governance: pages 188-191		
G4-39	Governance: pages 188-191		
G4-41	Governance: pages 188-191 Internal audit system: pages 193-201 Board of Statutory Auditors: page 203		
Ethics and Integrity			
G4-56	The values and history of the Group: pages 180-183		

SPECIFIC STANDARD DISCLOSURES

SPECIFIC STANDARD DISCLOSURES	PAGE/S WHERE INFORMATION REQUIRED BY THE INDICATOR IS PROVIDED	OMISSIONS	REASONS FOR OMISSIONS
Economic indicators			
DMA: Economic Performance	pages 53-54, 66, 342		
G4-EC1	Stakeholders: pages 20-23 Distribution of value: pages 66, 342 Group donations to area: page 156		
G4-EC4	The Group has not received any significant financial assistance from government bodies.		
DMA: Market presence	pages 8, 133		
G4-EC5	Contractual practices: pages 106-107, 122		
DMA Procurement policies	Suppliers: pages 151-153		
G4-EC9	Suppliers: pages 151-153		
Human Resources			
DMA: Human resource management	page 117		
G4-LA1	Personal Financial Advisers: pages 99-100 Employees: page 121		
DMA: Diversity and Equal Opportunities	The Group's corporate culture is committed through all its management processes to diversity of every kind - gender, ability, generational and cultural - and ensures equal treatment.		
G4-LA3	Parental leave: page 126		
DMA: Contractual Practices	pages 106-107, 122		

SPECIFIC STANDARD DISCLOSURES	PAGE/S WHERE INFORMATION REQUIRED BY THE INDICATOR IS PROVIDED	OMISSIONS	REASONS FOR OMISSIONS
G4-LA4	Contractual practices: pages 106-107, 122		
DMA: Occupational Health and Safety	Health and Safety: pages 127-128		
G4-LA6	Employee injuries: page 128		
DMA: Training and Education	pages 124-125		
G4-LA9	Development of human resources: pages 124-126		
G4-LA10	Development of human resources: pages 124-126		
G4-LA11	Career development: page 122		
G4-LA12	Personal Financial Advisers: page 104 Employees: pages 117-120 Vulnerable employees: page 123 Board of Directors: page 191		
DMA: Remuneration system	pages 106-107, 122		
G4-LA13	Contractual practices: pages 106-107, 122		
G4-LA16	The Group did not receive any formal reports by employees of negative incidents to do with working practices in 2016.		
Human rights			
G4-HR3	The Group did not receive any reports of incidents of discrimination in 2016.		
Social Indicators			
DMA: Local Communities	The Fideuram Group is attentive to the needs of and its social impact on the communities where it operates, supporting social initiatives and the work of societies, associations and institutions within the area. pages 154-156		
DMA: Anti-corruption	page 198		
G4-SO4	Employees: page 128 Corruption risk monitoring: page 198		
G4-SO5	No episodes of corruption were reported in 2016.		
G4-SO6	The Group has a policy governing the funding of political parties.		
DMA: Anti-Competitive Behaviour	The Group has solutions in place, implemented by its internal audit units, to monitor compliance with current regulations regarding anti-competitive behaviour, anti-money laundering and embargoes, and operates in close collaboration with the relevant authorities to this end.		
G4-SO7	No legal actions for unfair competition, antitrust or monopolistic behaviour were initiated against the Group in 2016.		
DMA: Compliance with Laws and Regulations	pages 129, 300-303		
G4-SO8	Notes to the consolidated financial statements: pages 301-303		
Product responsibility			
DMA: Product responsibility	page 148		
G4-PR5	Customer Assistance Service: page 148		
DMA: Marketing Communications	pages 80-86 page 129		
G4-PR6	The Fideuram Group does not finance or invest in the equities of companies which operate in sensitive or controversial sectors, or in blacklisted countries.		
G4-PR7	No incidents of non-compliance with regulations or voluntary codes on marketing activities, including advertising, promotion and sponsorship, were reported in 2016.		
DMA: Privacy	page 149		
G4-PR8	Customer feedback: page 149		
DMA: Compliance with Laws and Regulations	pages 129, 197-201		
G4-PR9	Notes to the consolidated financial statements: pages 301-303		

GRI G4 - Financial Services Sector Disclosures

SECTOR SPECIFIC INDICATORS	PAGE/S WHERE INFORMATION REQUIRED BY THE INDICATOR IS PROVIDED	OMISSIONS	REASONS FOR OMISSIONS
FS6	Client financial assets: pages 46-47		
FS8	Ethical Fund: pages 157-158		
FS9	page 129		
FS14	Accessibility of services: page 74		
FS16	pages 148-150		

Additional Indicators

INDICATORS	PAGE NUMBER/S
CUSTOMERS	
Customer complaints by type	page 149
Customer complaints by reason	page 149
SHAREHOLDERS	
Rating	Highlights
LEVEL OF EDUCATION	
Level of education	page 120
Numbers participating (enrolled) in training activities	page 125
Training by subject matter	page 125
Trade union freedom: days of work absence for trade union reasons	page 123
PERSONAL FINANCIAL ADVISERS	
Ratio of customers to Personal Financial Advisers	page 96
Ratio of client assets to Personal Financial Advisers	page 96
Size of distribution Networks	page 98
Origin of professionals joining Networks (%)	page 99
Turnover by staff age and gender	page 100
Total number of Personal Financial Advisers by Network, area and geographical distribution, gender and rank, average age and length of service.	pages 76, 101, 104
Training by subject matter	page 115
CLIMATE CHANGE	
EN1	page 162
EN2	page 162
EN3	page 161
EN8	page 163
EN23	page 163

10.3 Basis of preparation of the restated and reclassified financial statements

The 2016 financial data include the effects of the company transactions entered into as part of restructuring of the Intesa Sanpaolo Private Banking Division's business.

The Fideuram Group company transactions completed with effect from 30 June 2015 were as follows:

- Purchase of Intesa Sanpaolo Holding International's 100% equity interest in Intesa Sanpaolo Private Bank (Suisse).
- Purchase and transfer of Intesa Sanpaolo Private Banking's Governance Division.
- Purchase and transfer of Intesa Sanpaolo's 100% equity interest in Intesa Sanpaolo Private Banking.
- Purchase and transfer of Intesa Sanpaolo's 100% equity interest in Sirefid.

Any analysis comparing the income statement data for 2016 with the data for 2015 would be heavily skewed by the impact of these company transactions. The financial statement data have therefore been restated where necessary to reflect the effects of the changes in the scope of consolidation appropriately so that straight comparisons can be made. The restated statements were prepared making the adjustments to the historical data required to reflect retrospectively the changes in the scope of consolidation that became effective as of 30 June 2015 as if the company transactions concerned had become effective as of 1 January 2015, without however changing the net profit stated in the official Bank of Italy schedules published in the consolidated financial statements at 31 December 2015. The reclassified income statement for 2015 was therefore restated to include the new equity investments' contributions to the Group's results, but the net profit of the three newly-consolidated companies for the first half of 2015 (€153m) was recognised under net profit attributable to non-controlling interests.

The balance sheet and income statement at 31 December 2016 are a reclassified balance sheet and reclassified income statement to facilitate comparison of the figures for different periods and to enable a clearer and more immediate understanding of

the Group's financial position. These statements were prepared using appropriate groupings of the items in the official financial statements.

Moreover, the reclassified consolidated income statement has been changed as follows to provide a clearer presentation of the Group's operating performance:

- Net profit (loss) on financial assets, fee and commission income and expense, and the provisions have been stated net of the returns on the insurance policies taken out as part of the Personal Financial Adviser Networks' Loyalty Schemes, recognised in the official Bank of Italy schedule as net profit (loss) on assets measured at fair value, which - in pertaining to the Personal Financial Advisers - have been recognised as commission expense and provisions.
- Net profit on financial assets and personnel expenses have been stated net of the change in fair value of the Intesa Sanpaolo shares purchased under the employee bonus schemes.
- Expenses for stamp duty on current and deposit accounts, which are recognised in the official Bank of Italy schedule under administrative expenses, have been stated net of income from amounts recovered.
- Fee and commission income has been stated net of the amount related to net interest income.
- Non-recurring income and expenses have been reclassified, net of tax effect, in a separate item designated "Non-recurring income (expenses) net of tax".
- The expenses incurred for maintaining the stability of the banking system (consisting of the contributions to the Deposit Guarantee Scheme and to the Single Resolution Fund, in addition to the expenses connected with the voluntary scheme set up by the Interbank Deposit Guarantee Fund) have been reclassified in a separate item, net of tax, designated "Expenses regarding the banking system (net of tax)".

Reconciliation statements

Reconciliation of published consolidated income statement at 31 December 2015 and restated consolidated income statement at 31 December 2015

(€m)	2015 PUBLISHED	CHANGE IN SCOPE OF CONSOLIDATION (*)	2015 RESTATED
10. Interest income and similar income	311	61	372
20. Interest expense and similar expense	(143)	(27)	(170)
30. Net interest income	168	34	202
40. Fee and commission income	1,881	329	2,210
50. Fee and commission expense	(746)	(15)	(761)
60. Net fee and commission income	1,135	314	1,449
70. Dividends and similar income	-	-	-
80. Net profit (loss) on trading activities	7	1	8
90. Net profit (loss) on hedging derivatives	3	-	3
100. Net profit (loss) on sale or repurchase of:	(3)	12	9
a) Loans	(1)	-	(1)
b) Financial assets available for sale	(2)	12	10
c) Held-to-maturity investments	-	-	-
d) Financial liabilities	-	-	-
110. Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss	7	-	7
120. Total net interest and trading income	1,317	361	1,678
130. Net impairment of:	1	(1)	-
a) Loans	1	(1)	-
b) Financial assets available for sale	-	-	-
c) Held-to-maturity investments	-	-	-
d) Other financial transactions	-	-	-
140. Operating income	1,318	360	1,678
150. Net insurance premiums	-	-	-
160. Other income/expense from insurance activities	-	-	-
170. Operating income from financing and insurance activities	1,318	360	1,678
180. Administrative expenses:	(599)	(182)	(781)
a) Personnel expenses	(209)	(98)	(307)
b) Other administrative expenses	(390)	(84)	(474)
190. Net provisions for risks and charges	(39)	-	(39)
200. Depreciation of property and equipment	(3)	-	(3)
210. Amortisation of intangible assets	(14)	-	(14)
220. Other income/expense	162	51	213
230. Operating expenses	(493)	(131)	(624)
240. Profit (loss) on equity investments	9	-	9
250. Net fair value gains (losses) on property and equipment and intangible assets	-	-	-
260. Goodwill impairment	-	-	-
270. Gain (loss) on disposal of investments	-	-	-
280. Profit (loss) before tax from continuing operations	834	229	1,063
290. Income taxes for the year on continuing operations	(240)	(76)	(316)
300. Profit (loss) after tax from continuing operations	594	153	747
310. Profit (loss) after tax from discontinued operations	-	-	-
320. Net profit (loss) for the year	594	153	747
330. Net profit (loss) for the year attributable to non-controlling interests	-	153	153
340. Parent company interest in net profit (loss) for the year	594	-	594

(*) Data regarding the contributions of Intesa Sanpaolo Private Banking, Sirefid and Intesa Sanpaolo Private Bank (Suisse) for the first half of 2015.

