

# Integrated Annual Report 2018

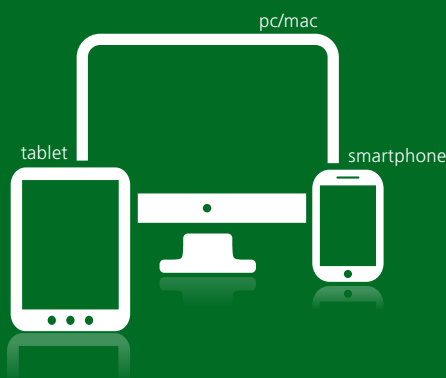


# Mission

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

**Offering** financial advice on all the client's entire assets with the aid of highly qualified professionals, with full transparency and rule compliance is the mission of **Fideuram - Intesa Sanpaolo Private Banking**.

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



The background of the slide is a painting of a snowy street scene. In the foreground, two women are walking. The woman on the left is wearing a red headscarf and a dark dress, carrying a large basket. The woman on the right is wearing a black dress with a red bow and a red skirt. In the background, there are snow-covered buildings and a horse-drawn carriage. A green semi-transparent overlay is positioned on the left side of the slide, containing a list of stakeholder groups.

Customers

Shareholders

Colleagues

Suppliers

Community

Environment





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# About this Report

## INTEGRATED FINANCIAL STATEMENTS

In line with recent international reporting developments, the Fideuram – Intesa Sanpaolo Private Banking Group has published an Integrated Annual Report since 2013, prepared in accordance with the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC).

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 is able to 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

Legislative Decree 254 of 30 December 2016, published in Official Gazette no. 7 of 10 January 2017, implemented Directive 2014/95/EU of the European Parliament and Council of 22 October 2014 as regards disclosure of non-financial and diversity information.

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

Although it is subject to the provisions of Article 2 of Legislative Decree 254/2016, Fideuram has not prepared a non-financial disclosure, by claiming the exemption allowed under Article 6 of that decree, insofar as it is included in the Consolidated Non-financial Disclosure made by Intesa Sanpaolo S.p.A..

Moreover, the Group has been voluntarily reporting financial and non-financial information, including the information required under Legislative Decree 254/2016, in an integrated document that outlines our business model through capital analysis.

The interdependences among the different forms of capital – financial, productive, intellectual, human, relational and natural capital – make it possible to give a complete and essential view of the capacity to create value in a sustainable manner and to highlight the connections among strategy, performance and social context.

The non-financial information is reported in accordance with the provisions of the GRI Sustainability Reporting Standards (GRI Standards) drawn up by the GRI-Global Reporting Initiative in 2016. It has adopted application of the Core level, which is considered more suited to representing the principles of conciseness and connectivity typical of an Integrated Report.

## 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 through involving internal and external stakeholders in the choice of relevant aspects to report on. Our Personal Financial Advisers and customers appreciate its contents and support this corporate communication tool as an essential means for guaranteeing transparency and quality information and training.

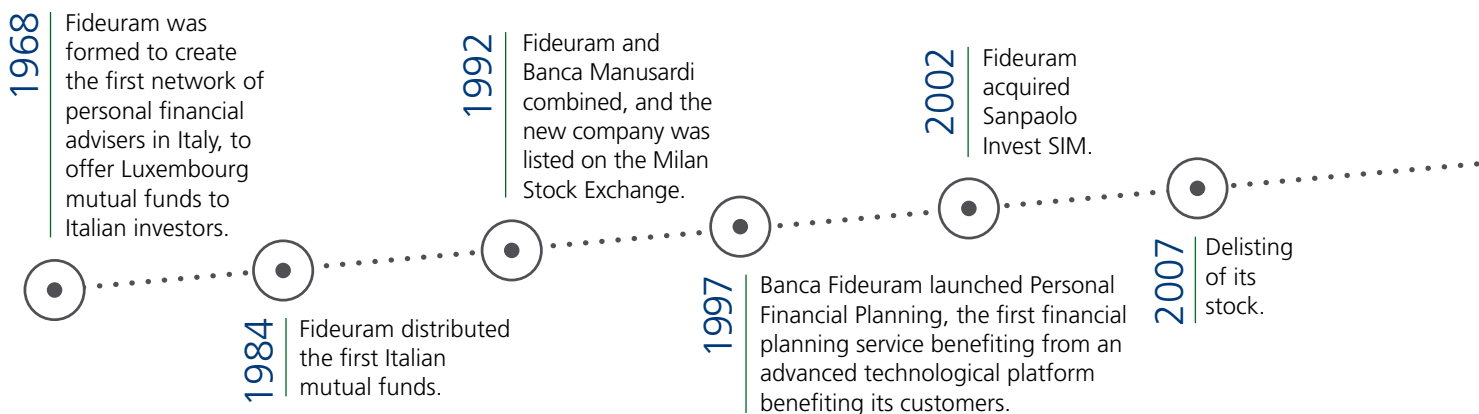
The Integrated Annual Report is available in Italian and English on the Fideuram website. In addition, an interactive Annual Report with multimedia information (audio and video aids) is available on the homepage of our website, supplementing and enhancing the financial reporting with a varied array of external corporate communications.

We extend our thanks to all the stakeholders who 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 years to come.



# 50 times us

Fideuram was born 50 years ago with the aim of providing investors with an alternative to the traditional banking channel. It now has a strong identity on the market, an identity built over time with a business model focused on the advanced advice and professional expertise of its Personal Financial Advisers.



## WHO WE ARE

With over €213bn in client assets, Fideuram is the biggest Italian Private Bank (and one of the biggest in Europe).

Fideuram heads an integrated Group, comprised of the companies providing the Group's financial advisory, asset management and fiduciary services.

## WHAT WE OFFER TO OUR CUSTOMERS

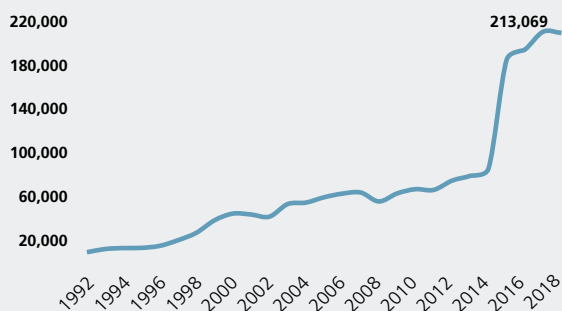
Fideuram offers personalised advice based on a long-term relationship, which is in turn founded on the Personal Financial Advisers' trust and professional expertise.

A distinctive model based on:

- Fee-paying advanced advisory services
- Excellent in-house products
- Offering rounded out by products of major global investment firms

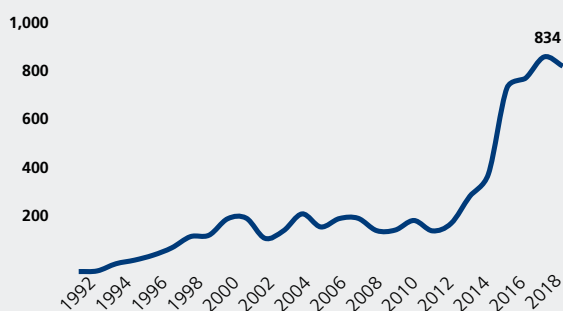
### Client Assets

(€m)

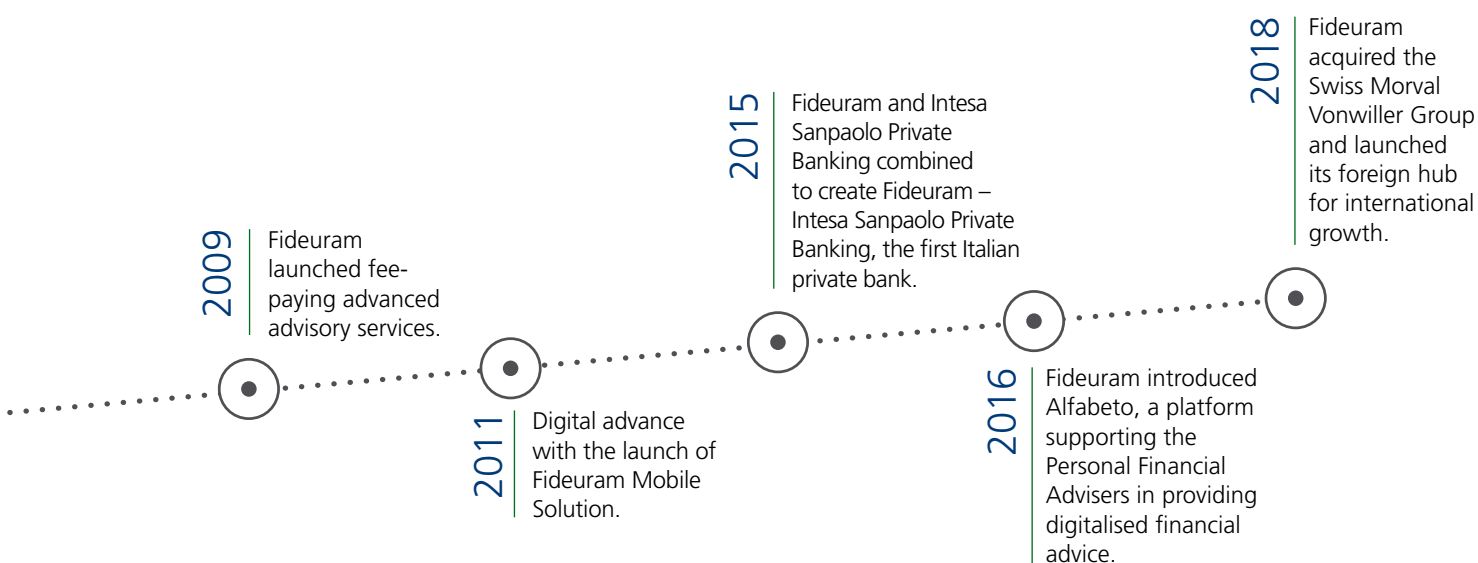


### Net profit

(€m)







## WHERE WE ARE

The Group has a strong local presence throughout Italy, with 228 bank branches and 326 Personal Financial Advisers' offices.

With 10 Private Banking centres and 7 hubs, the Fideuram and Intesa Sanpaolo Private Banking networks are organised to assist High Net Worth Individuals.

Fideuram has launched the growth of its business abroad with the acquisition of the Morval Vonwiller Group.

## HOW WE SEE THE FUTURE

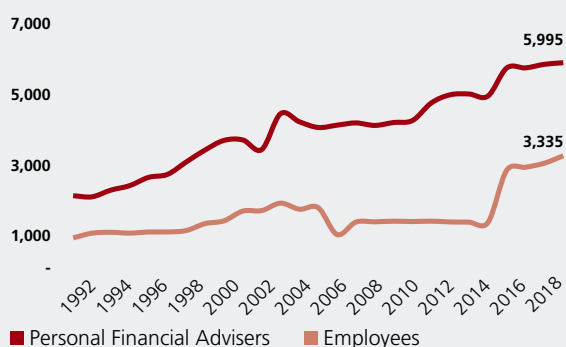
We will reinforce our **leadership position** on the Italian market by accelerating our growth rate from past levels and maintaining our cost efficiency levels.

We will support the **foreign growth** and **international expansion** of the Group.

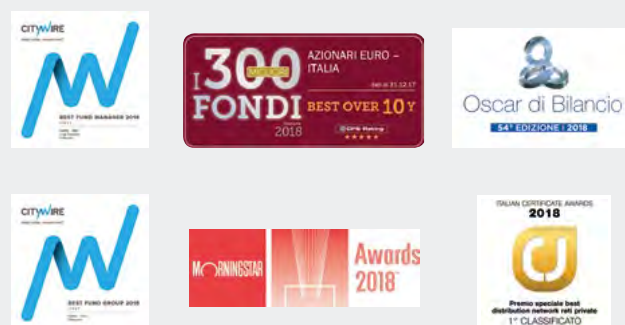
We will expand the **customer base**, including through the use of digital channels and development of brand visibility in the Affluent and Lower Private segments.

We will develop the Bank's level of **innovation** both through improved digitalisation and through Advanced Analytics initiatives.

## Personal Financial Advisers and Employees (n.)



## Our awards





# Highlights<sup>(\*)</sup>

	2018	2017	2016	2015	2014
<b>CLIENT FINANCIAL ASSETS</b>					
Net inflows into managed assets (€m)	3,591	11,626	2,887	10,026	9,853
Total net inflows (€m)	10,189	12,248	8,454	7,846	3,628
Client Assets (€m)	213,069	216,550	200,465	188,898	178,771
<b>OPERATING STRUCTURE</b>					
Personal Financial Advisers (No.)	5,995	5,990	5,887	5,846	5,851
Staff (No.)	3,335	3,233	3,116	2,928	2,865
- women (No.)	1,481	1,430	1,374	1,295	1,255
- outside Italy (No.)	314	269	249	144	145
Personal Financial Advisers' Offices (No.)	326	323	324	325	328
Bank Branches (No.)	228	229	231	229	234
<b>CONSOLIDATED FINANCIAL RESULTS</b>					
Consolidated net profit (€m)	834	871	786	747	582
Group shareholders' equity (€m)	2,804	2,816	1,981	1,877	1,692
Basic consolidated net earnings per share (€)	0.556	0.581	0.524	0.498	0.388
Dividends per share (€)	0.540	0.525	0.476	0.374	0.298
Total assets (€m)	40,765	39,201	34,672	28,839	25,961
Wealth created (€m)	2,775	2,766	2,537	2,530	2,251
Economic value distributed (€m)	2,713	2,617	2,410	2,293	2,095
<b>PROFITABILITY INDICATORS</b>					
Return on Equity (%)	30	36	41	42	34
Return on Assets (%)	2	2	2	3	2
Cost / Income ratio (%)	32	30	30	32	37
Payroll costs / Total net interest and trading income (%)	19	17	16	17	20
Net profit / Average client assets (%)	0.4	0.4	0.4	0.4	0.3
E.V.A. (€m)	735	788	716	681	510
<b>NON-FINANCIAL INDICATORS</b>					
Complaints (No.)	1,525	1,260	1,214	1,131	1,488
Personal Financial Adviser training (hrs.)	470,731	329,928	386,819	375,307	317,067
Employees on open-ended contracts (%)	98.8	98.5	98.9	98.7	99.6
Women in management positions (% out of the total number of senior managers)	9	11	11	11	10
Staff turnover (%)	15	10	10	10	10
Employees training (hrs.)	131,862	82,641	122,995	118,713	110,386
Donations (€m)	0.2	0.6	0.3	0.4	0.5
Total net interest and trading income / Number of employees (€m)	0.6	0.6	0.6	0.6	0.5
Client assets / Number of Personal Financial Advisers (€m)	36	36	34	32	31
Paper consumption per employee (kg)	60	63	70	74	79

Counterparty rating (Standard &amp; Poor's)

Long term: BBB

Short term: A-2

Outlook: Negative

(\*) The figures for 2014 and 2015 have been restated so that straight comparisons can be made while taking into account the contributions of Intesa Sanpaolo Private Banking, Siref and Intesa Sanpaolo Private Bank (Suisse), which were acquired in the first half of 2015. The contribution of the Morval Vonwiller Group, acquired in the second quarter of 2018, was included as necessary beginning from 2016. The figures for 2017 have been restated to take the first-time application of IFRS9 into account so that straight comparisons can be made.