Reconciliation of consolidated balance sheet and reclassified consolidated balance sheet (€m)

RECLASSIFIED BALANCE SHEET - ASSETS	CONSOLIDATED BALANCE SHEET - ASSETS	31.12.2016	31.12.2015
Cash and cash equivalents		71	60
	<i>Item 10. Cash and cash equivalents</i>	71	60
Financial assets (other than loans and held-to-maturity investments)		4,533	4,672
	<i>Item 20. Financial assets held for trading</i>	41	45
	<i>Item 30. Financial assets measured at fair value through profit or loss</i>	195	168
	<i>Item 40. Financial assets available for sale</i>	4,297	4,459
Held-to-maturity investments		125	297
	<i>Item 50. Held-to-maturity investments</i>	125	297
Loans and advances to banks		18,705	13,223
	<i>Item 60. Loans and advances to banks</i>	18,705	13,223
Loans and advances to customers		9,602	8,973
	<i>Item 70. Loans and advances to customers</i>	9,602	8,973
Hedging derivatives		3	2
	<i>Item 80. Hedging derivatives</i>	3	2
Equity investments		141	129
	<i>Item 100. Equity investments</i>	141	129
Property and equipment		40	39
	<i>Item 120. Property and equipment</i>	40	39
Intangible assets and goodwill		181	175
	<i>Item 130. Intangible assets</i>	181	175
Tax assets		180	174
	<i>Item 140. Tax assets</i>	180	174
Other assets		1,091	1,095
	<i>Item 160. Other assets</i>	1,091	1,095
Total assets	Total assets	34,672	28,839

RECLASSIFIED BALANCE SHEET - LIABILITIES	CONSOLIDATED BALANCE SHEET - LIABILITIES	31.12.2016	31.12.2015
Due to banks		2,665	3,110
	<i>Item 10. Due to banks</i>	2,665	3,110
Due to customers		27,561	21,419
	<i>Item 20. Due to customers</i>	27,561	21,419
Financial liabilities held for trading		27	28
	<i>Item 40. Financial liabilities held for trading</i>	27	28
Hedging derivatives		1,103	977
	<i>Item 60. Hedging derivatives</i>	1,103	977
Tax liabilities		64	80
	<i>Item 80. Tax liabilities</i>	64	80
Other liabilities		813	917
	<i>Item 100. Other liabilities</i>	759	865
	<i>Item 110. Provision for employment termination indemnities</i>	54	52
Provision for risks and charges		458	431
	<i>Item 120. Provision for risks and charges</i>	458	431
Equity attributable to owners of the parent company		1,981	1,877
	<i>Items 140, 170, 175, 180, 190, 220 Equity attributable to owners of the parent company</i>	1,981	1,877
Total liabilities	Total liabilities and shareholders' equity	34,672	28,839

Reconciliation of consolidated income statement and reclassified consolidated income statement

(€m)

RECLASSIFIED CONSOLIDATED INCOME STATEMENT	CONSOLIDATED INCOME STATEMENT	2016	2015
Net interest income		161	187
	<i>Item 30. Net interest income</i>	176	202
	<i>- Item 60. (partial) Net fee and commission income related to net interest income</i>	(15)	(15)
Net profit (loss) on financial assets and liabilities		35	20
	<i>Item 80. Net profit (loss) on trading activities</i>	10	8
	<i>Item 90. Net profit (loss) on hedging derivatives</i>	2	3
	<i>Item 100. Net profit (loss) on sales or repurchases</i>	22	9
	<i>Item 110. Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss</i>	5	8
	<i>- Item 60. (partial) Return on insurance policies for network loyalty schemes</i>	(1)	(3)
	<i>- Item 180. a) (partial) Return on Intesa Sanpaolo Shares for remuneration and bonus schemes</i>	1	(1)
	<i>- Item 190. (partial) Return on insurance policies for network loyalty schemes</i>	(4)	(4)
Net fee and commission income		1,543	1,467
	<i>Item 60. Net fee and commission income</i>	1,527	1,449
	<i>- Item 60. (partial) Net fee and commission income related to net interest income</i>	15	15
	<i>- Item 60. (partial) Return on insurance policies for network loyalty schemes</i>	1	3
Operating income before net impairment		1,739	1,674
Net impairment		(2)	-
	<i>Item 130. Net impairment</i>	(3)	-
	<i>- Item 130. (partial) Expenses regarding the banking system</i>	1	-
Operating income		1,737	1,674
Personnel expenses		(284)	(289)
	<i>Item 180. a) Personnel expenses</i>	(317)	(307)
	<i>- Item 180. a) (partial) Expenses connected with the Intesa Sanpaolo business plan</i>	34	17
	<i>- Item 180. a) (partial) Return on Intesa Sanpaolo Shares for remuneration and bonus schemes</i>	(1)	1
Other administrative expenses		(225)	(225)
	<i>Item 180 b) Other administrative expenses</i>	(478)	(474)
	<i>- Item 220. (partial) Recovery of indirect taxes</i>	217	219
	<i>- Item 180. b) (partial) Expenses connected with the Intesa Sanpaolo business plan</i>	10	16
	<i>- Item 180. b) Expenses regarding the banking system</i>	26	14
Depreciation and amortisation		(15)	(16)
	<i>Item 200. Depreciation of property and equipment</i>	(3)	(3)
	<i>Item 210. Amortisation of intangible assets</i>	(17)	(14)
	<i>- Item 210. (partial) Expenses connected with the Intesa Sanpaolo business plan</i>	5	1
Operating expenses		(524)	(530)
Net provisions for risks and charges		(40)	(36)
	<i>Item 190. Net provisions for risks and charges</i>	(44)	(40)
	<i>- Item 190. (partial) Return on insurance policies for network loyalty schemes</i>	4	4
Profit (loss) on equity investments		10	9
	<i>Item 240. Profit (loss) on equity investments</i>	10	9
Other operating income (expense)		(3)	(6)
	<i>item 220. Other income/expense</i>	214	213
	<i>- Item 220. (partial) Recovery of indirect taxes</i>	(217)	(219)
Profit (loss) before tax from continuing operations		1,180	1,111
Income taxes for the year on continuing operations		(343)	(332)
	<i>item 290. Income taxes for the year on continuing operations</i>	(318)	(316)
	<i>- Item 290. (partial) Tax impact of expenses connected with the Intesa Sanpaolo business plan</i>	(16)	(11)
	<i>- Item 290. (partial) Tax impact of expenses regarding the banking system</i>	(9)	(5)
Expenses regarding the banking system (net of tax)		(18)	(9)
	<i>- Item 130. (partial) Expenses regarding the banking system</i>	(1)	-
	<i>- Item 180. b) Expenses regarding the banking system</i>	(26)	(14)
	<i>- Item 290. (partial) Tax impact of expenses regarding the banking system</i>	9	5
Non-recurring income (expenses) net of tax		(33)	(23)
	<i>- Item 180. a) (partial) Expenses connected with the Intesa Sanpaolo business plan</i>	(34)	(17)
	<i>- Item 180. b) (partial) Expenses connected with the Intesa Sanpaolo business plan</i>	(10)	(16)
	<i>- Item 210. (partial) Expenses connected with the Intesa Sanpaolo business plan</i>	(5)	(1)
	<i>- Item 290. (partial) Tax impact of expenses connected with the Intesa Sanpaolo business plan</i>	16	11
Net profit (loss) attributable to non-controlling interests		-	(153)
	<i>Item 330 Net profit/ (loss) for the year attributable to non-controlling interests</i>	-	(153)
Net profit	Item 340. Parent company interest in net profit (loss) for the year	786	594

10.4 Reclassified consolidated income statement - New scope of consolidation

The reclassified consolidated income statement for the new scope of consolidation of the Fideuram - Intesa Sanpaolo Private Banking Group is shown below, retrospectively reflecting - **including with respect to net profit** - the changes in the scope of consolidation in 2015 resulting

from the company transactions in the year. The income statement data for 2015 have been restated to include the new equity investments' contributions in the Group results as if the company transactions concerned had become effective as of 1 January 2015.

Consolidated income statement - New scope of consolidation

(Reclassified - €m)

	2016	2015 (*)	CHANGE	
			AMOUNT	%
Net interest income	161	187	(26)	-14
Net profit (loss) on financial assets and liabilities	35	20	15	75
Net fee and commission income	1,543	1,467	76	5
OPERATING INCOME BEFORE NET IMPAIRMENT	1,739	1,674	65	4
Net impairment	(2)	-	(2)	n.s.
OPERATING INCOME	1,737	1,674	63	4
Personnel expenses	(284)	(289)	5	-2
Other administrative expenses	(225)	(225)	-	-
Depreciation and amortisation	(15)	(16)	1	-6
OPERATING EXPENSES	(524)	(530)	6	-1
Net provisions for risks and charges	(40)	(36)	(4)	11
Profit (loss) on equity investments	10	9	1	11
Other income (expense)	(3)	(6)	3	-50
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	1,180	1,111	69	6
Income taxes for the year on continuing operations	(343)	(332)	(11)	3
Expenses regarding the banking system (net of tax)	(18)	(9)	(9)	100
Non-recurring income (expenses) net of tax	(33)	(23)	(10)	43
NET PROFIT	786	747	39	5

(*) Restated taking the changes in the scope of consolidation into account so that straight comparisons can be made.

n.s.: not significant

10.5 Value Added Statement

The Group's Value Added Statement below has been prepared using the income statement figures from the 2016 Consolidated Financial Statements. These figures have been reclassified following the guidelines of the Italian Banking Association (Associazione Bancaria Italiana - ABI), which comply with the Global Reporting Initiative's guidelines.

The statement prepared using these reclassified figures breaks the economic value added down into three main components:

- Wealth created.
- Value distributed.
- Economic value retained by the Group.

Value Added Statement (*)

(€m)

FINANCIAL STATEMENT ITEMS	2016	2015	2014
10. Interest income and similar income	326	373	444
20. Interest expense and similar expense	(150)	(171)	(225)
40. Fee and commission income	2,190	2,210	1,884
50. Fee and commission expense (not including expense for Personal Financial Advisers Network)	(79)	(122)	(105)
70. Dividends and similar income	-	-	-
80. Net profit (loss) on trading activities	10	8	6
90. Net profit (loss) on hedging activities	2	3	(10)
100. Net profit (loss) on sale or repurchase of:	22	9	24
a) Loans	8	(1)	(1)
b) Financial assets available for sale	14	10	25
c) Held-to-maturity investments	-	-	-
d) Financial liabilities	-	-	-
110. Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss	5	7	12
130. Net impairment of:	(3)	-	(1)
a) Loans	(2)	-	(2)
b) Financial assets available for sale	(1)	-	-
c) Held-to-maturity investments	-	-	1
d) Other financial transactions	-	-	-
220. Other income/expense	214	213	222
240. Profit (loss) on equity investments (Profit/losses from sales)	-	-	-
270. Gain (loss) on disposal of investments	-	-	-
A Total wealth created	2,537	2,530	2,251
180.b Other administrative expenses (not including indirect taxes and donations/gifts)	(258)	(252)	(224)
Value distributed to suppliers	(258)	(252)	(224)
180.a Personnel expenses (including Personal Financial Advisers Network)	(937)	(966)	(944)
Value distributed to employees and Personal Financial Advisers	(937)	(966)	(944)
330. Minority interest	-	-	(180)
Value distributed to third parties	-	-	(180)
Profit distributed to shareholders	(714)	(561)	(293)
Value distributed to shareholders	(714)	(561)	(293)
180.b Other administrative expenses: indirect taxes	(219)	(222)	(228)
290. Income taxes for the year (current taxes)	(282)	(292)	(225)
Value distributed to Central and Branch Administration	(501)	(514)	(453)
180.b Other administrative expenses: donations and gifts	-	-	(1)
Value distributed to community and environment	-	-	(1)
B Total value distributed	(2,410)	(2,293)	(2,095)
C Value retained	127	237	156

(*) Restated taking the changes in the scope of consolidation into account so that straight comparisons can be made.



11. Glossary

Additional Tier 1 capital (AT1)

Comprised of equity instruments other than ordinary shares (which are included in CET1) that comply with the regulatory requirements for inclusion in this tier of own funds (such as savings shares). A series of items are subsequently deducted from the total.

Adviser

Financial adviser who assists companies involved in corporate finance transactions. Their tasks include providing advisory services and preparing valuations.

Alternative investments

The term alternative investments covers a vast range of investment forms, including private equity investments and investments in hedge funds.

American Option

An option that may be exercised at any time before and not only at the expiry date of the option.

Amortised cost

Differs from cost in providing for the cumulative amortisation of the difference between the value at initial recognition of an asset or liability and its nominal value using the effective interest rate method.

Asset allocation

Procedure adopted by an asset manager that consists in distributing a portfolio across a variety of financial instruments in different investment markets.

Asset Backed Securities (ABS)

Debt securities, generally issued by companies known as Special Purpose Vehicles (SPV), which are secured by pools of different assets (mortgage loans, consumer loans or credit card transaction receivables, etc.) which can solely be used to satisfy the rights incorporated in the financial instruments. The repayment of the principal and payment of interest depend on the performance of the securitised assets and any additional guarantees supporting the transaction. Asset-Backed Securities are divided into different tranches (senior, mezzanine and junior) depending on the priority they give to the payment of principal and interest.

Asset class

Class of financial assets (at first level of analysis: shares, bonds, cash, other).

Asset gathering

The activity of gathering assets, in the Group's case through Networks of Financial Advisers in Italy who are members of the Italian Association of Companies Selling Financial Products and Investment Services (Assoreti).

Asset Liability Management (ALM)

Body of techniques that enables the integrated management of financial statement assets and liabilities, typically used for measuring interest rate risk.

Asset management

The activity of managing and administering assets on behalf of customers.

Associazione Bancaria Italiana (ABI - Italian Banking Association)

The association that represents, defends and promotes the interests of the Italian banking and financial system.

Associazione fra le Società per Azioni (Assonime - Association of Italian Joint Stock Companies)

The association representing Italian joint stock companies of all kinds (industrial, financial, insurance and service companies). Its mission is to contribute to building a regulatory system that is favourable to economic activity, to interpret, adapt and apply legislation for effective operation of the market and, lastly, to assist member companies in their application of the law.

Associazione Italiana Private Banking - AIPB (Italian Private Banking Association)

Association of Private Banking operators that numbers Italy's leading operators amongst its members. AIPB's 122 members include Banks and Banking Groups, Associations, Universities, Research Centres, Asset Management Companies and Advisers who share their expertise to establish, develop and extend private banking culture at the service of high net worth individuals.

Associazione Italiana Revisori Contabili (ASSIREVI - Italian Association of Auditors)

A private association that promotes and conducts scientific analysis supporting the adoption of auditing standards, and the study of the development of the related laws and regulations. It is also engaged in resolving professional, legal and tax problems of common interest to its members.

Associazione Nazionale Agenti Servizi Finanziari - ANASF (Italian National Association of financial services agents)

Advocates and provides continuing professional development for and information on financial advisers, supporting their interests in tax, legal, contractual and pension matters, while also offering specialist consultancy services.

Associazione Nazionale fra le Imprese Assicuratrici (ANIA - Italian National Association of Insurance Companies)

The body representing insurance companies that operate in Italy. Represents its members and the Italian insurance market in dealings with the main political and administrative institutions and undertakes its own and joint research into resolving technical, economic, administrative, tax and legal problems concerning the insurance industry.

Assogestioni (Italian Association of Fund Managers)

Italian association of fund managers that represents Italy's leading asset management companies and a large number of banks and insurance companies offering discretionary accounts and complementary social security. A number of non-Italian asset management companies operating in Italy are also members. Assogestioni's various activities include drawing up a ranking of mutual funds.

Assoreti (Italian Association of Companies Selling Financial Products and Investment Services)

Association of banks and investment companies that provide advisory support regarding investments, as defined in article 1, subparagraph 5, f), of Italian Legislative Decree No. 58 of 24 February 1998, acting through their own financial advisers authorised to offer products and services outside company premises. The association's purpose is to research and follow developments in the legislation, maintain constant contact with the relevant institutions and provide statistical processing of data that enables analysis of the development of the sector.

Auditing

The body of activities for monitoring company processes and accounting, carried out both by internal departments (internal audits) and by independent auditors (external audits).

Automated Teller Machine (ATM)

Automatic machine that allows customers to make cash withdrawals, pay in cash or cheques, obtain account information, pay utilities and top up mobile phones etc. The terminal is activated by the customer inserting a magnetic/chip card and entering their personal identification number.

Backtesting

Historical testing to assess the reliability of asset portfolio risk source measurements.

Bancassurance

The offer of insurance products through a bank's branch network.

Bank for International Settlements (BIS)

International organisation with head office in Basel, founded in 1930. Its activities include providing financial assistance to national monetary institutions and promoting general rules regarding the world banking system.

Bank of Italy

A public-law institution that acts in the general interest in the monetary and financial sector, maintaining price stability, the stability and effective operation of the financial system and undertaking other duties assigned by Italian law.

Banking book

The portion of a bank's holdings, and securities holdings in particular, that is not held for trading purposes.

Banking direct inflows

Deposits by and bonds issued by banks.

Banking indirect inflows

Debt securities and other instruments received by the bank for custody, management or in relation to the management of equity investments.

Basel II

The common name for the New Capital Accord which came into effect on 1 January 2007.

The Accord is based on three "pillars":

- Pillar 1: while the objective of a minimum capital requirement of 8% of risk-weighted assets remains unchanged, a new system of rules was developed for measuring typical banking and financial sector risks (credit risk, counterparty risk, market risk and operational risk) that provides for alternative calculation approaches with different levels of complexity and offers the option, following prior authorisation by the Regulator, of internally-developed approaches.
- Pillar 2: requires banks to adopt processes and tools that equip them with an Internal Capital Adequacy Assessment Process (ICAAP) that is appropriate for every type of risk, including forms other than those covered by the minimum capital requirement (first pillar), for the purposes of assessing current and prospective risk in a manner that takes strategies and developments in the reference scenario into account. The Supervisory Authorities are tasked with examining the ICAAP process, formulating an overall judgement and specifying appropriate corrective measures where necessary.
- Pillar 3: introduces obligations regarding the publication of information on capital adequacy, risk exposure and the general characteristics of the systems in place for identifying, measuring and managing risk.

Basel III

Set of reforms drawn up by the Basel Committee on Banking Supervision following the 2007-2008 financial crisis with the aim of improving the existing capital adequacy framework for the banking sector (Basel II), the effectiveness of supervision and the ability of intermediaries to manage the risks they assume.

Basel Committee

International forum for regular periodic cooperation on banking supervisory matters with two main objectives: to disseminate and enhance understanding of key supervisory issues and to improve the quality of banking supervision worldwide.

Basis point (BP)

Unit of measurement for interest rate spread or changes in interest rates, equal to one hundredth of a percentage point. Example: If rates rise from 9.65% to 9.80%, they have risen by 15 basis points.

Benchmark

Financial parameter or indicator or financial instrument with characteristics that brokers consider sufficiently representative to be adopted as a reference for understanding whether a financial instrument with similar characteristics has performed better or worse than the benchmark over a given period.

Best practice

Generally speaking, identifies a way of doing something that may be considered representative of the best level of knowledge and its implementation within a given technical and/or professional area.

Bid-ask spread

The difference between the prices quoted for an immediate sale and an immediate purchase of a given financial instrument or group of financial instruments.

Board of Directors

Company body responsible by law for the management of a company and the direction of its business.

Board of Statutory Auditors

Internal supervisory body in joint stock companies.

Bond

Security in the form of a loan contracted between a legal person and members of the public that incorporates two rights: the right to repayment of the nominal value upon maturity and the right to the payment of interest on the amount (coupon). Bonds pay interest, calculated in relation to the nominal value, that can be fixed, floating or index-linked, which is to say linked to price indices or reference rates using specific mechanisms.

Borsa Italiana S.p.A.

The private company managing the organisation and operation of Italy's financial markets.

BOT

A BOT (Buono Ordinario del Tesoro) is a short-term Italian Treasury Bill used to meet Italian government borrowing requirements. It has a variable maturity and does not pay regular coupons but only repays the principal upon maturity.

Branches

The bank's area branches.

Broker

A financial intermediary who executes their customers' instructions to buy and sell for which they receive payment in commission that is usually stated as a percentage of the value of the transaction.