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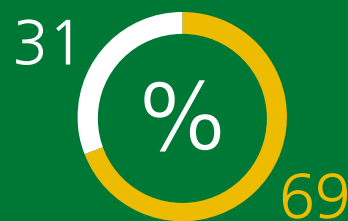


- 1.1 Group structure
- 1.2 Business model
- 1.3 Key drivers
- 1.4 Key factors in the value-creation process
- 1.5 Business segments
- 1.6 Stakeholders

€**2.8** bn  
**wealth created**  
in 2018  
(up €9m on 2017)

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

Client Assets 2018:



■ Non-managed assets ■ Managed assets



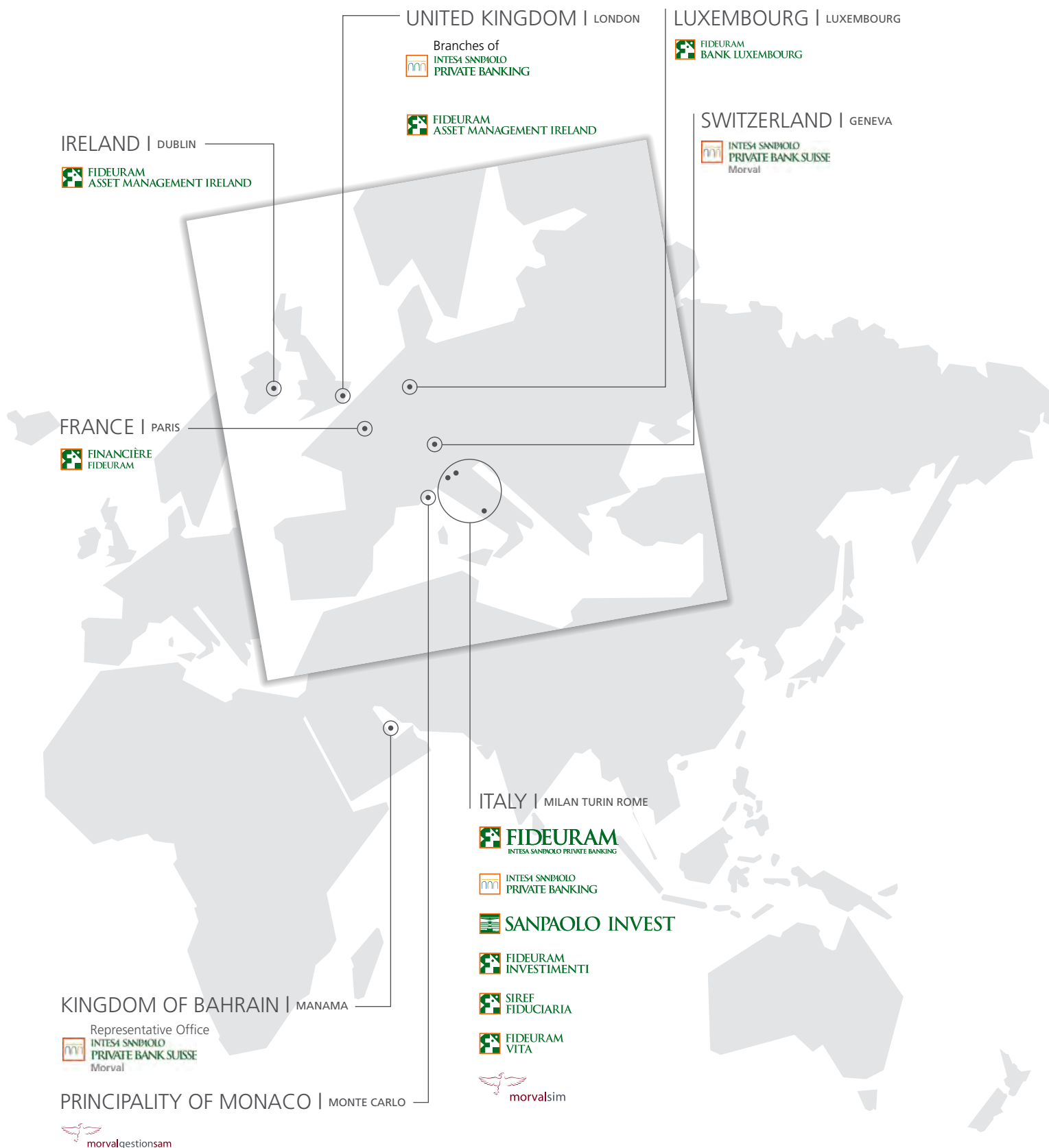


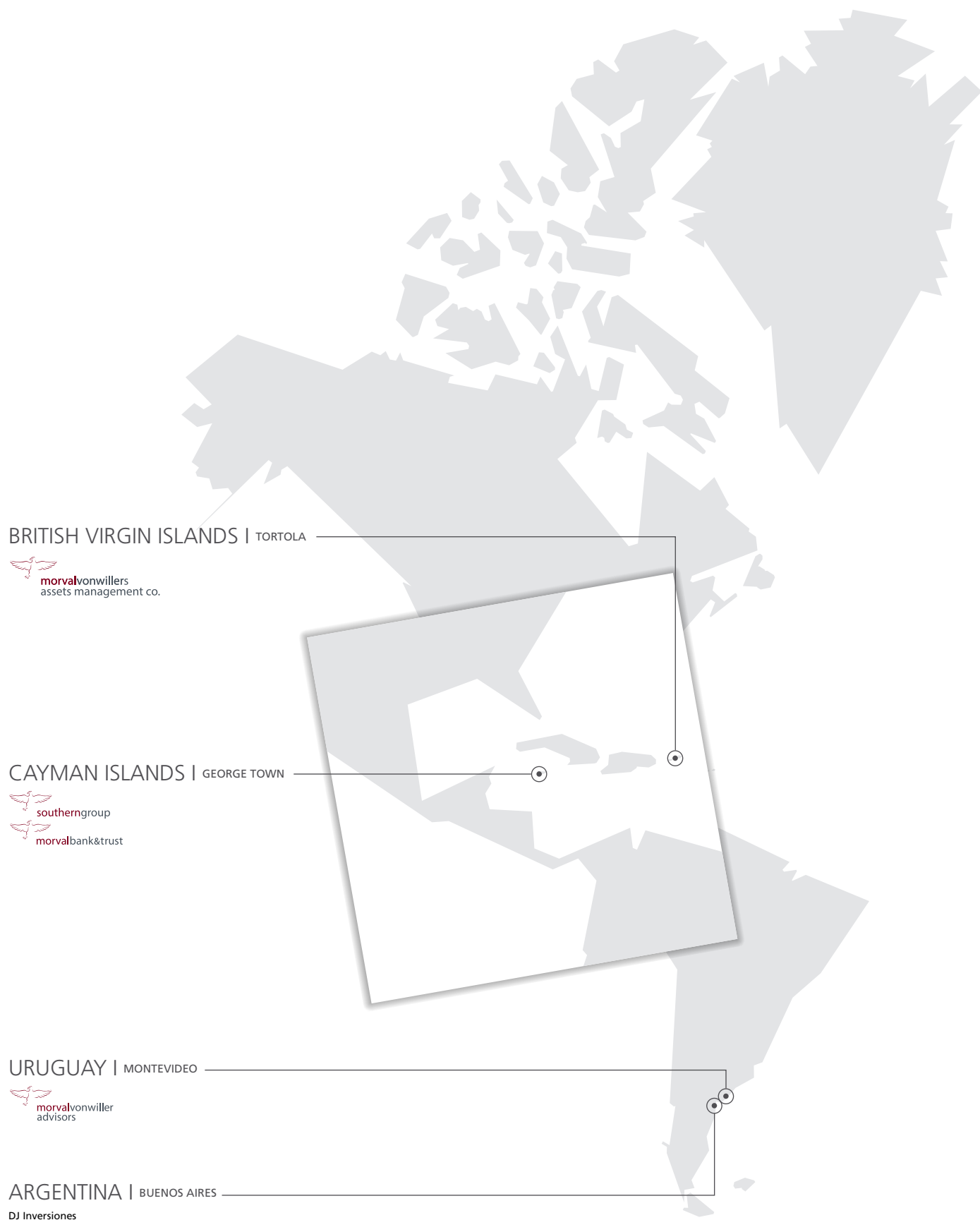
## 1. Business model



## 1.1 Group structure

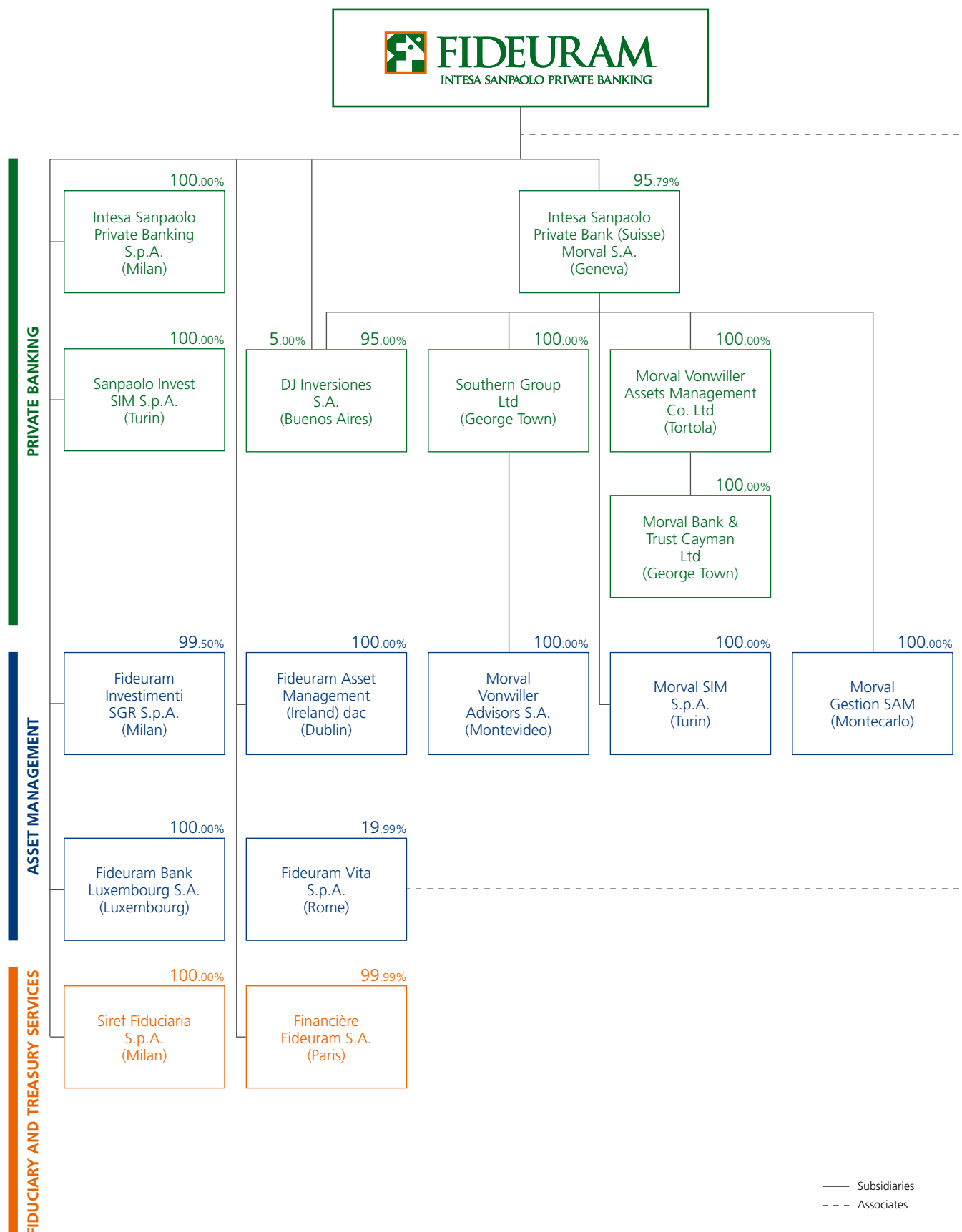
The Fideuram - Intesa Sanpaolo Private Banking Group operates in twelve countries and comprises the parent company **Fideuram - Intesa Sanpaolo Private Banking** ("Fideuram") and the following companies:







The composition of the Fideuram Group at 1 January 2019 is illustrated as follows:



## 1.2 Business model

Fideuram - Intesa Sanpaolo Private Banking is the number one Private Bank in Italy and among the largest in Europe with client assets totalling more than €213bn.

Since 2015, it has directed the business of the Intesa Sanpaolo Group Private Banking Division, which brings together the companies providing the Group's financial advisory, asset management and fiduciary 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 customers and High Net Worth Individuals. Our products and services are provided by approximately 6,000 highly qualified professionals in four separate networks (Fideuram, Intesa Sanpaolo Private Banking, Sanpaolo Invest, and Intesa Sanpaolo Private Bank (Suisse) Morval) with their own brand identities, service models, and customer profiles.

Fideuram acquired 94.6% of the share capital of Morval Vonwiller Holding on 10 April 2018. This transaction was part of the foreign development project of the Private Banking Division outlined in the Business Plan 2018-2021. That plan identified the acquisition of the Morval Vonwiller Group as strategic. Based in Switzerland but with an international reach, the group is active in private banking and wealth management, and will be used to expand the scope of Fideuram Group activities outside Italy. With the acquisition

of the Morval Vonwiller Group, the Division not only assures complete geographic coverage of the Italian market but has also undertaken an expansion of its sales networks on international markets.

The Group's service model is centred on professional advisory services and the creation of long-standing relationships of trust between our customers and Personal Financial Advisers. The Group benefits from 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 MiFID 2 directive, and as three "Advanced Advisory Services" (SEI, View and Private Advisory), 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 its 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..