BTP

Acronym of Buono del Tesoro Poliennale, a medium-to-long-term Italian government bond issued to finance public debt, which pays a fixed-rate yield.

Budget

The planned future costs and income of a company.

Bund

A long-term government bond issued by the German government.

Business model

The system of inputs, added-value activities and outputs by means of which an organisation creates and preserves value in the short, medium and long term.

Call option

An option contract that, upon payment of a premium, gives the buyer the right to buy a given asset at a price set by the contract (exercise price or strike price) on or by a given date.

Capitals

The assets forming the inputs in an organisation's business model, which are used, improved, consumed, changed or influenced through its activities in the process of creating value.

Cash Generating Unit (CGU)

A cash generating unit is the smallest identifiable group of assets generating cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets.

CCT

Acronym of Certificato di Credito del Tesoro, Italy's Treasury Credit Certificate, which is a medium-to-long-term Italian government bond issued to finance public debt. These floating-rate securities offer a coupon that is indexed to the BOT treasury bill yield, increased by a given amount.

Certificates

Investment certificates are financial instruments that can have the contractual characteristics of derivatives that are linked to the performance of an underlying asset. The purchase of a certificate gives the investor the right to receive a sum linked to the value of the underlying asset at a given date. In certain cases, an option may provide the investor with partial or total protection of the premiums paid irrespective of the performance links stipulated in the contracts.

Client Assets

These assets comprise:

- Managed assets, which include mutual funds and pension funds, discretionary accounts and life insurance technical reserves.
- Non-managed assets, which include securities deposited (net of units in Group funds), accident insurance technical reserves and current account overdrafts.

Collateral

Pledge of financial instruments or cash offered as security by a borrower to a lender that the lender can take possession of or sell on the market if the borrower defaults on their obligations. Collateral provides banks with a guarantee, in relation to their market counterparties, of the successful conclusion of the transactions in progress and of future transactions, effectively releasing the risk profile of its investments from considerations connected with the counterparty risk.

Commissione Nazionale per le Società e la Borsa (CONSOB - Italian National Commission for Listed Companies and the Stock Exchange)

An entirely autonomous administrative body with the status of a legal person and the object of promoting the protection of investors' interests and of ensuring the effective operation, transparency and growth of the Italian securities market.

Common Equity Tier 1 capital (CET1)

Common Equity Tier 1 Capital as defined by the new regulatory provisions for banks set out in European Union Regulation No. 575/2013 (Capital Requirements Regulation or CRR) and by Directive 2013/36/EU (Capital Requirements Directive CRD IV), which implement the standards developed by the Basel Committee on Banking Supervision (Basel III) in the European Union. CET1 is calculated as the algebraic sum of ordinary shares issued by the Bank that meet the classification criteria for regulatory purposes, the share premium deriving from the issue of the instruments included in CET1, profits carried forward, revaluation reserves and other reserves.

A series of items are then deducted from this total (e.g. anticipated losses, equity investments, deferred tax assets), which moreover benefit from the allocation mechanism and, in the transitional period, gradual application through the phase-in arrangements.

Common Equity Tier 1 ratio (CET1 ratio)

Ratio between the Common Equity Tier 1 capital and total risk-weighted assets (RWA).

Community Directives

European Union legislative instruments directed at member states, which are obliged to achieve the objectives specified in the directives, and in turn issue implementation legislation for application within each individual state.

Compound interest

Percentage of principal formed when accrued interest is added to the principal and generates interest in its turn.

Core Business

Principal business towards which company strategies and policies are directed.

Corporate Customers

Customer segment made up of medium and large enterprises (mid-corporate and large corporate).

Corporate governance

The body of rules and regulations that govern the life of a company, in particular with respect to the transparency of its documents and company minutes, and to the completeness of the information it provides the market.

Corporate social responsibility (CSR)

Corporate social responsibility is the voluntary integration of social and environmental matters in a company's business operations and stakeholder relations.

Cost/Income Ratio

The ratio between administrative expenses and depreciation and amortisation, on the one hand, and operating income before net impairment on the other (including other income, net, and net profit on equity investments). One of the key ratios showing the efficient running of a bank. The lower it is, the higher the efficiency.

Counterparty risk

The risk of a potential loss due to a counterparty failing to meet their contractual obligations.

Country risk

Set of economic, financial and political factors that may make it difficult to obtain the repayment of debts contracted by trusted foreign clients irrespective of their individual solvency.

Country Risk Premium (CRP)

Premium for country risk, a cost of capital component aimed specifically at compensating the risk associated with a given country (which is to say the risk connected with economic, financial, political or currency instability).

Covered bond

Covered Bank Bonds that may, in addition to being secured by the issuing bank, also be secured by a pool of mortgages or other high-quality loans held for this purpose by a Special Purpose Vehicle.

Covered warrant

A type of warrant issued by a broker that gives the holder the right to buy (call) or put (sell) a specific amount of underlying assets at a given date and specific price (strike price).

Credit risk

The risk that a change in the credit rating of a trusted counterparty with whom a bank has an exposure could generate a corresponding change in value of the credit position.

Credit Risk Adjustment (CRA)

Technique that aims to measure the penalisation due to a counterparty's creditworthiness, used to determine the fair value of unlisted derivatives.

CTZ

Acronym of Certificato del Tesoro Zero Coupon, Italy's Zero Coupon Treasury Certificate, which does not have a coupon and only pays interest upon repayment.

Currency

A generally-accepted means of payment for the purchase of goods and services, and the universal means of exchange. Its use is founded on the economic operators' confidence in the issuing body, the central bank.

Default

The situation in which it is impossible for a party to meet their contracted financial obligations.

Deficit

A situation in which spending exceeds revenue. A Public Deficit is when the difference between government revenue and spending forms a public debt.

Deposit Guarantee Scheme

One of the three pillars of the euro area banking union, set up in 2014 to meet the challenges of fragmentation in the European financial market. Bank deposits of up to €100k are protected using a single guarantee fund.

Depository bank

A bank providing third parties with a custody and administration service for assets (cash and financial instruments)

under management with an asset management company. In the case of mutual funds and pension funds, the depository bank also acts in a supervisory role with respect to the work of the asset management company, regarding both respect for the fund regulations and the correct accounting of the transactions conducted, and calculates the Net Asset Value (NAV).

Derivative

Term for a type of financial instrument, the price/return of which is based on the price/return of other assets known as underlying assets, which can be financial instruments, indices, interest rates, currencies or raw materials.

Dividend

Amount distributed by a company to its shareholders by way of remuneration for the capital they have invested (risk capital), representing the distribution of net profit for the year.

Dow Jones

Index showing the performance of the New York Stock Exchange.

Duration

Financial duration of a security, or its residual life, weighted by the flow of coupons that the security will pay in the future. The duration is generally used to measure investments in bonds. The duration expressed in years and days indicates the date by which the holder of a bond regains possession of the principal initially invested, taking the coupons into account. It is an indicator of the interest rate risk of a bond or bond portfolio.

In its most frequent configuration it is calculated as the average due date of the projected cash flows, weighted for the contribution of the current value of each flow to the price.

Earnings per Share (EPS)

Ratio of net profit to the average number of outstanding shares at period end, net of treasury shares.

E-banking

The use of an electronic network (Internet or similar) that allows customers to carry out a vast range of banking and financial transactions online.

ECB reference interest rates

Interest rates set by the Governing Council that reflect European Central Bank monetary policy. Currently include the minimum bid rate on the main refinancing transactions, the interest rate on the marginal lending facility and the interest rate on the deposit facility of the central bank.

Economic Value Added (EVA)

An internal financial ratio used to calculate the monetary value created by a company in a given period. It is calculated by subtracting the shareholder's expected return on shareholders' equity from net profit. The expected return is generally taken to equal the net return on 12-month Treasury Bills issued at the beginning of the year, plus a market risk premium, which is assumed to be constant at 4.5 percent over the periods concerned.

Effective interest rate

The effective interest rate is the rate that discounts the current value of the future cash flows arising from a loan - in relation to both principal and interest - to the amount disbursed inclusive of the costs/income arising from the loan. This method of accounting using financial logic makes it possible to spread the economic effect of costs/income throughout the residual life of the loan.

E-learning

Distance training using computer aids.

Embedded derivative

Embedded derivatives are clauses (contractual terms) incorporated in a financial instrument that produce identical effects to those of a stand-alone derivative.

Embedded value

The value of a Group's or company's adjusted shareholders' equity plus the value of its business portfolio at the valuation date.

Emerging markets

The financial markets of developing countries. These markets offer considerable opportunities to obtain high yields, but are characterised by high risk and volatility.

Endorsement credit

Operation through which a bank or finance company undertakes to bear or guarantee a customer's debt to a third-party.

Euribor

Reference interbank rate used in European Union countries. Calculated as the weighted average of the interest rates at which the major banks operating in the European Union grant loans. Calculated daily and used as a parameter for setting the variable interest rates on loans.

Euro area

The geographical area covered by the member states of the European Union that have adopted the euro, often referred to as the eurozone.

Euro overnight index average (EONIA)

The effective overnight euro interest rate for the interbank market. Calculated as a weighted average of all overnight unsecured lending transactions in the interbank market, initiated within the euro area by a panel of contributing banks.

European Bank for Reconstruction and Development (EBRD)

International bank that provides financial assistance to European countries embarking on processes of economic reform.

European Banking Authority (EBA)

EU body established by Regulation (EU) No. 1093/2010 made up of representatives of the member states' central banks and supervisory authorities and operating as part of the framework of regulatory activities regarding banking policy. Promotes cooperation and convergence in the financial supervisory practices of the different member states.

European Banking Federation (EBF)

Association of banks in Europe that provides a forum for the discussion and agreement of proposals and initiatives regarding banking and the banking industry.

European Central Bank (ECB)

European community institution tasked with managing monetary policy in the euro area with the objective of maintaining price stability. The main governing bodies of the ECB are the Governing Council, Executive Board and General Council.

European Commission

Executive body of the European Union tasked with the implementation of European Laws (Directives, Regulations and Decisions), and the financial statements and programmes of the European Parliament and Council. Has power of legislative initiative and negotiates international agreements, mainly regarding commerce and cooperation. The President and members of the European Commission are appointed by the member states following the prior approval of the European Parliament.

European Financial Reporting Advisory Group (EFRAG)

A committee set up to assist the European Commission with prior technical advice regarding the endorsement of new International Financial Reporting Standards (IFRS).

European Insurance and Occupational Pensions Authority (EIOPA)

EU body established by Regulation (EU) No. 1094/2010 with responsibilities of providing effective supervision of the insurance market, especially regarding oversight of cross-border groups, of promoting greater EU harmonisation of insurance and pensions rules, and of protecting consumers.