## OUR BUSINESS MODEL



### CUSTOMERS

#### High Net Worth Individuals

Customers with financial assets potentially in excess of **€10,000,000**

#### Private Banking customers

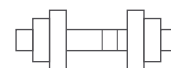
Customers with financial assets totalling between **€500,000** and **€10,000,000**

#### 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**



### STRENGTHS

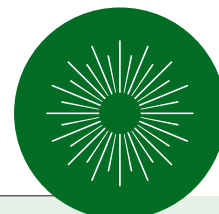
#### Integrated Group

Distribution networks with well-known distinctive brands

Service model based on advanced advisory support

Guided Open Architecture Approach

Focus on Private Banking customers and High Net Worth Individuals



## GOVERNANCE

## CREATION OF VALUE



### THE MAIN STRATEGIES

#### 1 Dedicated service models

The Networks' service models are specialised according to the different needs of the Personal Financial Advisers and Customers

#### 2 Advisers Factory

Expanded recruiting and upgraded training courses to create the "Future Personal Financial Advisers"

#### 3 Upgrading of products and services offered

Expansion of products offered and development of Advanced Advisory Service

#### 4 Growth of foreign operations

Development of presence abroad and recruiting of Personal Financial Advisers having international experience and customers

#### 5 Digital champion

Development of a digital platform to facilitate the acquisition of new customers



### THE MAIN OBJECTIVES

#### Reinforce its leadership position

by accelerating the growth rate on the Italian market, while maintaining cost efficiency

#### Support foreign growth

through the development of the Group's presence on large markets

#### Expand the customer base

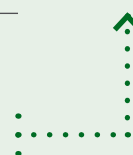
through the use of digital channels and development of brand visibility

#### Boost the level of innovation

through improved digitalisation and advanced analytics initiatives

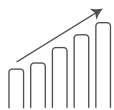
#### Increase the focus on Corporate Social Responsibility

through the commitment to sustainable finance





## 1.3 Key drivers

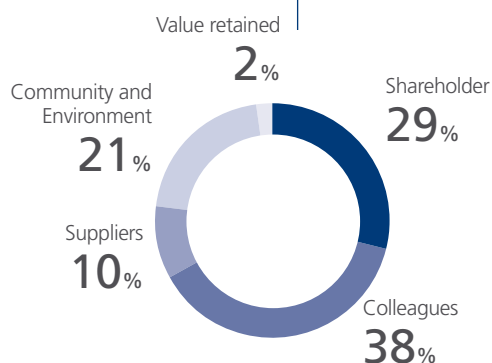


### Financial Capital

#### WEALTH CREATED



€2.8 bn



ROE 30%

COST/INCOME 32%

SHAREHOLDERS' EQUITY €2.8 bn

NET PROFIT €834 m

NET FEE AND COMMISSION INCOME €1.7 bn

of which recurring €1.6 bn

#### TOTAL NET INFLOWS



€10.2 bn

of which Net inflows into Managed Assets

€3.6 bn

#### CLIENT ASSETS



€213.1 bn

of which managed Client Assets

€147 bn



### Productive Capital

#### NO. OF BANK BRANCHES



228

outside Italy 6

#### NO. OF PERSONAL FINANCIAL ADVISERS OFFICES



326



### Intellectual Capital

#### INVESTMENTS IN INFORMATION SYSTEMS



About

€42 m annually

#### NO. OF PROJECTS



About

70 projects

## Human Capital


**NO. OF PERSONAL  
FINANCIAL ADVISERS**

**5,995**
**NO. OF EMPLOYEES**

**3,335**
**NO. OF CUSTOMERS PER  
PERSONAL FINANCIAL ADVISER**


Fideuram Network

**155:1**

Sanpaolo Invest Network

**113:1**

Intesa Sanpaolo Private Banking Network

**40:1**

Foreign Network

**31:1**
**CLIENT ASSETS PER PERSONAL  
FINANCIAL ADVISER**

 €**36** m

**NET INFLOWS PER PERSONAL  
FINANCIAL ADVISER**

 €**2** m

**TRAINING (HRS)**


Personal Financial Advisers

**470,731** hours

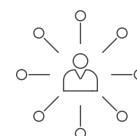
Employees

**131,862** hours

**AVERAGE LENGTH OF SERVICE**

**19** years

## Relational Capital


**NO. OF CUSTOMERS**


Fideuram

 No. **565,870**

Intesa Sanpaolo Private Banking

**37,321** No. of households

Intesa Sanpaolo Private Banking (Suisse)

 No. **760**

Sanpaolo Invest

 No. **152,081**

Morval Vonwiller Group

 No. **1,069**

Siref Fiduciaria

**2,032** No. of mandates

**CLIENT RETENTION**

 Average length  
of Customer Relationship

Fideuram and Sanpaolo Invest

**13** years

Intesa Sanpaolo Private Banking

**12** years

**CUSTOMER SEGMENTATION**


HNWI

 Client assets €**62.5** bn

Private Banking customers

 Client assets €**94.8** bn

Affluent customers

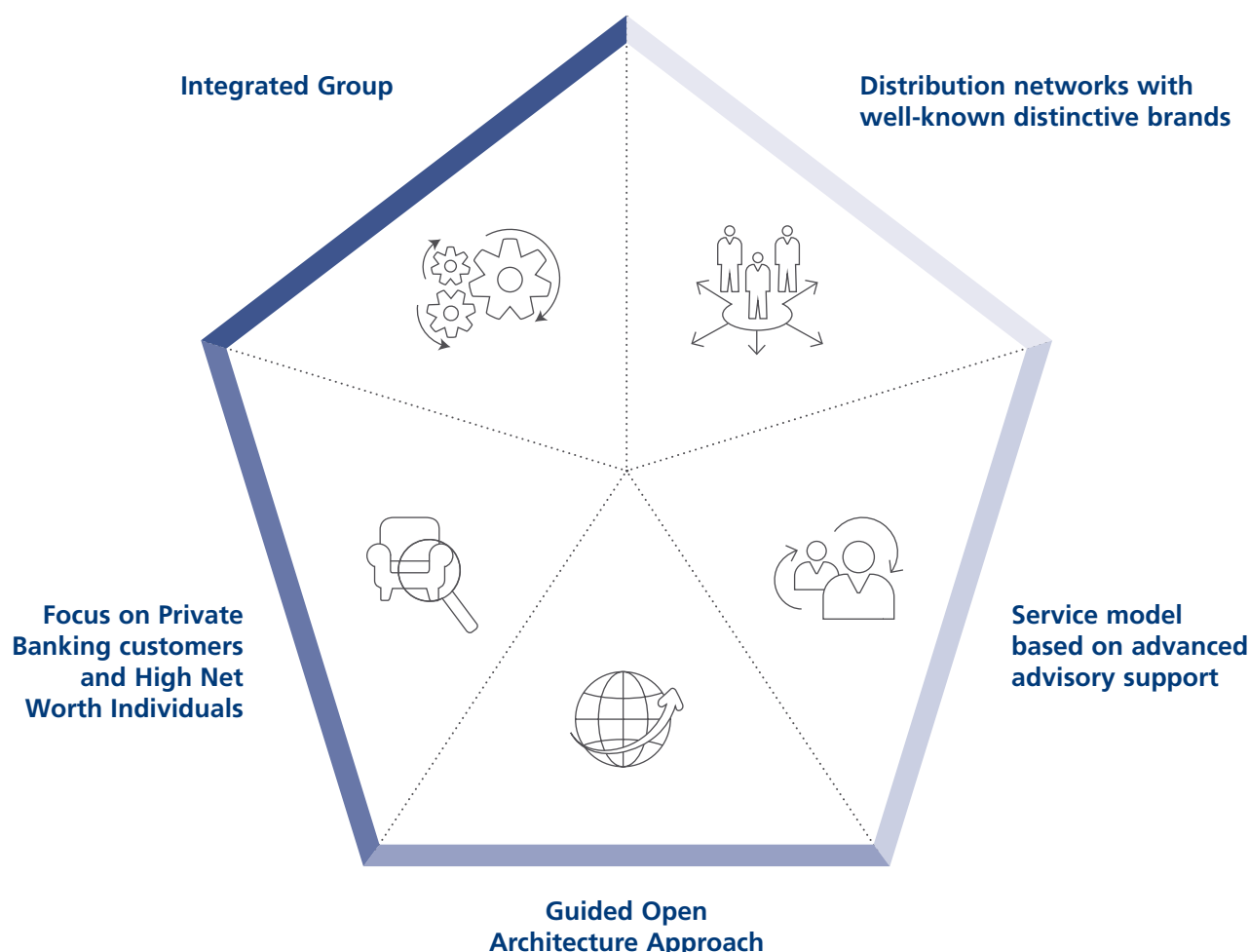
 Client assets €**39.8** bn

Mass Market customers

 Client assets €**16** bn

## 1.4 Key factors in the value-creation process

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



An **Integrated Group** of companies based inside 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. Through direct interaction with the Personal Financial Adviser Networks, the product companies are kept constantly updated on any changes in customer needs and are able to create the most appropriate investment solutions. This is also accomplished through the Group Investment Center, whose aim is to establish a unified market view that uses different types of asset allocation approaches according to customer profile, risk appetite and distribution network.

**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

longstanding reputation 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. Moreover, with the acquisition of the Morval Vonwiller Group, the Group has undertaken an expansion of its sales networks on international markets. A bricks and mortar presence, with 228 bank branches and 326 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 re-



garding the customer's investments, paying careful attention to risk management and the suitability of their overall portfolio;

- **Advanced Advisory Services:** paid services provided on the basis of a dedicated contract:

- **SEI Advanced Advisory Service:** this service identifies the customer's individual requirements classified by area of need, analyses their overall position and risk/return profile, and identifies appropriate investment strategies and solutions for each individual area of need, monitoring them over time.
- **Private Banking Advisory Advanced Advisory Service:** a personalised advisory service with high added value for customers who want to be actively involved in their asset allocation choices with the assistance of their Personal Financial Adviser and the support of one of our Financial Advisory Unit specialists.
- **"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. The "View" service 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.
- Fiduciary services, supported by Siref 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. The needs analysis is conducted internally or with the support of external consultants, including international consultants, for valuation and agency services.

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**, segments that account for approximately 74% of the Group's client assets and which have high growth prospects in the Italian and foreign markets. 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 Private Wealth Management unit was upgraded in 2018, in view of developing and serving the Private Banking and High Net Worth Individuals segments of the Fideuram and Sanpaolo Invest Networks, through a pro-active approach and dedicated business model. The Private Wealth Management unit supports the Personal Financial Advisers in assessing the needs of Private Banking customers through a dedicated service model and an array of special products and services targeted principally at business owner and professional households, who tend to demand solutions that protect value in its various forms, while also being highly articulate about their varied and complex requirements.

The dedicated business unit within Fideuram is broken down into units having various focuses as described below:

- **Private Advisory Unit,** which develops the array of financial services offered to Private Banking Customers, by co-ordinating with the delegated structures and specialised Group units, creating solutions to develop and protect the Customer's total assets;
- **Wealth Solution Competence Center,** which provides value added services (e.g. household wealth protection analyses, corporate finance, luxury goods management, property management, etc.) by using the Group's central departments or companies or competent, select providers for their realisation;
- **Services Development and Monitoring,** which monitors the distribution of services offered by the Unit to the Networks, analyses the market trends for Private Banking services, and gives input for the development of services offered and the overall model.

Fideuram has local Private Banking Centres dedicated to meetings with customers.

Moreover, 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. The Department is 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 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.

## 1.5 Business segments

The Group's business model, based on financial advisory, 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 Group offers its customers:

#### MUTUAL FUNDS

The Group's mutual fund products are developed following an "Open Architecture" approach. They comply both with the UCITS Directive (mutual funds and SICAVs) and AIFM Directive (alternative investment funds - AIF), whether Group products or offered by third-party asset managers, and whether based inside 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**, which seek to obtain absolute returns through a wider range of investments than traditional funds. They mainly consist of 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 style** 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.



Further information  
on pages 74-79

### 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, Fogli Fideuram, 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.

Intesa Sanpaolo Private Banking 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.

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" offered by Fideuram and Sanpaolo Invest, and "Pensio a te" and "Base sicura Tutelati" 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 "FV Private Mix", "ISPL Selezione Private", and "ISPL Prospettiva 2.0" policies offered by Intesa Sanpaolo Private Banking. These are flexible solutions combining investment opportunities and insurance coverage. The "Fideuram Vita Insieme" family of products offers different versions tailored to different customer segments, with the highest level of personalisation being offered by "Fideuram Vita Insieme Private", the version offered to Private Banking customers.

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 Sintonia" 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.

### 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 offered by Fideuram and Sanpaolo Invest, as well as the "Il Mio Domani" open pension fund and the "Il 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 accident 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 Serena" and "Salute Fideuram", offered by Fideuram and Sanpaolo Invest, and "Proteggi Salute" and "CA Vita Futuro Protetto", offered 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 Mercury Payment Services with the Fideuram and Intesa Sanpaolo Private Banking logos, and by Nexi and American Express), mortgages issued by Fideuram or by the Intesa Sanpaolo Group, and lease products for Intesa Sanpaolo Private Banking (provided by Mediocredito Italiano), 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.

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

Fideuram solutions satisfy customers' specific needs and different target groups of customers. In particular, the Conto Fideuram One account is dedicated to those customers who use their own current account in the traditional way. The Conto Fideuram Prime is aimed at customers who use digital channels. The Conto Fideuram Private Banking and Conto Esclusivo Fideuram Private Wealth Management accounts are dedicated to HNWI. Other lines of current accounts are also available, and are dedicated to specific commercial offers with favourable rate conditions for specific periods and maximum deposit limits. Intesa Sanpaolo Private Banking offers the "Conto Private Zero Spese" and "Conto Private Flessibile".

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

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 and short-term and medium-long term loans for up to fifteen years.

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 markets. It is also possible to make trades in repurchase agreements and, for Intesa Sanpaolo Private Banking, securities lending. A financial service is also provided by Intesa Sanpaolo Private Banking 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 the Intesa Sanpaolo Private Banking Financial Issues service and the financial instruments are developed by Banca IMI. They are issued by Banca IMI, Intesa Sanpaolo, supranational institutions or leading international issuers.

### CURRENT ACCOUNTS

### CREDIT SERVICES

### NON-MANAGED ASSETS

## 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. Our Personal Financial Advisers are professionals registered in the Italian National Register of Personal Financial Advisers and committed to the Group through agency contracts or employed by the Group.

Our **suppliers** are business partners with whom the Group works to our mutual benefit to achieve the objective of satisfying needs 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.

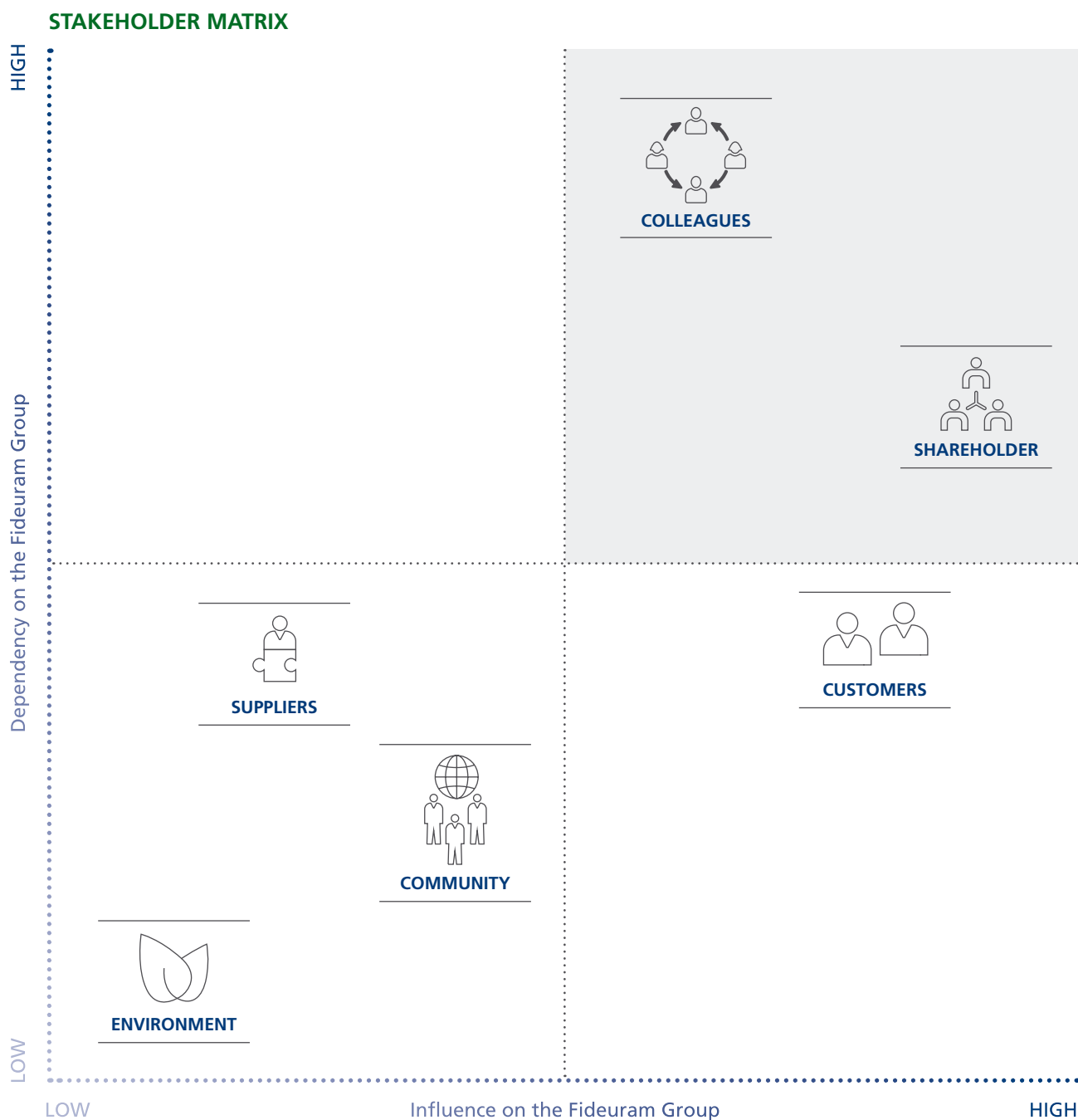
Effective stakeholder engagement has numerous benefits for the development of the Group's strategy:

- 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 with its many reference interlocutors;



- leading to more equitable and sustainable social development by involving more parties in the 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.



The Fideuram Group's principal stakeholders are mapped below:

## STAKEHOLDER MAP

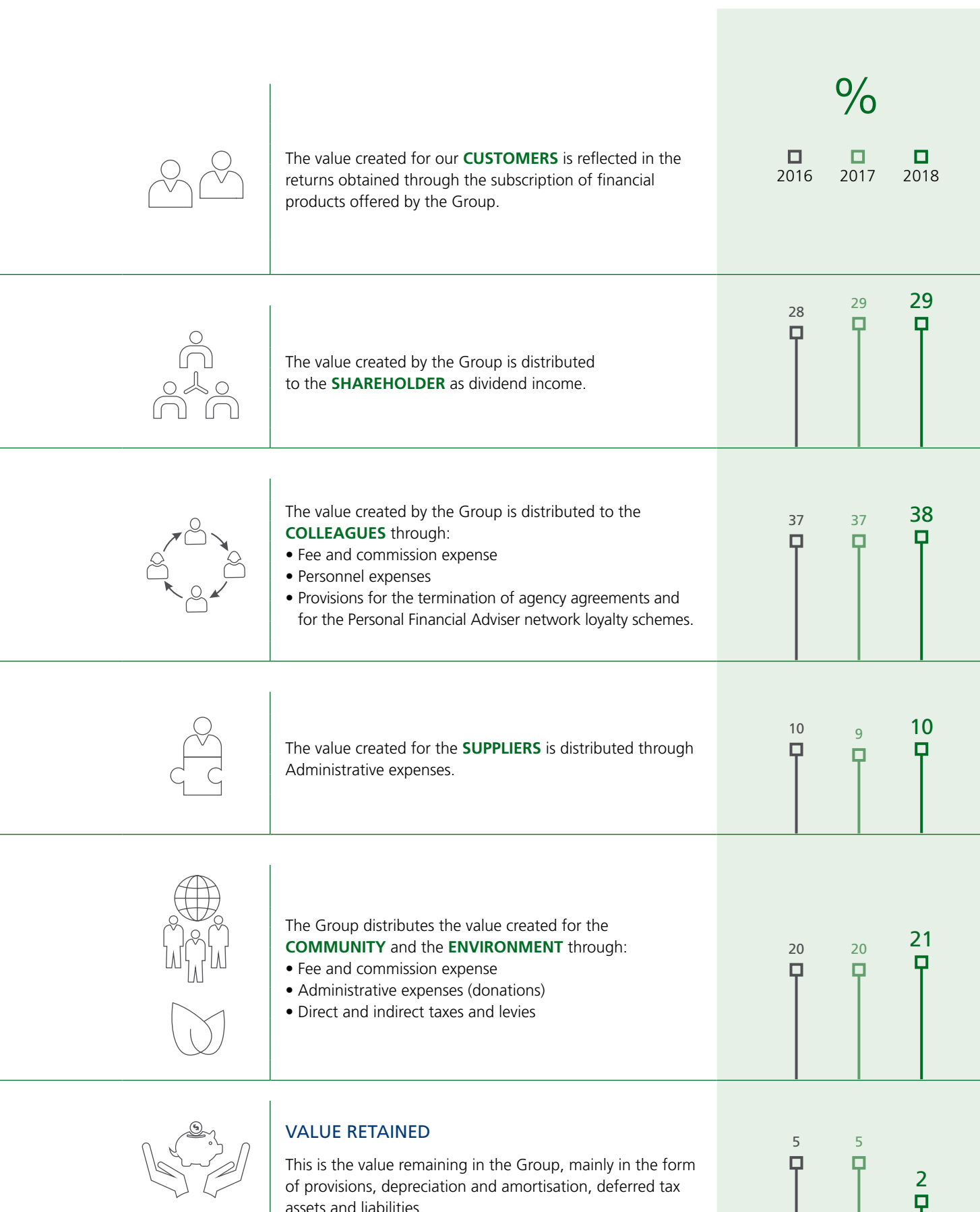
		2018	2017 (*)
<b>CUSTOMERS</b>			
High Net Worth Individuals Private Affluent Mass	Fideuram customers (No.)	565,870	547,891
	Sanpaolo Invest customers (No.)	152,081	146,704
	Intesa Sanpaolo Private Banking customers (No. of households)	37,321	36,356
	Siref Fiduciaria customers (No. fiduciary mandates)	2,032	2,177
	Intesa Sanpaolo Private Bank (Suisse) customers (No.)	760	396
	Morval Group customers (No.)	1,069	1,256
	Client Assets (€m)	213,069	216,550
	Average length of customer relationship Fideuram and Sanpaolo Invest Networks (years)	13	13
	Average length of customer relationship Intesa Sanpaolo Private Banking Network (years)	12	11
<b>SHAREHOLDER</b>			
Intesa Sanpaolo S.p.A.	Fideuram ordinary shares (No.)	1,500,000,000	1,500,000,000
	Par value (€)	no-par shares	no-par shares
	Shareholders' equity (€m)	2,804	2,816
	Consolidated pay-out (%)	97.07	90.39
	Separate pay-out (%)	99.48	99.96
	Counterparty rating (Standard & Poor's)	BBB/Negative	BBB/Stable
<b>COLLEAGUES</b>			
Employees	Employees: men (No.)	1,854	1,803
	Employees: women (No.)	1,481	1,430
	Graduate employees (%)	49	48
	Turnover (%)	15	10
	Average training hours per employee (No.)	40	26
Personal Financial Advisers	Personal Financial Advisers (No.)	5,995	5,990
	Client Assets / Number of Personal Financial Advisers (€m)	36	36
	Average training hours per Personal Financial Adviser (No.)	79	55
<b>SUPPLIERS</b>			
	IT services (€m)	23	21
	Building management (€m)	56	54
	Third-party services (€m)	105	105
	Professional and insurance costs (€m)	23	18
	Advertising and promotional costs (€m)	10	7
	Other expenses (€m)	50	32
<b>COMMUNITY</b>			
Leading investment companies	Charitable and other donations (€m)	0.2	0.6
Non-profit organisations	Current taxes (€m)	334	315
Public institutions	Indirect taxes and levies (€m)	241	235
Local			
Media			
<b>ENVIRONMENT</b>			
Environmental organisations	Paper consumption per employee (kg)	60	63
Future generations			

(\*) Restated where necessary to take the changes in the scope of consolidation and first application of IFRS 9 into account so that straight comparisons can be made.

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

The distribution of the wealth created by the Group and transferred to its stakeholders is illustrated below:

### DISTRIBUTION OF WEALTH CREATED



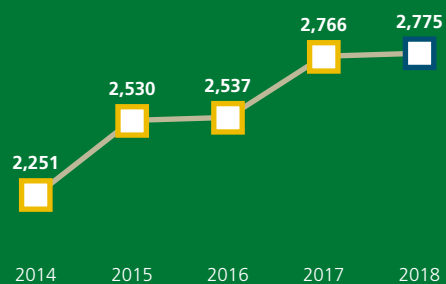


- 2.1 Chairman's Statement
- 2.2 Managing Director's Statement
- 2.3 Group strategy

**Client assets**  
totalled **€213.1bn**,  
down **€3.5bn**  
on 2017

Client Assets  
managed through our  
Advanced Advisory  
Services totalled  
**€36.3bn**,  
down 6% on 2017

Wealth created  
(€m)





## 2. Strategies



## 2.1 Chairman's Statement



**Paolo Maria Vittorio Grandi**  
Chairman

**The private savings of Italian families have been one of the principal bulwarks of the Italian economy for many decades now.**

As such, they must be protected in accordance with Article 47 of the Italian Constitution.

Protecting private savings means protecting them even in the most uncertain and volatile times on financial markets. It also means guaranteeing that they be placed in the most efficient forms of investment to satisfy customers' medium-long term requirements.

Through the daily efforts of its financial advisers and employees, Fideuram - Intesa Sanpaolo Private Banking works to this sole end, constantly seeking out a sustainable development model for all of its stakeholders. Once again in 2018, this search has materialised in the form of investments that improve the quality of the products we offer, the professional preparation of our resources, and the identification of new growth opportunities both inside and outside Italy.

The Board of Directors, which I have the honour of chairing, has the specific remit of overseeing the good use and proper allocation of the precious resource that our customers are entrusting to us more and more, even in years of low economic growth like these - their savings.

Our Integrated Annual Report, the format that we adopted several years ago to inform the market of our results, our strategies and, above all, our way of banking, led to our winning the Financial Statement Oscars in the "Non-listed Companies" category in 2018. This represents a special source of pride for us and yet another stimulus in our quest to establish a relationship with our shareholders, partners, suppliers, and customers based on the values of sharing and transparency.

A handwritten signature in dark ink, likely belonging to Paolo Maria Vittorio Grandi.

// Focus on forms of investment capable of satisfying the increasingly complex needs of customers and identify new growth opportunities //

## 2.2 Managing Director's Statement

**A new cycle in the success and growth story of Fideuram - Intesa Sanpaolo Private Banking started in 2018, with the launch of the new Business Plan by our Parent Company.**

This was a harder than expected year on the financial markets, and in many ways, it was the most complex year since the beginning of the crisis that started in 2008. Differently from 2008, almost all investment classes suffered negative returns in 2018. This caused Italian and non-Italian investors alike to be less willing to make long-term growth oriented investment decisions.

In this context, we at Fideuram - Intesa Sanpaolo Private Banking have stuck firmly to the core principle of our approach to operating on the market, which is based on our close relationship with customers, on the one hand, and on researching the best investment solutions, on the other hand.

Maintaining a close relationship is the only way to guide our customers to making choices that are consistent with their aspirations and real needs, which go well beyond the tactical and defensive management of their financial resources. We pursue research and innovation to find solutions in a world that has been deprived of risk-free returns, to offer new opportunities, and also better channel investment flows to the real economy. This choice has rewarded us: our new inflows have grown at a rapid pace, and we have attracted new customers and new professionals who are some of the best on the market. Yet again, our model has proven resilient to all market conditions, guaranteeing sustainable growth in value over time. For us, this value also means investing in our human capital. In 2018, about 600,000 training hours were offered to our Personal Financial Advisers and employees to guarantee their full professional preparation in an increasingly complex context.

We celebrated the 50<sup>th</sup> anniversary of Fideuram in 2018. Fifty years after the birth of a profession and an entire sector, we have resolutely confirmed the values that have always distinguished us, the offer of financial and asset advice with the assistance of highly qualified professionals. However, staying true to this tradition also means seeking out and seizing every new growth opportunity. For us, this means opening up more now to international markets, fully exploiting the potential of digital technology to improve service quality, and constantly refining our service model for different customer segments.

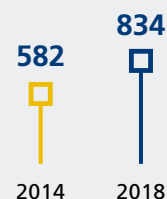
Emboldened by the constant trust of our customers, and by belonging to the strongest Italian banking group, and inspired by the great sense of responsibility resulting from that association, we now feel more determined than ever to take on the new challenges awaiting us, with the combined force of the best network of professionals in the sector and the energy of our collaborators and partners.