European Investment bank (EIB)

European Union financing institution that supports public or private investment projects in line with EU objectives.

European Option

An option that may exercised only at the expiry date of the option.

European Securities and Market Authority (ESMA)

EU body established by Regulation (EU) No. 1095/2010 responsible for safeguarding the stability of the European Union's financial system by ensuring the integrity, transparency, efficiency and orderly functioning of securities markets, as well as enhancing investor protection.

European Stability Mechanism (ESM)

Financial stability mechanism with a maximum lending capacity of €500bn that provides financial assistance to euro area Member States experiencing or threatened by financing difficulties. The main difference with respect to the earlier European Financial Stability Facility (EFSF) regards private sector involvement. The ESM is able to provide loans, buy government bonds on the primary and secondary markets and recapitalise banks, albeit not yet directly.

European Systemic Risk Board (ESRB)

EU body established by Regulation (EU) No. 1092/2010. The ESRB is tasked with the macro-prudential oversight of the financial system in the European Union, monitoring and assessing systemic risk in order to contribute to the prevention or mitigation of systemic risks to financial stability.

European Union (EU)

Currently made up of 28 members, the European Union is governed by five institutions: the European Parliament, the European Council, the European Commission, the Court of Justice and the Court of Auditors.

European Union regulations

Regulations that are directly applicable and compulsory in all member states of the European Union without any national transposition legislation being required.

Exchange rate

The ratio between two different currencies stated as the value of one country's currency expressed in the currency of another.

Exchange rate risk

The risk that the fair value or future cash flows of a financial instrument could fluctuate as a result of exchange rate fluctuations.

Exchange-traded funds (ETF)

Mutual funds which track a given market index. The certificates representing units can be traded on regulated markets. The sole investment objective of an ETF is to passively match the composition and return of a market index (stock market, sector, geographical area, bond market) which is the benchmark. When one of the components of the benchmark changes, the corresponding financial asset in the fund is also changed.

Expected loss

The total value of the loan losses that a company could incur over a time horizon of one year. In a portfolio of loans, the expected loss is the average of the loss distribution.

Exposure At Default (EAD)

EAD is an estimation of future on-balance sheet and/or off-balance-sheet exposure in the event and at the time of a debtor's default.

Fair value

The purchase price for which an asset can be traded or a liability settled in a free transaction between informed and independent parties.

Fair value hedge

A hedge of the exposure to fluctuations in fair value of a recognised asset or liability that are attributable to a particular risk.

Fair value option (FVO)

The fair value option permits entities to designate a financial instrument to be measured at fair value. The option

can also be exercised for financial instruments that are not derivatives and not held for trading, allowing them to be measured at fair value through profit or loss.

Fairness/Legal opinion

Opinion provided upon request by experts recognised for their professionalism and competence regarding the congruence of economic conditions and/or the legitimacy and/or technical aspects of a given transaction.

Federal funds rate

Short-term interest rate in the United States federal funds market, in which banks excess reserves with the Federal Reserve are traded. Although a market rate, the Federal Reserve announces a short-term rate target for its open market transactions, and the effective rate is generally close to this target rate.

Federal Reserve (Fed)

The Federal Reserve (Bank) or just Fed is the Central Bank of the United States.

Financial Crisis Advisory Group (FCAG)

Body supporting the International Accounting Standards Board (IASB) and U.S. Financial Accounting Standards Board (FASB), tasked with considering critical financial reporting issues and proposing solutions to overcome them.

Financial instruments quoted in an active market

A financial instrument is considered to be quoted in an active market when the price quotations representing effective, standard market transactions that have occurred over a normal reference period are readily and regularly available through stock exchanges, dealers, brokers, sector companies, pricing services or authorised bodies.

Financial intermediary

Professional figure who provides the public with financial products and services (purchase of equities, granting of loans, provision of payable services and foreign exchange broking).

Financial Stability Board (FSB)

International body tasked with monitoring the global financial system in order to develop and promote policies in the interest of financial stability.

Forborne exposures

Forborne exposures can be non-performing or performing as follows.

- Non-performing exposures with forbearance measures. These exposures can be an item under doubtful loans, unlikely to pay or non-performing past due or overdue loans. They do not represent a category of impaired assets of their own.
- Forborne performing exposures.

Forwards

Forward contracts on interest rates, exchange rates or stock market indices, generally traded in Over The Counter markets, in which the conditions are stipulated when the contract is agreed but performance occurs at a predetermi-

ned future date, through the receipt or payment of differentials calculated with reference to parameters that differ depending on the subject of the contract.

Front-end fees

Fees paid by customers when signing a contract and when making any subsequent payments.

FTSE MIB

The principal benchmark index for the Italian equity markets. The index measures the performance of the 40 most-capitalised Italian shares and seeks to replicate the broad sector weights of the Italian stock market. The FTSE MIB Index is market capitalisation-weighted after adjusting constituents for float.

Funding

Obtaining, in various forms, the funds needed to finance company operations or specific financial transactions.

Futures

Standardised forward contracts with which the parties commit to exchanging assets or commodities at a predetermined price on a future date. These contracts are as a rule traded on regulated markets, where their performance is guaranteed. In practice, futures on assets often do not involve the physical exchange of the underlying asset.

Gain

Positive economic amount resulting from the sale of an asset at a higher price than the purchase price.

Global reporting initiative (GRI)

An independent international organisation with the object of developing and disseminating guidelines for the proper reporting of the three elements of sustainability: the economy, environment and society.

Goodwill

The goodwill paid for the acquisition of an equity investment in a subsidiary equals the difference between the purchase price and the corresponding portion of shareholders' equity for the part that cannot be attributed to the separable assets of the company purchased.

Gross Domestic Product (GDP)

The total value of the end goods and services produced by a country in a given period of time using its own home market input. When calculated at current prices, it is known as nominal GDP, and when calculated at constant prices (base-year prices), it is known as real GDP.

Gross inflows

Assets gathered through new business in mutual funds, discretionary accounts and life insurance (inflows) gross of payments (outflows) in the same period.

Guided Open Architecture

A service that offers third-party products alongside and to complement our Group products with a view to providing investors with a complete range of products.

Hang Seng

Hong Kong stock market index.

Harmonised mutual funds

Open-ended mutual funds able to offer units (shares) to the public with certain investment limits. These limits include the requirement to invest predominantly in quoted financial instruments.

Hedge accounting

Rules regarding the accounting of hedging transactions.

Hedge fund

Mutual fund that uses hedging instruments to obtain a better risk/return ratio. It is not limited in terms of objective or investment instrument and can even finance positions through high levels of borrowing.

Hedging

Hedging transactions are entered into to cover the risk of undesirable fluctuations in exchange rates, securities, interest rates and commodities etc.

Holding Company

A company that has controlling interests in several companies.

Home Banking

Banking service for private customers which allows them to use a computer at home to execute transactions such as payment instructions and utility payments, to request services such as the issue of new cheque books and to obtain information on their banking situation.

IAS/IFRS

The International Accounting Standards/International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), adopted by the countries of the European Union from 2005 for companies listed on the stock exchange.

Impaired loans

Loans that show evidence of a possible decline in value (impairment loss) as a result of events occurring after their initial recognition. Include loans that have been given the status of doubtful loans, debtor unlikely to pay loans and non-performing past due loans in accordance with the Bank of Italy rules in line with the IAS/IFRS.

Impairment

A financial asset is considered to be impaired when its book value is higher than its estimated recoverable value.

Impairment test

An impairment test is an estimate of the recoverable value (which is the higher of fair value less costs to sell and the value in use) of an asset or group of assets. IAS 36 requires the following to undergo an impairment test on an annual basis:

- Intangible assets with an indefinite useful life.
- Goodwill acquired in a business combination transaction.
- Any asset, if there is an indication that it may have suffered a permanent impairment loss.

In the money

Expression regarding option contracts. A call option is in the money when the market price is higher than the strike price, whereas a put option is in the money when the market price is lower than the strike price.

Incurred loss

A loss that is already inherent in a portfolio but not yet identifiable at individual loan level. Also known as "incurred but not reported loss". It represents the credit risk inherent in a portfolio of performing loans, and is a basic indicator of the total presumptive adjustments required in the financial statements.

Index-Linked Policies

A life insurance policy where the benefit upon maturity depends on the performance of a reference parameter that can be a share price index, a basket of securities or other indicator.

Inflation

Phenomenon in which price changes impact on asset purchasing power expressed in nominal terms. Measured statistically by an index regarding a basket of specific goods.

Information system

The system of infrastructures, personnel and procedures used to manage important information for a company. The part of this system which is managed using information technology is generally called the information technology (IT) system.

Initial public offering (IPO)

Offering to the public of the shares of a company that intends to be listed on a regulated market.

Insolvency

Situation in which a debtor is no longer able to meet their financial commitments as they fall due.

Institute of International Finance (IIF)

The IIF is the biggest global association of financial institutions. Founded in 1983 in response to the international debt crisis, the IIF has evolved to meet the changing needs of the financial community, supporting the financial industry in prudently managing risks and developing best practices and standards with a view to fostering global financial stability.

Institutional investors

Entities such as banks, insurance companies, asset management companies and stockbrokers which invest in securities for professional reasons.

Integrated Report

A document reporting on how the governance, business model and overall vision of an organisation, its operating context, opportunities and risks, strategy and plans for the allocation of its resources, its performance and future prospects contribute to the creation and preservation of value in the short, medium and long term.

Integrated reporting

Body of processes and activities through which an organisation communicates its ability to create and preserve value in the short, medium and long term, integrating financial reporting with reporting on strategies, future development plans, risks, opportunities and topics relating to governance and to economic, environmental and social impacts.

Interbank Deposit Protection Fund (IDPF)

A deposit guarantee scheme, set up in the form of a private consortium recognised by the Bank of Italy. Its members are Italian banks other than mutual savings banks and its purpose is to guarantee the depositors of member banks for amounts up to €100k. The Fund intervenes in cases of compulsory administrative liquidation or extraordinary administration, following authorisation by the Bank of Italy. The resources for these interventions are provided by the member banks subsequent to the emergence of the crisis affecting the bank (ex post), at the request of the Fund.

Interbank market

A residual money market, offered by banks with excess funds and taken up by banks that need additional funds to meet their liquidity requirements. The introduction of the euro created a single large European interbank market with the Euribor as its reference rate.

Interest

Remuneration for principal borrowed.