*Paolo Molesini*

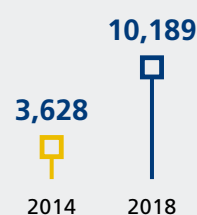


**Paolo Molesini**  
Managing Director

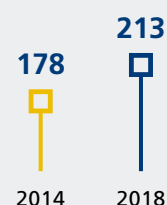
### Net Profit (€m)



### Net inflows (€m)



### Client Assets (€bn)





## 2.3 Group strategy

The year 2018 was characterised by the macroeconomic gap in favour of the United States, deteriorating financial asset values (higher interest rates, wider credit spreads, and lower stock multiples), and political uncertainty in Italy and Europe (e.g. Brexit). Less accommodating European monetary policy and the attraction generated by United States interest rates contributed to the negative performance of most financial assets.

Fears of a recession surfaced on the markets at the end of 2018, but macroeconomic data flows presently appear more consistent with a phase of cyclical slowdown. We believe that the global economy is slowing down, but a cyclical contraction appears premature to us in the absence of any discontinuity generated by political issues (e.g. an open trade war between China and the United States), and notwithstanding the fact that the macroeconomic performance of Europe and China is falling short of expectations.

The beginning of the year saw stock markets recover and correct part of their previous losses. The stabilisation of real interest rates reduces the pressure on stock multiples that, in the absence of a macro-deterioration causing a reduction in profits, appear interesting both in absolute terms and as compared with fixed-income securities. However, the downward revision of the 2019 earnings outlook continues, although we expect them to grow, while political uncertainties remain (principally concerning tariffs, Brexit, and the United States government shutdown), which continue to offer a certain reward for risk.

The current year 2019 is hallmarked by the full implementation of the MiFID 2 directive, which might generate pressure on industry margins in consequence of the greater disclosure of costs and returns on customer portfolios. Nevertheless, we believe that larger entities having a business model based on long-term relationships with their customers and the provision of high-quality, personalised services will be able to consolidate their own leadership in Italy and mitigate the impact on profitability.

In this context and in line with the Intesa Sanpaolo Group Strategic Plan, the Private Banking Division has set itself **important goals** for the period **2018-2021**:

- **Reinforce its leadership position on the Italian market** by accelerating its growth rate from past levels and maintaining its cost efficiency levels
- **Support foreign growth and international expansion**
- **Evolution of the Division into a “digital champion”**
  - by reinforcing the digital channels and brand visibility, thereby expanding the customer base
  - boosting the Bank's level of innovation both through improved digitalisation and through Advanced Analytics initiatives

Based on these goals, five priority initiatives have been identified for the Private Banking Division over the next few years:

**1. Dedicated Service Models:** the specialisation of the service models for Division Networks will be upgraded. The Intesa Sanpaolo Private Banking Network will not only consolidate the service model for HNW customers, through seven dedicated centres and the activation of additional specialised local customer centres, focusing on the extension of services and standardisation of Network practices, but will also continue developing the tools and offering of specialised products and services. The Fideuram and Sanpaolo Invest Networks will also introduce new service models to cover specific Network needs (e.g. generational change, new advisers) and the customer base (e.g. affluent) with differentiated commercial targets, products and services.

**2. Recruitment and Advisers Factory:** the recruitment of Financial Advisers and Personal Financial Advisers will increase significantly, and training activities for their professional development will be upgraded.

For example, the hiring of high quality candidates bringing large portfolios will be improved partly through the organisation of a recruitment HUB whose aim will be to assist the Personal Financial Advisers with their integration in Fideuram, reinforce their skills, and facilitate their activity, thereby guaranteeing service quality.

The innovative “mixed” employment agreement (“Minotauro” – a part-time employment agreement complemented by an agency agreement as Financial Adviser with commissions) will also be launched at Intesa Sanpaolo Private Banking. This will permit both the recruitment of top-end Personal Financial Advisers and the development of new customer assets and profitability of the current Personal Financial Advisers who opt to sign the new employment agreement, with those benefits to be generated by the knock-on effect of the commission-based remuneration model.

The program for recruiting new talents both from the university world and among professionals already working in the sector will be stepped up, reinforcing the brand of Fideuram - Intesa Sanpaolo Private Banking as a top employer. The training of Financial Advisers and Personal Financial Advisers will be continually improved by exploiting the experience of the Fideuram Campus and certification programs developed with major Italian and foreign universities, borrowing

existing best practice and adapting training courses to the new needs of the Networks and customers.

The implementation of innovative processes and structures like the Fideuram Campus and the recruitment HUB dedicated to hiring and development will make it possible to create an "Advisers Factory" for the training of the "Future Personal Financial Advisers". Moreover, a "Learning Factory" is being developed to improve the offering of digital content that can be used at any time on different devices (e-learning online).

**3. Upgrading of products and services offered:** the service model will be further improved in response to the regulatory and market context, through action aimed at reinforcing the core offering and pursuing the path of innovation. Consolidation of Fideuram's leadership in the field of advanced advisory services will be pursued through further development of wealth management advisory services targeting the Private/HNWI customer segment.

Efforts will also be focused on developing the range of products and services offered by reinforcing, for example, in-house investment products (e.g. multi-authorisation products, alternative products) and increasing marketing efforts for lending and the range of banking and insurance products aimed at specific customer segments. A range of high-return and low-liquidity products will then be introduced to adapt to the new market context.

Intesa Sanpaolo Private Banking will continue its product research in view of offering innovative investment solutions aimed at the different Private Banking and HNWI customer segments. In particular, an advisory model dedicated to the Lower Private banking segment will be developed.

The Fideuram and Sanpaolo Invest Networks will focus in particular on the evolution of product and service platforms (including Fogli Platform, FAI Platform, Private Insurance Platform) which, by exploiting their flexibility, permit growing levels of personalisation to address the needs of different customer segments, with a special focus on the Private Banking and High Net Worth Individual customer segments.

**4. Growth of foreign operations:** The international presence of the Private Banking Division was established with the creation of the new international hub named Intesa Sanpaolo Private Bank (Suisse) and the Morval Group, which took place in February 2019. The main branches in Geneva and Lugano and the international Private Financial Adviser Network, including the Representative Office in Bahrain and the Advisory Company in Uruguay and Argentina, will make it possible to expand the Division's scope of action even to areas with great potential, such as the Middle East and South America. The implementation of risk monitoring measures typical of the governance culture that is deeply entrenched at the Intesa Sanpaolo Group and its subsidiaries will support their business development through the qualitative and quantitative reinforcement of Control and Governance units. Adoption of the information technology and operational platform benchmark for the international market of Private Banking will enable the rapid scalability of the new service model. Finally, the definition of a new product offering conceived to meet the investment requirements of international customers will position the activity of the Bank among its top competitors in the sector.

## **5. Evolution of Fideuram - Intesa Sanpaolo Private Banking into a "digital champion":**

the digital customer experience will be entirely reconfigured, with the aim of raising its level to the top of the sector: in a single online environment, the home banking and trading functions will be integrated with evolved tools to manage investments, with innovative functions for interacting with the Personal Financial Adviser. In parallel, a "constellation" of apps for smartphone will be created, to enable customers to have an optimal experience even when they are on the go. Furthermore, a new digital channel will be realised to acquire and serve "self-directed" customers. New methods for online engagement will make it possible to intercept new customer segments and increase the number of newly acquired customers. Synergies with the current service model will permit the full development and exploitation of the potential of newly acquired customers. Digitalisation will also include revision of the Division's main processes to boost their effectiveness and efficiency through end-to-end automation. Continuous optimisation of the digital platform will also enable the development of distinctive analytical skills for data that can be used for deeper understanding of what is happening at the company and identifying performance improvement measures (advanced analytics).

## **A strong focus on issues related to Corporate Social Responsibility**

is an integral part of all the initiatives of the Group and lies behind its objectives. The Group will continue to boost its commitment to sustainable finance by developing funds and discretionary account solutions which implement ESG investment strategies. It will continue to play an active role supporting and working with area bodies and local communities, taking part in scientific, cultural, humanitarian and welfare initiatives. Finally, activities promoting financial awareness and actions to reduce the environmental footprint of corporate activities will continue. As part of the five initiatives and CSR commitments described above, the Group intends to achieve as many strategic objectives as will collectively enable the Group to achieve its prime goal of creating value sustainably over time.



Further information  
on page 65

- 3.1 Economic scenario
- 3.2 Growth prospects
- 3.3 Group competitive position
- 3.4 Financial risk
- 3.5 Non-financial risk

The **MSCI ACWI** index  
(in dollars) stood at  
**455.66** at the end  
of 2018 (513.03 at the end  
of 2017).

Source: Bloomberg

Drivers of the managed assets  
market 2019-2021:

- **Reallocation of portfolios**  
in favour of the managed asset  
components
- **Normalisation** of conditions  
on the financial markets
- **Development** of pension  
components and intermediated  
volumes of insurance products





### 3. Operating and market context



## 3.1 Economic scenario

Global economic growth remained vigorous in 2018 but, unlike the previous year, which saw a faster than expected acceleration in all principal areas of the global economy, it was markedly less even at the geographic level.

Indeed, the United States economy overperformed in consequence of the major impulse given by tax policy while, both in the Euro Area and in Japan, economic performance was much weaker than expected. Economic growth in China did not diverge significantly from expectations, but clear signs of an economic slowdown emerged in the second half of the year. This divergence was also reflected in the management of monetary policy. In the face of robust growth and an inflation rate that was practically in line with the central bank's target, the Federal Reserve raised rates by 25bps every quarter and continued implementing its balance sheet reduction policy. In the Euro Area instead, with the core inflation rate still far from the monetary policy target, the European Central Bank decided to wind down its Quantitative Easing program at the end of the year, although it had to maintain an extremely cautious and prudent approach. In Japan, the Bank of Japan did not even initiate the strategy of ending its ultra-expansionary monetary policies. Finally, the signs of an economic slowdown in China led the central bank to adopt a more accommodating policy towards the end of the year.

As in the previous two years, political issues had a major impact on markets. The United States Administration adopted a protectionist bias consistent with the election campaign promises made by President Trump. In fact, the United States Administration introduced additional tariffs on steel and aluminium imports, justifying them on the basis of national security concerns. It then focused on trade relations with China,

imposing additional tariffs on USD 250bn in Chinese imports (and threatening a further extension of those measures in future). China responded by imposing tariffs in turn on American products. A truce was reached only at the beginning of December, during a direct meeting between Presidents Trump and Xi.

Political risks in Europe, which had been largely calmed by Macron's victory in the French presidential elections in 2017, returned to the forefront of concerns in the second half of 2018 with the tensions generated by the fiscal policy adopted by the new Italian Government, the absolutely confusing situation surrounding Brexit and, finally, the protests in the streets of France against President Macron's policies.

In the **United States**, GDP growth surged forward in the middle of the year after a fairly disappointing first quarter. The acceleration was due to the positive impact of the tax policy resulting from approval of the reform at the end of 2017, and the broad public spending package approved by Congress in February 2018. Final domestic demand was robust both in terms of consumer spending and investments. Public spending also made a major contribution to growth, while net exports continued to make a modest negative contribution. The solidity of economic activity was also reflected in the extremely positive performance of the labour market. Together with substantial stability in the labour market participation rate, this led the unemployment rate to fall stably below 4% beginning in July. In contrast with previous years, the improvement in labour market conditions also caused a gradual increase in hourly wages. On the other hand, the core inflation rate rose above 2% in March, consistently with expectations after the unexpected decrease that had marked 2017 but which unexpectedly started slowing slightly towards the end of the year. In the face of stronger than expected growth and rising inflation, the Federal Reserve continued raising interest rates. Nonetheless, the sharp correction on equity markets towards the end of the year induced the Fed to adopt a more cautious approach at its meeting in the middle of December.

In 2018, GDP growth in the **Euro Area** slowed down from the previous year. However, this trend was accompanied by other factors that exacerbated uncertainty, negatively impacting business confidence, and triggering constant decline. In the first place, growing protectionist sentiment in the United States Administration has been a particularly negative development for an extremely open economy like that of the Euro Area. Moreover, political risk resurfaced in the second half of

### 10-year Bund and BTP yields



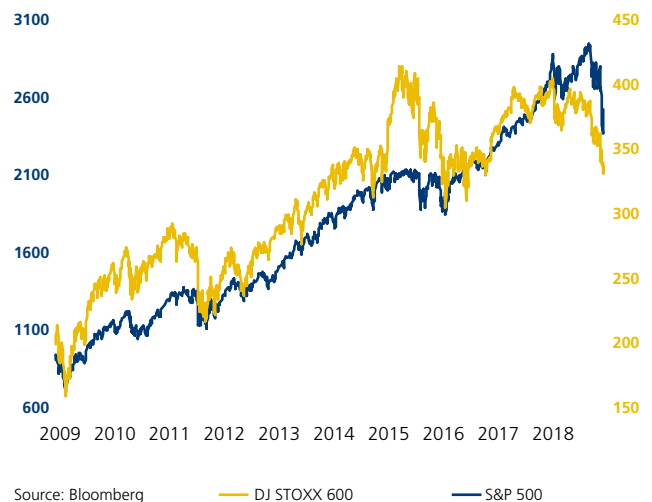
the year, both due to the difficulty in reaching an agreement on Brexit and due to the fiscal policy positions adopted by the Italian Government, which submitted a budget law at the end of September that leaned strongly towards increasing current expenditure. The clash between the Italian Government and the European Commission was settled with a compromise that avoided the commencement of an infraction procedure against Italy for its excessive deficit. Finally, production fell sharply in the automotive sector in the second half of the year due to the introduction of more stringent standards beginning in September. Overall GDP growth was supported mainly by consumer spending, which still benefited from the strength of the labour market. Wages started to return to growth rates above 2%, which were more consistent with the inflation target set by the European Central Bank. After having been lower than forecast during the first few months of the year, the aggregate inflation rate recovered beginning in the spring, and rose in June to 2%. However, this increase largely stemmed from the energy and food components, while core inflation remained substantially stable, at around 1% for the whole year. The European Central Bank consequently preferred to maintain a highly prudent approach in exiting its ultra-expansionary monetary policies. It was only at its meeting at the end of June that it announced its intention to end the Quantitative Easing programme in December 2018. However, at the same time, due to the uncertainties surrounding the growth scenario, the ECB decided to firm up expectations about interest rates by reinforcing its own forward guidance, with the explicit announcement that rates will not be raised before the end of summer 2019.