Interest rate risk

The financial risk to which a bank is exposed as a result of a fluctuation in interest rates, which can be measured in terms of potential changes in future net interest income or in the current value of shareholders' equity (considered as the difference between the current value of interest-bearing assets and interest-bearing liabilities).

Interest Rate Swap (IRS)

A contract in which the counterparties agree to exchange cash flows, paying a fixed/floating or floating/floating rate on a given notional principal amount.

International Accounting Standards Board (IASB)

The international body responsible for issuing the IAS/IFRS international accounting standards.

International Banking Federation (IBFed)

The body that represents the major national banking associations, founded with the object of promoting effective action and agreed responses to questions of mutual interest.

International Financial Reporting Interpretations Committee (IFRIC)

The IASB committee that issues the official interpretations of the IAS/IFRS international financial reporting standards.

International Integrated Reporting Council (IIRC)

An international committee whose mission is to create a global framework that integrates, financial, environmental, social and governance information in a manner that is clear, concise, cohesive, comparable and able to respond

to the complexities of the current socio-economic environment, cohesively integrating different reporting models.

International Monetary Fund (IMF)

An organisation of almost two hundred member countries working to foster global monetary cooperation, develop international trade and support the resolution of financial crises caused by balance of payment imbalances.

International Organization of Securities Commissions (IOSCO)

An organisation made up of representatives of the supervisory authorities overseeing the securities markets. Promotes regulatory standards with a view to improving efficient operation of the markets. The organisation also aims to strengthen cooperation between its member authorities.

International Valuation Standards Council (IVSC)

An independent organisation of valuation experts with the object of developing high quality international valuation standards and taking part in the international debate of valuation experts, cooperating with other international organisations.

Investment grade

Term for a medium-to-high rating of an issuer or bond (higher than S&P's BBB and Moody's Baa2). Classifying a financial instrument as investment grade implicitly means it is of medium-to-high quality.

ISIN

A 12-digit alphanumeric code that uniquely identifies the securities in circulation of all member countries of the International Organization for Standardization (ISO).

ISTAT

Italy's National Institute of Statistics, founded in 1926, which produces statistics on all aspects of Italian economic and social life.

Istituto per la Vigilanza sulle Assicurazioni (IVASS) - Italian Insurance Regulator

Independent authority that works to ensure the stability of the market and insurance companies, as well as the transparency of insurance products, in the interest of insureds and users in general.

Joint venture

Agreement between two or more companies to undertake a given business activity, generally by establishing a joint stock company.

Junior bond

In a securitisation transaction, the most subordinated tranche of securities issued and the first to absorb any losses that may be encountered in the process of recovering the underlying assets.

Liquidity

Convertibility into cash. When liquidity regards an investment, it refers to the potential of that investment to be converted into cash quickly and without difficulty.

Liquidity risk

The risk of an entity encountering difficulties in obtaining the funds to meet the obligations deriving from financial instruments.

Lock-up

Period of time during which management and large investors are prohibited from selling their shares.

London Benchmarking Group (LBG)

A network of companies committed to measuring and reporting the value and impact of their community investment. The London Benchmarking Group has drawn up a comprehensively-structured reporting model that has become an internationally-recognised standard, widely endorsed by many organisations, including the main sustainability indices (such as the Dow Jones Sustainability Index).

Long position

The market purchase of a security with the expectation that the asset will rise in value on any market.

Loss Given Default (LGD)

The estimated share of an asset that is lost if a debtor defaults.

Mark to Market

A process for valuing a portfolio of securities or other financial instruments on the basis of market prices.

Market

A place where demand and supply for one or more goods or services meet, and where this meeting leads to the determination of a price at which sellers are prepared to sell their assets and buyers to purchase them.

Market Capitalisation

A company's value on the stock market: the sum of the market price of its different classes of shares, multiplied by the number of shares issued.

Market making

A financial activity carried out by specialist brokers with the aim of ensuring the liquidity and depth of the market, both through their continuous presence and through their function as a competitive guide for determining prices.

Market risk

The risk of losses on balance-sheet and off-balance-sheet positions that could result from unfavourable fluctuations in market prices. The variables that constitute the different types of risks forming market risk are: interest rates (interest rate risk), market prices (price risk) and exchange rates (exchange rate risk).

Material aspects

Material Aspects are those that reflect the organization's significant economic, environmental and social impacts; or substantively influence the assessments and decisions of stakeholders.

Materiality

Consists in determining the relevance and significance of a topic for an organisation and its stakeholders. A topic

is material to an organisation and its stakeholders if it influences their decisions, actions and performance.

Mercato interbancario dei depositi (e-MID - interbank market of deposits)

Electronic market for trading in interbank deposits operated by the company e-MID S.p.A..

Mercato Telematico Azionario (MTA - electronic stock exchange)

The electronic stock exchange division of the Italian stock exchange on which ordinary shares, preference shares, savings shares, convertible bonds, pre-emption rights, warrants, covered warrants and shares in closed-ended equity and real-estate funds are traded.

Merger

Transaction in which a number of legal entities are replaced with one.

Mezzanine bond

In a securitisation transaction, the intermediate subordinated tranche between the junior tranche and senior tranche.

MiFID

The Markets in Financial Instruments Directive is Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 regarding investment services in the financial instruments sector.

Monte Titoli S.p.A.

Joint stock company that acts as Italy's centralised manager of the shares and bonds issued by private companies. Financial instruments listed in Italy must be entered in Monte Titoli's dematerialisation and centralisation system, which records every change of ownership.

Morgan Stanley Capital International All Country World Index (MSCI ACWI)

An index measuring the stock performance of principal listed companies worldwide. The vast measurement basis of the index reflects the average situation of stock markets worldwide and provides information on the performance of a hypothetical equity investment on the world market, measured as the weighted average of the performance of the regional markets. The MSCI ACWI is made up of 44 country indices, comprising 23 of securities traded on developed country markets and 21 of securities traded on emerging country markets.

Mutual fund

Independent assets in the form of a diversified portfolio of financial assets divided up into units belonging to a large number of holders and managed by a special management company.

NASDAQ

Acronym of National Association of Securities Dealers Automated Quotation. The US electronic stock exchange for securities which usually have lower capitalisation than those listed on the New York Stock Exchange.

Net Asset Value (NAV)

The value per unit (share) of a fund's assets minus its liabilities.

Net inflows

Assets gathered through new business in mutual funds, discretionary accounts and life insurance (inflows) net of payments (outflows) in the same period.

Network italiano per il business reporting (NIBR - Italian business reporting network)

The Italian business reporting network is the official Italian participant of the World Intellectual Capital Initiative (WICI) at global and European level with the object of making a substantial contribution to the development of Business Reporting, particularly in its non-financial aspects and where intangibles are concerned, through identifying sector Key Performance Indicators that are critical for the development of organisations and for the management of their capacity to create value.

New York Stock Exchange (NYSE)

The New York Stock Exchange is the world's largest stock exchange by market capitalisation of its listed companies. The NYSE was founded in 1817 and merged with Euronext in 2007, creating a global capital market that includes the principal European markets.

Nikkei 225

Tokyo stock market index of the top 225 shares listed in the first section of the stock exchange, with the highest capitalisation and liquidity.

Nominal value

For shares: the fraction of share capital represented by a single share. For bonds: the value that the issuer commits to repaying upon maturity and on which the interest is calculated. Does not change over time and is not influenced by the issuer's financial situation. In the case of shares, it can only be changed by means of a change to the Articles of Association and the consequent splitting or consolidation of shares. The nominal value (also known as par value or face value) is not the same as the issue price (shares can be issued for a higher amount than their nominal value, that is to say with a premium, while bonds can not only be issued above par but below par as well); nor is it the same, for shares, as the current value or market value.

Non-performing loan

Loan to a party that is insolvent or in a substantially equivalent situation.

Official reserves

The official reserves held by central banks consist of universally-accepted means of payment, mainly dollars and gold, on which they can draw to finance the import of essential goods in the event of a crisis or to intervene on the foreign exchange market to support their currency.

Online trading

System for trading financial assets on the stock exchange using a computer.

Open market operations

The purchase or sale of government bonds by a country's central bank with the aim of controlling the monetary base of an economy.

Operational risk

The risk of loss arising from inadequate or dysfunctional internal processes, human resources or systems, or from external events. This definition includes legal risk.

Option

The entitlement but not the obligation, acquired through the payment of a premium, to buy (call option) or sell (put option) a financial instrument at a predetermined price (strike price) by or at a given future date.

Organisation for Economic Cooperation and Development (OECD)

An international organisation with head office in Paris set up to promote maximum economic development, full employment and the growth of international trade.

Organismo Italiano di Contabilità (OIC - Italian accounting standards body)

Standards setting organisation for accounting matters in Italy. Issues accounting standards for financial statements regarding matters not provided for by the IAS/IFRS, provides support regarding the application of the IAS/IFRS in Italy and assists Italian lawmakers in the issue of accounting regulations.

Organismo Italiano di Valutazione (OIV - Italian valuation standards body)

The Italian valuation standards body was founded in November 2011 with the object of providing and updating Italian Valuation Standards for the measurement of companies, financial instruments and real assets, participating in the international debate of valuation experts and becoming a reference body for Italian lawmakers.

Other related parties – close relatives

Close relatives of a person who may influence or be influenced by that person in their dealings with an entity, including cohabiting partners (and spouses from whom the person is not legally separated), children, children of a cohabiting partner and dependants of the person or cohabiting partner.

Out of the money

Said of a call option when the strike price is above the spot price of the underlying asset, and of a put option when the strike price is below the spot price.

Outright Monetary Transaction (OMT)

Programme launched by the Governing Council of the European Central Bank in 2012. Provides for unlimited purchases, without the subordination of private investors, of short-term government bonds issued by euro area countries which have declared they are in economic difficulty. Requires the submission of a formal request for help to the ESM bailout fund in order to be activated, and that the specified conditions of the intervention be respected in the future.

Outsourcing

Use of an outside company to provide goods or services.

Over The Counter (OTC)

Transactions entered into directly by the parties concerned without using a regulated market.

Overdue loan

Loans to parties with loans that are overdue or past due at period end as defined by the related Bank of Italy rules.

Overnight

Interbank transaction in which one bank lends money to another bank with the commitment that the loan will be repaid the following day. The interest is also paid upon repayment.

Own funds

In the new regulatory framework, own funds are composed of the sum of Tier 1 capital and Tier 2 capital.

Pay-out Ratio

The percentage of a company's income that is distributed to shareholders in the form of a dividend related to the company's total income.

Pension funds

Bodies/management companies (in certain cases with the status of a legal person) which pay out supplementary pension benefits.

Performance

Result obtained by a mutual fund over a given period of time. Performance is measured by the increase in value of a unit in the reference period with respect to a benchmark.

Performance fees

Recurring fees withheld by an asset management company exclusively on the basis of the performance of the product managed. The percentage charged is usually linked to any increase in the value of a unit with respect to a reference parameter. This reference parameter can be a benchmark or another indicator, such as the rate of inflation, for example.

Performing loan

Loan to a party that did not present any specific insolvency risks at period end.

Personal Financial Adviser

A natural person who - as an employee, agent or authorised representative - is professionally engaged in the off-site offer of financial instruments and/or investment services in accordance, in Italy, with the provisions of the Italian Finance Consolidation Act (TUF) and the laws and regulations implementing them. The work of a Personal Financial Adviser is carried out exclusively in the interest of a single principal. In order to practice the profession in Italy, a Personal Financial Adviser must be registered in a register kept for the purpose by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB).

Plain vanilla (derivatives)

Products whose price depends on the price of the underlying instrument, which is quoted on regulated markets.

Portfolio

The real and financial assets held by an individual investor.

Position

Market commitment to buy or sell financial instruments.

Pre-emption right

Right of shareholders or holders of convertible bonds to buy a number of shares or bonds that is proportional to those already held, which can be sold on the stock market if the right is not exercised.

Price risk

The risk that the fair value or future cash flows of a financial instrument could fluctuate following fluctuations in market prices (other than the fluctuations caused by interest rate risk or exchange rate risk) arising from factors specific to the individual instrument or to its issuer, or due to factors that influence all similar financial instruments traded on the market.

Pricing

Generally speaking, the procedures used to calculate the returns/yields and/or costs of the products and services offered by a bank.

Primary market

Complex of underwriting or sale transactions for the public issuance of securities.

Prime rate

The interest rate that banks offer for loans to their most important customers. The Prime Rate depends on general market conditions, the availability of reserves and the amount of the loan, and can vary from one country to another.

Private banking

Financial services for the global management of private customers' financial requirements.

Prospectus

A document for the public providing detailed information on a company making a public offering.

Prudential filters

Filters used in calculating own funds that apply corrections to the financial statement items in order to maintain the quality of own funds and reduce any potential volatility that could arise from the application of the IAS/IFRS international financial reporting standards.

Public offer for sale

Offering, to the public, of a block of shares by the controlling group, through a placement.

Public offer for subscription

An offer to the public of shares in the process of issue regarding which the old shareholders have waived their pre-emption rights either partially or totally.

Public purchase and exchange offer

A mixed purchase and exchange offering in which shares can be purchased or exchanged with others.

Public Purchase Offer (PPO)

Transaction by which a substantial number of shares in a listed company is purchased in order to acquire control of said company. The Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) has set the

maximum ownership limit for any controlling shareholder at 30%, above which it is obligatory to launch a PPO for the remaining shares on the market.

Put option

An option contract that, upon payment of a premium, gives the buyer the right but not the obligation to sell a given asset at a predetermined price (strike price).

Rating

An assessment of the creditworthiness of a company or of the debt securities it issues on the basis of the financial soundness of the company and of its prospects. This assessment is carried out by specialist agencies.

Rating Agency

Independent company that specialises in assigning credit ratings to the issuers of financial instruments. The rating is expressed as a combination of letters and/or digits.

Recession

Commonly used to mean an extended decline in Gross Domestic Product (GDP). In economics, means a decline in GDP for at least two consecutive quarters.

Recurring fees

Fees withheld by an asset management company by way of remuneration for their management activities, calculated in relation to the market value of the assets managed.

Repurchase agreements

Financial instruments largely consisting in lending agreements in accordance with which the holder sells securities to or buys them from a bank or other financial institution at a predetermined price with a commitment to buy back or resell the same securities at a future date.

Residual public purchase offer

Public purchase offer provided for by Italian law to protect non-controlling shareholders against the possibility of shares being delisted or traded irregularly. A shareholder owning more than 90% of the ordinary share capital of a listed company is required to launch a residual public purchase offer.

Retail Customers

A customer segment that principally comprises private individuals, professionals, retailers and the owners of small enterprises.

Return

The total profit on an investment expressed as a percentage of the capital invested.

Return On Assets (ROA)

The ratio of net profit to total assets.

Return On Equity (ROE)

The ratio of net profit to average shareholders' equity.

Risk factors

The factors that give rise to the risk of a financial instrument or portfolio (e.g. exchange rates, interest rates etc.).

Risk Management

The acquisition, measurement, evaluation and global management of the various different types of risk and their respective hedging.

Risk Weighted Assets (RWA)

Cash and off-balance-sheet assets (derivatives and guarantees) classified and weighted in relation to different risk ratios in accordance with the banking regulations issued by the supervisory authorities for calculating capital ratios.

Risk-free interest rate

The interest rate of a risk-free investment, which is to say an investment where there is no uncertainty regarding the cash flows generated. Risk-free investments are generally exemplified by short-term government securities, since the fact that governments have the power to print money makes it extremely unlikely they will not comply with their financial obligations. The risk-free interest rate can be measured in real terms (after taking price fluctuations into account) or in nominal terms (in which case the nominal risk-free rate is the expected real risk-free rate plus the expected inflation rate). The return required of any security can be expressed as the sum of the nominal risk-free rate plus the risk premium.

Scope of sustainability reporting

Identifies the boundaries of the economic, social and environmental impacts of the material aspects identified. Impacts can occur internally and/or externally to the organisation.

Secondary market

Market on which previously-issued financial instruments are bought and sold.

Sector

Subdivision of a multi-sector fund or multi-sector SICAV, distinguished by its management characteristics. A sector represents capital that is independent of the asset management company's capital and of all the other funds or sectors that it manages.

Securitisation

Transactions in which pools of assets are transferred to a "Special Purpose Vehicle" company and the latter issues securities with different degrees of subordination regarding potential losses on the underlying assets.

Segment reporting

The reporting of financial results by business segment and geographical area.

SEI Advanced Advisory Service

A service Banca Fideuram launched in 2009 on which customers pay commission. The service consists in identifying each customer's individual requirements classified by "area of need", in analysing their development over time, in analysing and providing advisory support regarding their overall position, including any portfolios held with third-party institutions, in providing in-depth risk-return profile analysis, in identifying appropriate investment strategies and solutions for each individual area of need and in monitoring the portfolio by area of need.

Senior bond

In a securitisation transaction, the most privileged tranche in terms of priority of payment of principal and interest.

Sensitivity

The sensitivity with which given assets or liabilities react to fluctuations in interest rates or other key parameters.

Settlement risk

The risk, arising in securities transactions, of the counterparty not fulfilling their obligation to deliver the securities or pay the amount owed after maturity.

Share

A unit of ownership of the share capital of a joint stock company or a partnership company limited by shares. The owner of a share has the status of shareholder. Should the company go into liquidation, repayment of the share capital is made on a residual basis after all the other creditors have been paid.

Share capital

The sum of the nominal values of all the shares issued by a company, corresponding to the capital received from shareholders at its foundation and subsequent changes.

Shareholders' equity

On a company balance sheet, the shareholders' equity is the difference between the assets and liabilities.

Short position

The market sale of a security with the expectation that the asset will fall in value.

Single Resolution Mechanism

One of the three pillars of the euro area banking union, set up in 2014 to meet the challenges of fragmentation in the European financial market. The mechanism provides for a Single Resolution Committee that resolves bank and investment firm crises in the euro area, operating in accordance with harmonised regulations and making use of the Single Resolution Fund.

Single Supervisory Mechanism

One of the three pillars of the euro area banking union, set up in 2014 to meet the challenges of fragmentation in the European financial market. The mechanism grants the European Central Bank a direct supervisory role regarding the major euro area banks, with the objective of ensuring harmonised supervisory criteria.

Società di gestione del risparmio (SGR - asset management company)

A joint stock company under Italian law with registered office and general management in Italy that is authorised to provide collective asset management and individual portfolio management services for third parties, together with any other services and activities provided for by the relevant laws and regulations in force.

Società di intermediazione mobiliare (SIM - stock-brokers)

An intermediary authorised to provide investment services including, amongst others, dealing on their own behalf

and on behalf of third parties, the receipt and transmission of trading orders, the broking of services and asset management.

Società di investimento a capitale variabile (SICAV - open-ended investment company)

A mutual fund with the structure of a joint stock company and the exclusive object of investing its assets. In contrast to a mutual fund, in which one owns units, one owns shares in a SICAV. The subscribers of a SICAV are therefore entitled to take part in the Shareholders' Meeting.

Special Purpose Vehicle (SPV)

Special Purpose Vehicles are companies that are set up by one or more entities to fulfil a specific objective.

Speculative grade

Term for a low rating of an issuer or bond (less than S&P's BBB and Moody's Baa2). Classifying a financial instrument as speculative grade implicitly means that it is exposed to high credit risk.

Spin off

This is when part of the assets of a company are separated from it to form a new legal entity.

Spread

The difference between the interest rates of different securities with the same maturities. Normally used by Fideuram to measure the difference in yield between the ten-year Bund, Germany's ten-year government bond, and Italy's equivalent, the Buono del Tesoro Poliennale (BTP). When the BTP/Bund spread widens it means that the interest the Italian government has to pay market investors rises in comparison with the equivalent German government bond. In practice, it is a measure of Italy's risk compared to benchmark country Germany.

Stakeholder engagement

The process of exchanging information with, listening to and learning from stakeholders with the intention of building mutual understanding and trust regarding problems of mutual interest. Its value lies in the possibility of combining the achievement of corporate goals with meeting the expectations of stakeholders.

Stakeholders

Parties who for various reasons interact with the activities of a company, being involved in its results, influencing its performance and evaluating its economic, social and environmental impact.

Statutory reserve

The minimum amount that a bank is required to hold by way of reserves under the Eurosystem. Compliance with this requirement is assessed on the basis of the average daily reserve holdings over a maintenance period.

Stock exchange list

List of quoted prices of securities listed on a stock exchange.

Stock exchange price

The value of a security in official trading.

Stock options

Option contracts which grant the entitlement to purchase shares in a company within a predetermined time and at a predetermined price. They are used as a form of supplementary remuneration in bonus and loyalty schemes.

Stress test

A simulation procedure used to measure the impact of extreme market scenarios on the bank's total risk exposure.

Strike price

The exercise price of an option.

Structured security

A security comprising a fixed component which is similar to a normal bond and a derivative component which is similar to an option, linked to the performance of an external factor.