In **Asia**, economic growth exhibited signs of weakening, while inflationary pressures remained under control. The gradual slowdown in GDP growth resumed in China after the pause reported in 2017. Continued reductions in leverage, the regulation of loans made outside the banking system, and transformation of the economy towards a development model based on consumer spending restrained growth. This scenario was then complicated by the steady worsening of trade tensions with the United States. To support economic growth, the authorities decided to adopt a more expansionary approach to economic policy, through reform of the income tax system and by cutting the regulatory reserve coefficient by a total of 250bps, with this being partly supported by the absence of inflationary pressures. Beginning in mid-June, trade tensions with the United States also generated strong downward pressure on the yuan exchange rate. GDP growth slowed down dramatically in Japan. This was partly due to the fact that economic activity was negatively impacted by adverse weather in the second half of the year and the earthquake that struck at the beginning of September. The particularly restrictive conditions prevailing on the labour market did permit some improvement in wage pressures, while the core inflation rate rose to 1%, albeit remaining far from the target set by the Bank of Japan. The central bank consequently decided to remove the time reference for achievement of its inflation target. In July, it introduced more explicit forward guidance, with the aim of extending the current expansionary phase of monetary policy.

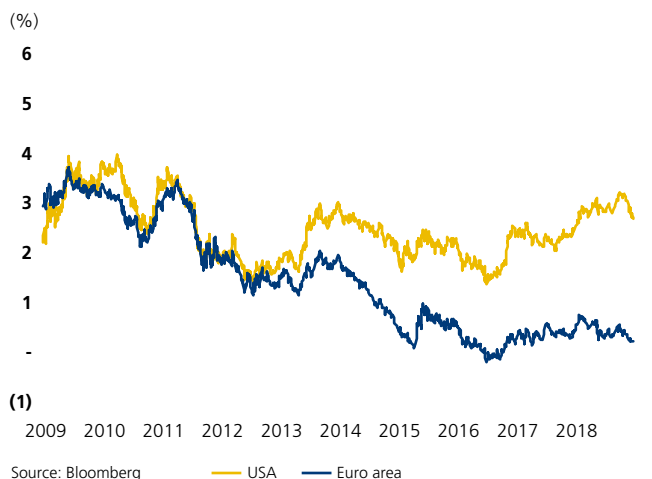
Although global economic activity remained relatively stable, equity markets suffered major corrections during the year.

In the United States, the S&P 500 index fell sharply in October after having reached historic highs at the end of summer. It fell even harder in December, closing the year with a 6.2% loss. The results reported by other major markets were even more disappointing: in Europe, the DJ STOXX 600 index lost 13.2% and the Italian stock market, which had started the year on a positive note, suffered from political uncertainty, with the FTSE-MIB index dropping by 16.1%. In Japan, the Topix experienced a 17.8% correction, and the emerging markets fell by 16.6% (according to the MSCI index in US dollars). On the bond markets, yields tended to rise in the United States, but they fell sharply at the end of the year, which brought the yield on 10-year government bonds to a level that was only about 30bps higher at the end of the year. In the Euro Area, instead, interest rate trends generally tracked a downward course after peaking in February, and the rates on 10-year Bund issues ended the year down by about 20bps. The spread between Italian bonds and German bonds exceed 300bps in autumn after the Budget Law was presented, but then shrank moderately at the end of the year.

## Stock market performance



## Bond market performance (10-year government bond yields)



## 3.2 Growth prospects

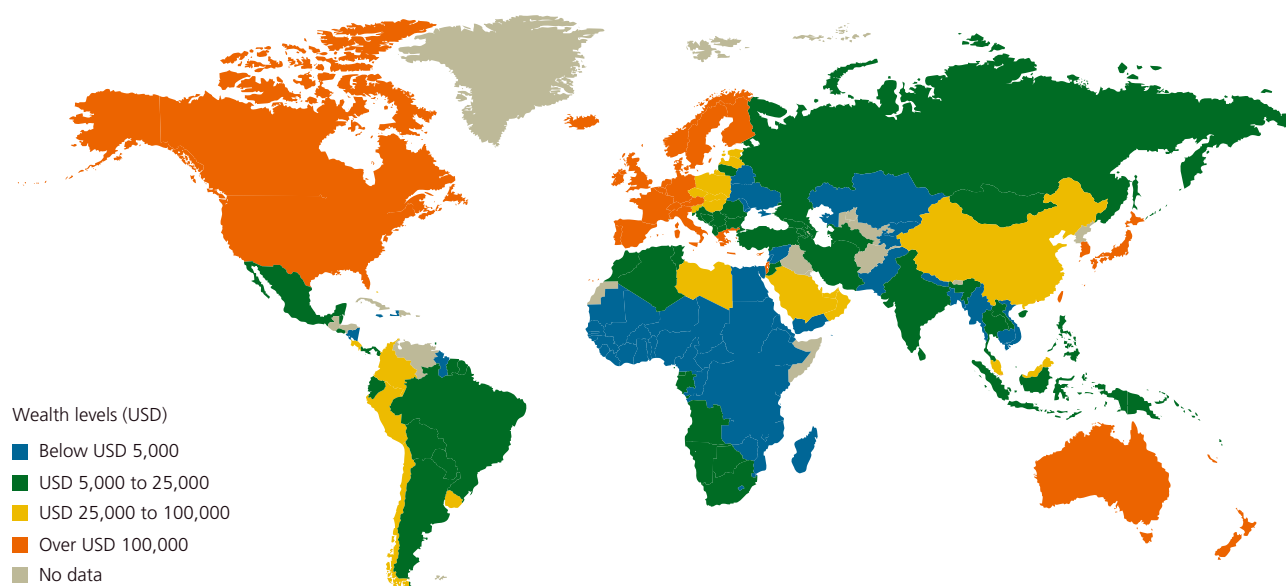
### THE WORLD MARKET<sup>1</sup>

World wealth continued growing at moderate rates in 2018, mainly due to the effect of an increase in non-financial assets.

During the last 12 months, global wealth increased by USD 14,000bn, reaching USD 317,000bn with a growth rate of about 4.6% was lower than the one reported in the same period last year (+6.4%), but it was still higher than the average growth rate reported in the years after the 2008 financial crisis.

During this period, wealth creation exceeded population growth, pushing pro capita wealth to an historic high of USD 63,100 (+3.2%).

### World Wealth Map, 2018



Source: James Davies, Rodrigo Lluberias and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2018.

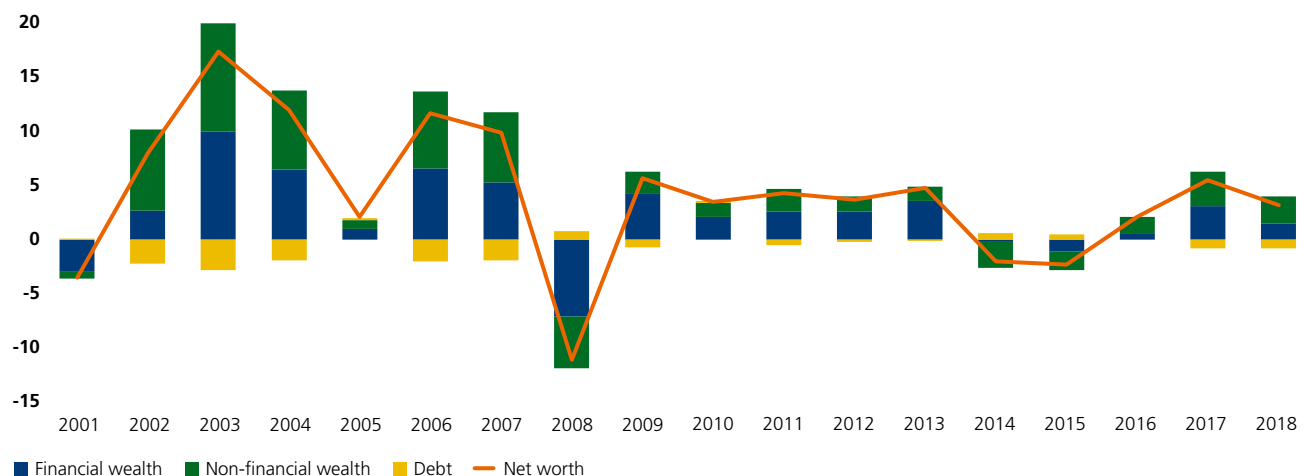
From a geographical point of view, among the biggest economies, North America reported a considerable increase in wealth, with aggregate growth of USD 6,486bn (+6.5%), followed by Europe, China and Asia (excluding China and India) with wealth increases of USD 4,432bn (+5.5%), USD 2,266bn (+4.6%), and USD 929bn (+1.7%), respectively. Latin America reported a negative growth rate of -4.9%, due in part to the economic crisis in Brazil and Argentina and in part to the unfavourable exchange rate of the local currency against the US dollar.

1. The information presented in this part was taken from the "Global Wealth Report 2018" published by Credit Suisse in October 2018.

Since 2008, the year of the crisis, gains in global household wealth have been driven by an increase in financial assets. Financial assets suffered the most during the financial crisis, and performed better during the first few years after the crisis, continuing to make a substantial contribution to the growth in family wealth, accounting for 41% of the increase in gross wealth worldwide and over two-thirds of the increase in North America. Nevertheless, non-financial assets grew faster during the last several years. Trends reversed in 2016 for the first time ever, due to the increase in the portion of non-financial assets. That trend continued throughout 2017 and 2018, topping pre-crisis levels and representing the principal driver for growth in most regions, with the exception of North America. Over the last 12 months, non-financial assets have provided the main stimulus to overall growth in all regions except for North America, representing over 75% of the increase in wealth in China and Europe.

Family debt rose even faster, at an aggregate rate of 7.1%. Debt increased in all geographic areas, with the exception of Africa, and reached double-digit levels in China and India.

### Annual contribution (%) to growth of wealth per adult by component, 2000 – 2018



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2018.

Notwithstanding the financial crisis of 2008 and the recent economic problems in emerging economies, global wealth grew by USD 200,000m between 2000 and 2018 at an average annual rate of 5.7%. There were two distinct sub-periods. Prior to the global financial crisis, global wealth grew at 10% p.a., before recording a very sharp decline (-12.6%) in 2008. Since 2009, wealth has grown at 4.4% p.a., reflecting the low rate of GDP growth in the global economy. It is estimated that global financial wealth will grow at an average annual rate of 4.7% over the next five years, until it reaches USD 399,000bn, marking an increase of about USD 82,000m by 2023.

Between 2000 and 2018, emerging economies more than doubled their share of global wealth, with it rising from 10% to 24%. However, their growth rate has slowed down over the last five years.

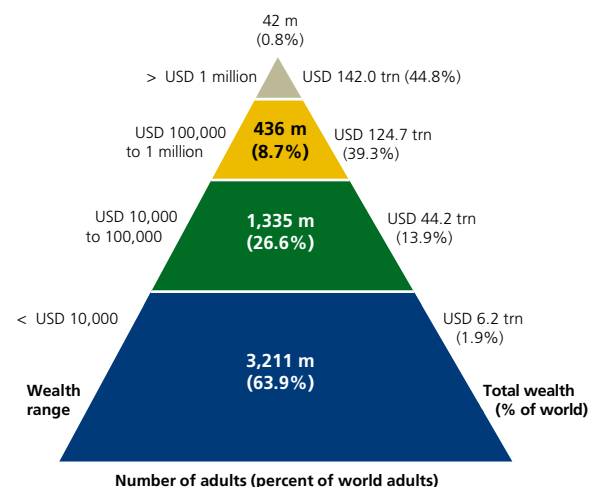
It is expected that emerging economies will recover their vigour and realise an annual growth rate of 7% as opposed to the 4% forecast for developed economies. The share of global wealth held by emerging markets will probably reach 27% by 2023. Among medium-income countries, it is estimated that China will create USD 23,000m in additional wealth (+44%) over the next five years and will increase its own share from 16% to 19% in 2023, while, among the low-income countries, the wealth of India will grow rapidly and increase by 47% (+USD 2,700m).

The United States is destined to remain the driver of global wealth growth for the next several years. Few changes are expected in the ranking of the wealthiest developed economies, while emerging economies are likely to show significantly more dynamism.



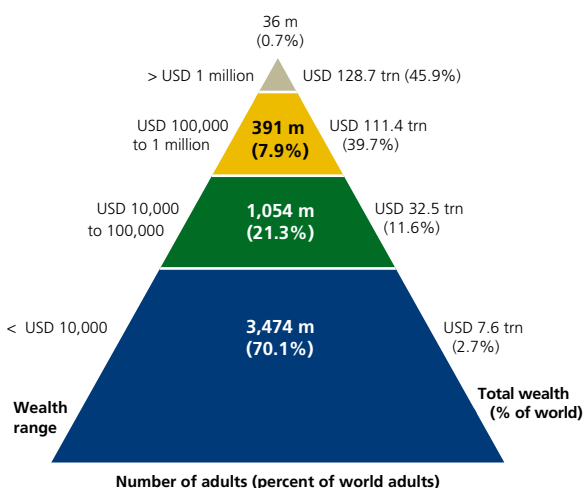
## WEALTH CONCENTRATION

## The global wealth pyramid 2018



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2018.

## The global wealth pyramid 2017



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2017.

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 USD 10,000. In 2018, it is estimated that these individuals number about 3.2 billion, equal to 64% of the global adult population living in these conditions. In developed countries, about 30% of adults fall in this category. However, this is a transitory condition for most of them, for reasons depending, for example, on the poor performance of various businesses or the dynamics of the labour market, or are associated with the individuals' age bracket (youths and senior citizens). In contrast, approximately 90% of the adult population in India and Africa falls within this range.