Subprime

A subprime mortgage is, by definition, a mortgage granted to a party who would not have been able to obtain a more favourable rate on the credit market. Subprime debtors typically have low credit ratings and credit histories of defaults, attachments, bankruptcy and late payment. Because subprime debtors are considered to be at a high risk of insolvency, subprime mortgages typically have less favourable conditions than other types of lending. These conditions include higher interest rates, fees and premiums.

Sustainability Reporting

The process by which an organisation measures, communicates and takes responsibility for its performance from the standpoint of achieving the objective of sustainable development.

Swaps

Transactions that generally consist in the exchange of cash flows between operators in accordance with different types of contracts. In the case of an interest rate swap, the counterparties exchange payment cash flows, which may or may not be linked to interest rates, calculated on a notional principal amount (e.g.: one counterparty pays a fixed-rate while the other pays a floating-rate). In the case of a currency swap, the counterparties exchange specific amounts in different currencies, repaying them over time following predetermined procedures, which may regard both the notional principal and the interest-rate-linked cash flows.

Tax rate

Effective tax rate, resulting from the relationship between income taxes and income before taxes.

Technical form

The type of contract used for a given inflow or investment relationship.

Tier 1 capital (T1)

Comprised of Common Equity Tier 1 capital (CET1) plus additional Tier 1 capital (AT1).

Tier 1 ratio

Ratio of the bank's Tier 1 capital to its total risk-weighted assets (RWA).

Tier 2 capital (T2)

Principally comprised of eligible subordinated liabilities and any excesses of write-downs for anticipated losses (excess reserves) for loan positions risk-weighted following the IRB approach.

Time value

Change in the financial value of an instrument in relation to the different time horizon at which given cash flows become available or fall due.

Total Capital Ratio

Ratio of own funds to total risk-weighted assets (RWA).

Trading book

The portion of a bank's securities or financial instruments in general that is held for trading purposes.

Underlying instrument

Financial instrument that determines the value of a derivative instrument or structured security.

Unemployment rate

The percentage of workers, or rather of the workforce, which is not able to find a job.

Unit-Linked Policies

Life insurance policies where the benefits are linked to the value of investment funds. A policy may provide a capital guarantee or guaranteed minimum return.

Unlikely to pay

Loans that are not doubtful loans, where the bank assesses the borrower as being unlikely to meet their payment obligations in full (principal and/or interest) without recourse to action such as the enforcement of collateral are classified as "Debtor unlikely to pay".

Value added

The total wealth created by a company and distributed to its stakeholders (community, financial partners, human resources, business partners/shareholders and Local and Government Bodies) or reinvested in the company (undistributed net profit and depreciation allowances). The difference between gross production and the consumption of goods and services.

Value in use

The present value of the future cash flows expected to be derived from an asset or cash-generating unit.

VaR

Criterion for measuring market risk that follows a probabilistic approach, quantifying the risk in relation to the maximum loss that may be expected with a certain probability,

on the basis of historical price fluctuations, with respect to a single position or an entire portfolio of securities for a specific time horizon.

View Advanced Advisory Service

Intesa Sanpaolo Private Banking fee-paying advisory service launched to customers in 2016. View provides a complete advisory service that supports the Personal Financial Advisers in their work of identifying each customer's specific requirements categorised by area of need, including with the assistance of guideline customer "archetype" profiles.

Volatility

Statistical indicator for measuring the price fluctuation of a financial instrument with respect to its average price in a given period. The greater the volatility of a financial instrument, the riskier it is.

World Bank

Bank which contributes to the development of emerging countries as one of its principal objectives.

World Intellectual Capital Initiative (WICI)

A global network which aims to establish a new and broader conceptual framework for Business Reporting that is able to provide more satisfactory and exhaustive reporting than traditional financial information on the various different dimensions of corporate performance, including with respect to intangibles, and to provide a wider platform for non-financial information (Key Performance Indicators) that enables one to measure the capacity of companies to create value sustainably over time.

Write-back

Restoring (writing back) the value of assets items that were written down in prior financial years.

Write-down

The writing down of assets items in financial statements (to a lower value).



12. Contact us

Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking Branches and Personal Financial Advisers' Offices

FIDEURAM BRANCHES

Abbiategrosso - Alba - Alessandria - Ancona - Arezzo - Asti - Bari - Belluno - Bergamo - Biella - Bologna - Bolzano - Brescia - Busto Arsizio - Cagliari - Caserta - Catania - Cernusco Sul Naviglio - Cesena - Como - Cremona - Cuneo - Darfo - Empoli - Ferrara - Florence - Foggia - Forlì - Frosinone - Genoa - Ivrea - La Spezia - Latina - Lecce - Lecco - Livorno - Lodi - Lucca - Macerata - Mantua - Massa - Messina - Mestre - Milan - Modena - Moncalieri - Montecatini Terme - Monza - Naples - Novara - Padua - Palermo - Parma - Pavia - Perugia - Pescara - Piacenza - Pisa - Pordenone - Prato - Ravenna - Reggio Calabria - Reggio Emilia - Rho - Rimini - Rome - Rovigo - Salerno - Sanremo - Savona - Seregno - Sesto San Giovanni - Siena - Syracuse - Turin - Trento - Treviso - Trieste - Udine - Varese - Verbania - Verona - Vicenza

FIDEURAM PERSONAL FINANCIAL ADVISERS' OFFICES

Acqui Terme - Adrano - Albenga - Aosta - Argenta - Ascoli Piceno - Aulla - Avellino - Aversa - Bassano Del Grappa - Bibbiena - Bra - Brunico - Campobasso - Carate Brianza - Carpi - Casale Monferrato - Casalgrande - Cascine Di Buti - Castel San Giovanni - Castelfranco Veneto - Castelnuovo Garfagnana - Cattolica - Cavalese - Cecina - Chiavari - Chieri - Città di Castello - Cittadella - Cles - Conegliano - Crema - Domodossola - Fabriano - Faenza - Feltre - Fermo - Foligno - Follonica - Fossano - Gaeta - Gatteo - Gavardo - Gorizia - Grosseto - Guastalla - Imola - Imperia - Isernia - Jesi - Lamezia Terme - Lanciano - L'Aquila - Lugo - Monselice - Montebelluna - Montevarchi - Novi Ligure - Oderzo - Omegna - Orbassano - Oristano - Ovada - Pesaro - Pinerolo - Piove Di Sacco - Pistoia - Poggibonsi - Pontedera - Portoferraio - Potenza - Rieti - Rivarolo Canavese - Rivoli - Rome - Rovereto - Saluzzo - San Daniele Del Friuli - San Giovanni In Persiceto - Santa Croce Sull'Arno - Saronno - Sarzana - Sassari - Sassuolo - Schio - Sinalunga - Sondrio - Taranto - Teramo - Terni - Thiene - Tolmezzo - Turin - Trapani - Valdagno - Valenza - Velletri - Venice - Vercelli - Viareggio - Vigevano - Viterbo - Voghera

SANPAOLO INVEST PERSONAL FINANCIAL ADVISERS' OFFICES

Abbiategrosso - Acquapendente - Agrigento - Alba Adriatica - Albenga - Alessandria - Ancona - Anzio - Aosta - Aprilia - Arezzo - Asti - Aversa - Avezzano - Bari - Barletta - Bergamo - Biella - Bologna - Bolzano - Brescia - Busalla - Cagliari - Caserta - Cassino - Cerea - Chiavari - Città di Castello - Civitanova Marche - Civitavecchia - Como - Cosenza - Cremona - Faenza - Ferrara - Florence - Foggia - Foligno - Forlì - Formia - Frattamaggiore - Frosinone - Gallarate - Genoa - Gorizia - Grottaferrata - Imperia - Ivrea - L'Aquila - La Spezia - Latina - Lecce - Livorno - Lodi - Lucca - Luino - Macerata - Matera - Messina - Milan - Modena - Monfalcone - Montebelluna - Montepulciano - Monza - Naples - Nervi - Novara - Olbia - Ortona - Padua - Palermo - Parma - Perugia - Pesaro - Pescara - Piacenza - Pinerolo - Pisa - Prato - Ragusa - Rapallo - Ravenna - Reggio Calabria - Rieti - Rimini - Rivoli - Rome - Salerno - Sanremo - Sant'Agnello - Sassari - Savona - Siena - Susa - Taranto - Terni - Thiene - Turin - Tremestieri Etneo - Trento - Treviso - Trieste - Udine - Valenza - Vasto - Ventimiglia - Verbania - Vercelli - Verona - Vicenza - Vignola - Viterbo - Voghera

INTESA SANPAOLO PRIVATE BANKING BRANCHES

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INTESA SANPAOLO PRIVATE BANKING PERSONAL FINANCIAL ADVISERS' OFFICES

Bari - Salò - Genoa

(at 31 December 2016)

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GALLERIE D'ITALIA. THREE MUSEUM CENTRES: A CULTURAL NETWORK FOR THE COUNTRY.

Through the Gallerie d'Italia project, Intesa Sanpaolo intends to share its artistic and architectural heritage with the public at large: 1,000 works of art displayed in historic palazzi in three cities, forging the links in a museum network that is unique of its kind.

In an architectural complex of great value, the **Gallerie di Piazza Scala** in Milan host a selection of two hundred nineteenth-century works of the Lombard school, along with a display itinerary dedicated to Italian art of the twentieth century.

The **Gallerie di Palazzo Leoni Montanari** in Vicenza display the most important collection of Russian icons in the West, examples of eighteenth-century Veneto art and a collection of ceramics from Attica and Magna Graecia.

In Naples, the **Gallerie di Palazzo Zevallos Stigliano** present the *Martyrdom of Saint Ursula*, one of Caravaggio's last masterpieces, along with works of southern Italian art ranging from the seventeenth to the early twentieth century.

Cover photo:



HENDRIK FRANS VAN LINT (*Antwerp, 1684 - Rome, 1763*)
Church of Santa Maria della Salute with Punta della Dogana, ca. 1750
Oil on canvas, 46.5 x 71.5 cm
Intesa Sanpaolo Collection
Gallerie d'Italia - Palazzo Leoni Montanari, Vicenza

Van Lint's view of the *Church of Santa Maria della Salute with Punta della Dogana* belongs to the Intesa Sanpaolo's 18th century Venetian art collection, which is part of the permanent exhibition at Gallerie d'Italia - Palazzo Leoni Montanari, the Bank's museum venue in Vicenza.

The collection offers a review of all the pictorial genres - particularly landscape painting - that won Venice and its school a central role on the international artistic scene in the 18th century. Views of many Italian locations, including Venice, painted by Gaspar van Wittel (late 1600s) were crucial for the success met by this genre in the 1700s. Among his main followers, we cannot fail to mention Hendrik Frans van Lint, a famous Flemish painter who was much sought after for the extreme refinement of his works.



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