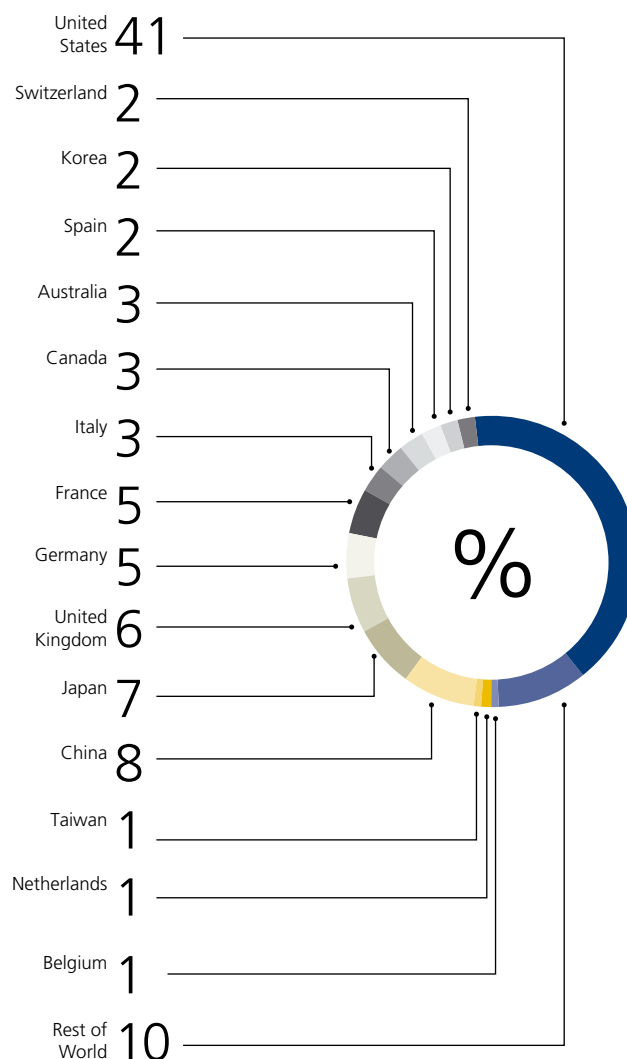
About 1.3 billion adults fall in the average wealth bracket that runs from USD 10,000 to USD 100,000. They represent 27% of the global adult population, and hold average wealth totalling

USD 44,200bn. The middle classes of many developed countries fall within this category. Of the developing countries, India and Africa are under-represented in this segment, whereas China totally dominates this segment, accounting for around 48% of the population falling in this tier.

Taking these two tiers together, over 90% of the adult population have a combined net worth of approximately USD 50,400bn, accounting for 16% of the global total.

At the top of the pyramid are the 478m individuals with wealth over USD 100,000. Therefore, we note that about 9.5% of the total global population owns 84% (USD 266,700bn) of aggregate wealth. Looking at the number of adult millionaires by geographical area, 79% are in Europe, North America and Asia-Pacific (excluding China and India). The United States is in first place with the most millionaires, 17.3m, representing 41% of the global total. Japan held second place for many years, but it is expected that China will overtake it with 3.4m adults, as compared with 2.8m in Japan. Following these countries are the United Kingdom with 6%, and Germany and France with 5%. Italy, Canada, and Australia account for 3% of the total.

## Number of dollar millionaires (% of world total)



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2018.

## HIGH-NET-WORTH INDIVIDUALS

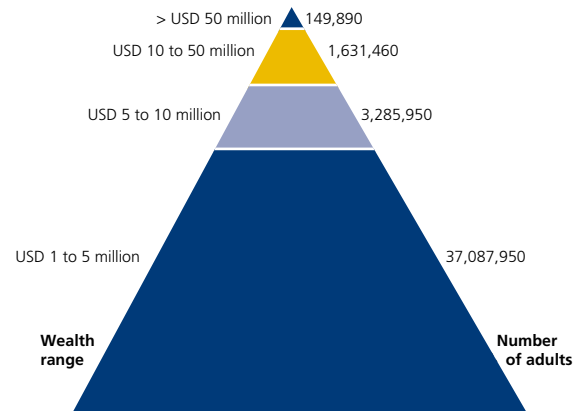
The breakdown of the top of the global wealth pyramid - individuals with wealth of more than USD 1m - is shown below.

Credit Suisse estimates that there are about 150 thousand ultra-high net worth individuals (UHNWI) worldwide, with this referring to individuals possessing net assets of more than USD 50m. There are about 42m HNWI, who have net assets of between USD 1m and USD 50m. Of these, approximately 37.1m adults fall into the USD 1-5m band, 3.3m into the USD 5-10m band, and 1.6m into the USD 10-50m 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 18.6m high-net-worth adults (44%), followed by Europe with 12.4m (30%). Asia-Pacific (excluding China and India) is the third region for millionaire numbers with 6.6m, or 16% of the total. China alone has 3.5m millionaires, accounting for 8%. The remaining 2% are in India, Africa and Latin America.

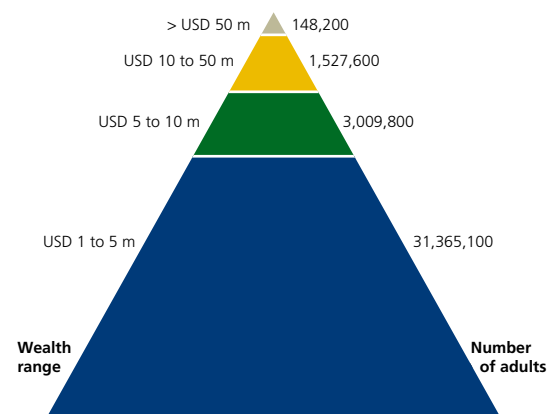
It is forecast that the number of HNWI individuals will increase by 31%, reaching a total of 55.2m in 2023. North America is expected to remain the region with the most millionaires, their number rising from 18.6m to 22.5m, followed by Europe, with an expected increase from 12.4m to 16.7m adults. Although the absolute number of millionaires in emerging countries is far from the levels of the United States and Europe, we expect a rapid increase in them over the next five years. The number of millionaires in China will rise to 5.6m (+62%), pushing it to second place in the ranking, ahead of Japan, with 3.8m (+34%), the United Kingdom, with 3.2m (+30%), Germany, with 3.1m (+41%), and France, with 3m (+40%). Given the recent economic turbulence in Latin America, estimates for the region have been revised downwards, with it being forecast that there will be 665 adult millionaires (+28%), with a growth rate lower than that forecast for Africa (+43%) and the Asia-Pacific area (+34%).

### The top of the pyramid 2018



Source: James Davies, Rodrigo Lluberias and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2018.

### The top of the pyramid 2017



Source: James Davies, Rodrigo Lluberias and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2017.

THE ITALIAN MARKET<sup>2</sup>

## Managed assets overview

(€bn)

	2017 (*)	2016	2015	2014	2013
<b>ASSETS</b>					
<b>Household financial assets in Italy (HFA)</b>	<b>4,372</b>	<b>4,217</b>	<b>4,166</b>	<b>4,062</b>	<b>3,972</b>
Consolidated managed assets (MA)	1,507	1,400	1,335	1,257	1,086
- Mutual funds	328	301	286	251	206
- Discretionary accounts	858	801	801	737	639
- Life insurance technical reserves	684	633	580	529	514
- Pension funds	105	94	94	84	75
- Adjustments	(468)	(429)	(426)	(344)	(348)
<b>MA as % of HFA</b>	<b>34%</b>	<b>33%</b>	<b>32%</b>	<b>31%</b>	<b>27%</b>
<b>FLows</b>					
<b>Household financial assets in Italy (HFA)</b>	<b>42</b>	<b>36</b>	<b>9</b>	<b>30</b>	<b>18</b>
Consolidated managed assets (MA)	49	50	98	111	(34)
- Mutual funds	25	12	32	40	(30)
- Discretionary accounts	(1)	18	42	25	(16)
- Life insurance technical reserves	51	53	51	15	46
- Pension funds	4	4	4	5	5
- Adjustments	(30)	(37)	(31)	26	(39)
<b>MA as % of HFA</b>	<b>116%</b>	<b>141%</b>	<b>n.s.</b>	<b>n.s.</b>	<b>n.s.</b>

(\*) The 2017 data are estimates.

n.s.: not significant

Source: Bank of Italy

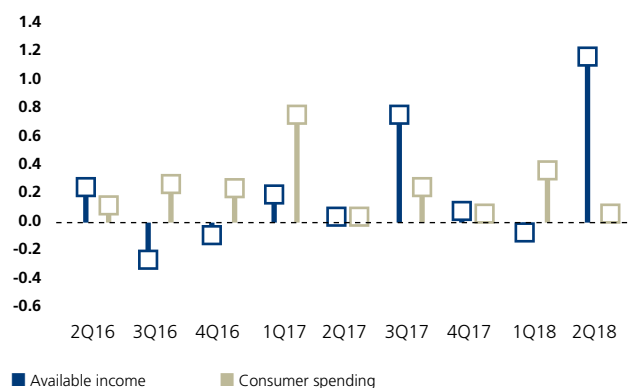
The growth in consumer spending by Italian households halted in the second quarter of 2018, in consequence of the uncertainties generated by developments in the international economy and the Italian political situation, which arose in turn from the difficulties encountered in forming a new Italian government. The fundamentals have remained positive instead, with the cyclical trend of household disposable income improving (Figure 1).

The financial wealth of families fell by 0.5% in June 2018 as compared with the same period in 2017, due to the negative impact of a rate hike and the drop in equity prices on the measured value of portfolio assets. The uncertain context continued to weigh on the choices made for savings allocation even in October.

Therefore, the inventory of financial assets measured at current value totalled €4,288bn, €84bn less than at the end of 2017 (Figure 2).

## Consumer spending and household disposable income (Fig. 1)

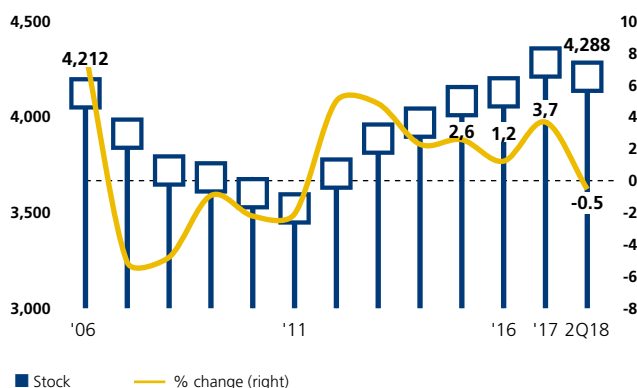
(seasonally adjusted figures in real terms, cyclical percentage changes)



Source: Prometeia processing of ISTAT data.

## Financial assets of Italian households (Fig. 2)

(€bn and % change)



Source: Prometeia processing of Bank of Italy data (Financial Accounts).

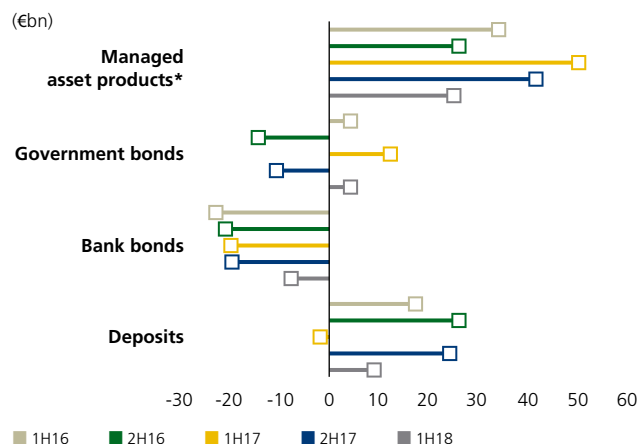
2. The information presented in this section has been taken from the Prometeia publication "Analyses and Forecasts - Italian Savings Market".

In terms of savings allocation, the uncertain context has pushed liquid assets up to 32% of the total and the insurance and pension component to 23.3%. The percentage of mutual funds has stabilised instead (at 12%), being penalised by financial market performance, and the percentage of bonds has also stabilised (at 6.9%). The tenacity of debt securities is attributed to the return of government bonds to positive territory, being stimulated by the improvement in yields upon maturity, while bank bonds have remained

in negative territory, but with a significant reduction in outflows from the previous two-year period.

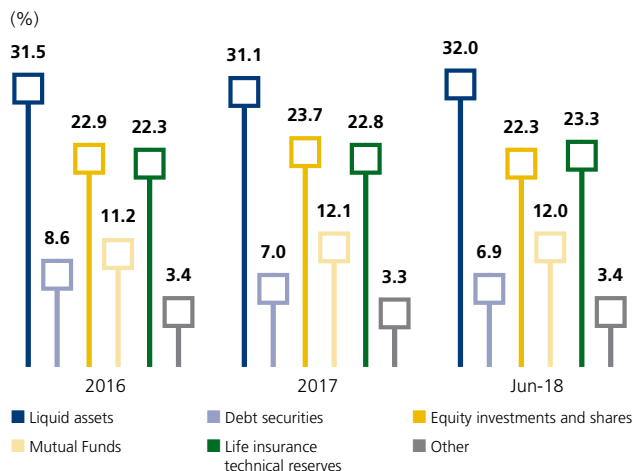
Overall, the investments made in managed instruments (mutual funds, individual discretionary accounts, life insurance products and pension funds) totalled a positive €27bn, but they were about 45% lower than the half-year average in 2017, and thus falling back in line with the volumes of the second half of 2016 (Figures 3 and 4).

### Italian household investments in the principal financial instruments (Fig. 3)



(\*) Mutual funds, individual discretionary accounts, life insurance policies and pension funds. Source: Prometeia processing of and estimates using Bank of Italy, Assogestioni, Assoreti and ANIA data.

### Household financial assets in Italy (Fig. 4)

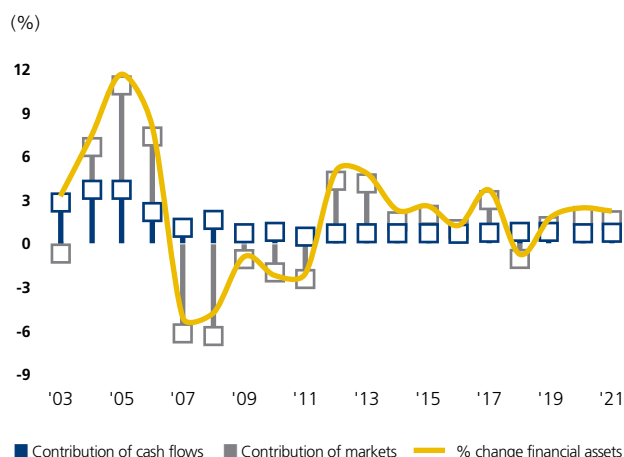


Source: Prometeia processing of Bank of Italy data.

After a very positive 2017, Italian economic growth declined more than expected in 2018, being penalised by the slowdown in the global economic cycle and rising uncertainty that impacted the decisions taken by economic operators. The outlook for the Italian economy remains positive for the next three years, but with greater uncertainties related to both the international and the domestic scenarios. However, the Italian economy may continue expanding at rates around 0.9% even for the next few years, permitting the creation of new jobs that, in combination with a low average inflation rate, will support the steady improvement in the creation of household disposable income.

The more uncertain scenario will also enhance the tendency to save over the next year, although less intensely than in 2018. Over the next two years, the indicator will be consistent with what was reported in 2018 (7.6%), and thus at historically low levels. The increase in investment flows to financial assets will be modest over the next three years, and the contribution to the financial markets will be lower on average than in 2012-2017. Financial assets should grow by an average annual rate of 2.1% over the next three years, with inventories of more than €4,600bn at the end of 2021 (Fig. 5).

### Contributions of flows and markets to the growth in household financial assets (Fig. 5)



Source: Prometeia, Forecast Report (September 2018)



The financial portfolio should grow at an average rate of 2.2% over the next three years, growing to approximately more than €4,623bn at the end of 2021 (Table 1).

## Household financial assets in Italy (Tab. 1)

(% and bn)

	2014	2015	2016	2017	2018	2019	2020	2021	('21-'17)
Liquid assets	30.7	30.6	31.5	31.1	32.3	32.2	31.6	30.9	-0.2
- of which demand deposits	16.7	17.5	18.9	19.3	20.6	20.5	20.0	19.3	0.1
Total securities	12.7	9.9	8.6	7.0	6.3	5.7	5.3	5.0	-2.0
- of which private residents	6.3	4.6	3.4	2.3	1.5	1.0	0.5	0.3	-2.0
Equity investments and shares	22.8	24.1	22.9	23.7	22.0	21.7	21.7	21.7	-2.1
Managed assets	26.0	27.7	29.1	30.6	31.9	33.1	34.4	35.6	5.0
- Units in mutual funds	10.1	10.8	11.2	12.1	12.2	12.7	13.3	13.9	1.8
- Life insurance reserves (*)	12.6	13.5	14.2	14.9	15.8	16.3	16.7	17.1	2.3
- Pension funds / Personal Pension Plans	3.2	3.4	3.6	3.7	3.9	4.2	4.4	4.6	0.9
Other (^)	7.9	7.8	7.8	7.5	7.4	7.2	7.0	6.7	-0.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Total FA (€bn)	4,062	4,166	4,217	4,372	4,339	4,416	4,523	4,623	
% change	2.3	2.6	1.2	3.7	-0.8	1.8	2.4	2.2	

(\*) Net of Personal Pension Plans.

(^) includes other reserves, employee termination indemnities, and other asset and liability accounts.

Source: Prometeia, Forecast Report (September 2018) and Prometeia forecasts on Bank of Italy, Covip, Ania, and Assogestioni data.

In terms of allocation of savings, household investments in managed asset products remained positive overall during the first half of 2018, albeit with a different product mix that reflected conditions on the financial markets. Investments in mutual funds remained in positive territory, due to the inflows during the first quarter and the continued development of Savings Investment Plans, although down significantly from 2017. Individual discretionary accounts were negative but with very limited outflows (-€0.3bn), while net insurance premium income was positive, due to the development of multi-business products and strengthening demand in uncertain contexts, remaining practically even with the levels of 2017. Liquid assets and government bonds have returned to positive territory, but their flows remain contained in a historic context, while the steady reduction in retail bank bonds continued.

Net inflows in managed asset products fell sharply in the first nine months of 2018. In the mutual fund segment, net inflows were positive only in the first quarter of the year, while they were virtually nil during the following two quarters, albeit without ever falling into negative territory (€0.1bn in each quarter). The outflows in May, June and September never exceeded €1bn.

Differently from what might have been expected, the segment was not penalised by riskier components, with stock and multi-asset funds remaining positive in 2018. Therefore, product demand stayed positive with a medium-long term investment horizon, and it was also supported by institutional demand, diversified by issuer and geographic area. Outflows were concentrated instead on bond products. This component, which had been broadly positive in previous years, due to the good returns on the bond markets, suffered from the expectations of a normalisation in monetary policy and rising interest rates. Nearly all asset classes performed negatively, from government bonds to corporate bonds, whether they were high yield or investment grade.

So, after the nearly 1.5% reduction witnessed in 2018, the Italian asset management market should expand overall by an average of 5.9% annually over the next three years, coming close to €1,700bn at the end of 2021. Mutual funds will reach about €1,150bn (net of duplications concerning products held by Italian investors) and discretionary accounts will grow more modestly, to over €750bn (Table 2).

## The managed assets market (Tab. 2)

(€bn and % change)

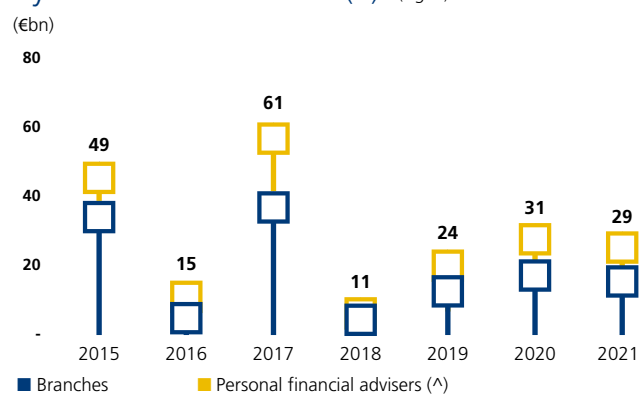
STOCK	2015	2016	2017	SEPT-18	2018	2019	2020	2021
Italian and non-Italian mutual funds (*)	780.4	827.3	939.5	947.0	933.3	994.5	1,069.1	1,142.8
% change	12.2	6.0	13.6	0.8	-0.7	6.6	7.5	6.9
Discretionary accounts (°)	625.6	665.9	683.7	671.8	663.2	688.2	720.7	755.9
% change	8.9	6.4	2.7	-1.7	-3.0	3.8	4.7	4.9
- of which in mutual funds (°)	154.5	168.1	180.6	176.0	173.8	183.1	195.8	208.1
% change	15.9	8.7	7.4	-2.5	-3.7	5.4	6.9	6.3
- of which in securities (°)	471.0	497.8	503.1	495.8	489.4	505.0	524.9	547.8
% change	6.8	5.7	1.1	-1.5	-2.7	3.2	3.9	4.4
<b>Total (net of duplications)</b>	<b>1,251.4</b>	<b>1,325.1</b>	<b>1,442.7</b>		<b>1,422.6</b>	<b>1,499.5</b>	<b>1,594.0</b>	<b>1,690.6</b>
<b>% change</b>	<b>10.1</b>	<b>5.9</b>	<b>8.9</b>		<b>-1.4</b>	<b>5.4</b>	<b>6.3</b>	<b>6.1</b>
Net inflows								
Italian and non-Italian mutual funds (*)	76.4	43.0	82.2	12.4	13.3	32.5	44.4	42.5
Discretionary accounts	37.4	17.5	13.0		4.3	13.8	18.5	18.7
- of which in mutual funds	17.5	8.0	7.4		-2.0	3.6	6.8	6.3

(\*) Net of duplication. For mutual funds outside Italy, Prometeia estimates using Assogestioni data: (°) last figure available June 2018.

Source: Prometeia estimates and forecasts using Bank of Italy and Assogestioni data.

In regard to demand trends broken down by type of customer, household investments in managed instruments should come close to €11bn in 2018, with a sharp reduction both of bank networks and financial adviser networks. Net inflows, which will start improving next year, will also amount in 2020-2021 to about half of what was intermediated in 2017, and thus remain at around €30bn. In regard to distribution channels, recent data confirm a sharp reduction in bank distribution during 2018, although its inflows might remain at the same level as 2016. The net inflows of banks will amount to about €20bn annually in 2020-2021 and the net inflows of the networks to about €10bn. Therefore, none of the two channels will return to the maximum levels of 2017, albeit for different reasons. The loss of margins on the reallocation of customer portfolios will weigh on banks, while the change in the competitive context will weigh on the financial adviser networks, following the application of MiFID 2, and the duller performance of financial markets due to the normalisation of monetary policy (Fig. 6)

## Flows invested by retail customers in mutual funds and discretionary accounts by distribution channel (\*) (Fig. 6)



(\*) total net of duplications;  
(^): authorised to off-site offer.

Source: Prometeia estimates and forecasts using Bank of Italy, Assogestioni and Assoreti data.

So, overall performance will remain more active for networks of financial advisers, who will gain 0.5 pp of market share over the next three years, to 14.8% of the market, while the market share of banks will decrease modestly during the last two years of the forecast (Table 3).

Table 3 Client assets by distribution channel (\*) (Tab. 3)

(€bn and %)

	2014	2015	2016	2017	2018	2019	2020	2021
<b>Bank branches</b>	<b>428.5</b>	<b>469.7</b>	<b>477.2</b>	<b>533.2</b>	<b>525.9</b>	<b>554.2</b>	<b>588.6</b>	<b>622.6</b>
% change	23.7	9.6	1.6	11.7	-1.4	5.4	6.2	5.8
MS	37.7	37.5	36.0	37.0	37.0	37.0	36.9	36.8
<b>Personal financial advisers (^)</b>	<b>161.8</b>	<b>171.1</b>	<b>181.5</b>	<b>204.6</b>	<b>203.9</b>	<b>217.0</b>	<b>233.7</b>	<b>250.2</b>
% change	12.8	5.8	6.1	12.7	-0.3	6.4	7.7	7.0
MS	14.2	13.7	13.7	14.2	14.3	14.5	14.7	14.8
<b>Institutional sellers</b>	<b>546.3</b>	<b>610.7</b>	<b>666.4</b>	<b>704.9</b>	<b>692.8</b>	<b>728.3</b>	<b>771.6</b>	<b>817.8</b>
% change	16.1	11.8	9.1	5.8	-1.7	5.1	5.9	6.0
MS	48.1	48.8	50.3	48.9	48.7	48.6	48.4	48.4

(\*) Mutual funds sold directly and discretionary accounts, net of duplication;

(^ ) authorised to off-site offer.

Source: Prometeia estimates and forecasts using Bank of Italy, Assoreti and Assogestioni data.

## THE PRIVATE BANKING MARKET<sup>3</sup>

### Investible financial wealth of affluent households

(€bn)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Stock</b>	881	795	859	882	859	904	955	985	1,017	1,029	1,080	1,079
<b>% change</b>	<b>3.9%</b>	<b>-9.8%</b>	<b>8.0%</b>	<b>2.7%</b>	<b>-2.6%</b>	<b>5.3%</b>	<b>5.6%</b>	<b>3.1%</b>	<b>3.3%</b>	<b>1.2%</b>	<b>5.0%</b>	<b>-0.1%</b>

Source: Prometeia.

Notwithstanding the uncertain climate that has dominated the last several years, the financial wealth of affluent households has grown over time, rising from €881bn in 2007 to €1,079bn in 2018.

"Affluent households" means the population of financial decision-makers belonging to families who hold investible assets in Italy exceeding €500 thousand. To calculate the portion of investible financial wealth belonging to affluent households, "non-investible" assets (totalling about €1,800bn) have to be subtracted from the total of household financial wealth (about €4,300bn). In detail, the portions pertaining to unlisted stock, life insurance provisions, pension funds and other reserves have to be excluded.

In 2018, investible financial wealth totalled about €2,500bn, of which it is estimated that about €1,100bn (about 44%) can be attributed to the financial portfolios of affluent households.

Beginning with the financial crisis in 2008, the increase in value of the financial assets held by affluent households can be attributed mainly to the results of the financial markets rather than the accumulation of new savings. In fact, it is estimated that of the €170bn in new financial wealth produced between 2012 and 2016, only 30% is directly attributable to new financial savings, while 70% must be allocated to positive market performance.

The year 2018 exhibits several peculiarities as compared with previous years. These are tied to the evolution of the macro-economic context: the slight increase in flows of wealth held by affluent households (+1.2%) fails fully to offset negative market performance (-1.3%), causing a slight reduction in wealth (-0.1%). This phenomenon is also attenuated by the effective allocation of portfolios in favour of the equity segment (by reducing investments in liquidity).

3. The information presented in this section has been taken from the Report on the Private Banking Market - AIPB (Italian Private Banking Association), December 2018.

## The investible financial wealth of affluent households by wealth segments in 2018

WEALTH SEGMENTS	NUMBER OF HOUSEHOLDS (UNIT)	(%)	% CHANGE 2013/2018	ASSETS (M)	(%)	% CHANGE 2013/2018
0.5 - 1m	443,808	68%	5.73%	350,229	32%	10.58%
1 - 5m	173,867	27%	4.05%	382,688	35%	12.13%
5 - 10m	22,261	3%	6.00%	169,512	16%	14.67%
over 10m	8,514	1%	6.76%	176,844	16%	18.75%
<b>Total</b>	<b>648,449</b>	<b>100%</b>	<b>5.72%</b>	<b>1,079,273</b>	<b>100%</b>	<b>13.1%</b>

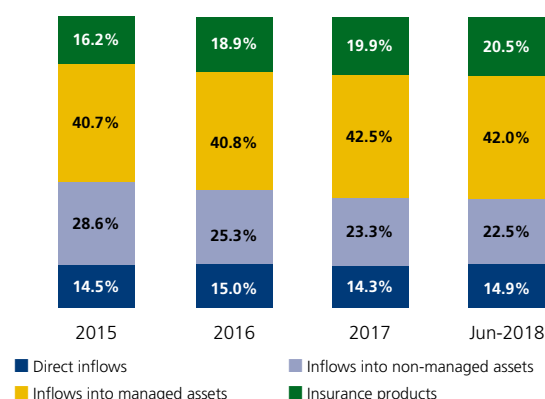
Source: Prometeia.

At the end of 2018, the portion of wealth held by households whose financial assets exceed €5m reached 32%, as compared with the approximately 4% of the households represented. Between 2013 and 2018, the change in wealth segments shows higher growth in the richer percentiles (14.67% of the assets between €5-€10m and 18.75% of the assets over €10m) as compared with the lower classes, in the face of a fairly uniform change in the number of families in the various wealth segments.

From the point of view of the portfolios held, the Private Banking segment exhibits more dynamic performance, due to the greater tendency to hold riskier asset classes. In fact, the composition of investments is characterised by the low weight of direct inflows (14.3%) on the total. The possibility of exploiting the diversification of investments in the case of large financial assets leads to a 23.3% share of non-managed assets and a 42% share of managed assets. Finally, the last several years have witnessed a significant recovery in the insurance component, whose weight amounted to 20.5% in portfolios. The reallocation of portfolios of non-managed inflows in the managed and insurance component is explained by the negative performance of debt securities and positive performance of the stock markets which have characterised the scenario

over the last several years, and the growing weight assumed by the financial adviser network in the distribution channels (historically oriented towards these types of products).

### Analysis of investments by type of product: asset mix of Private Banking households





## 3.3 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 upper affluent 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. As part of the foreign development project of the Private Banking Division, the Morval Vonwiller Group was acquired and the foreign network was created in 2018, in view of expanding the scope of Fideuram activities outside Italy.

The Group has a leading position in its reference market (Asset Gathering), being ranked sixth in Europe and second 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 40% market share at 31 December 2018 (amounting to approximately €205.5bn). Moreover, the Group took first place in 2018 both for total net inflows (€9.2bn) and for net inflows into managed assets (€3.4bn).

### Top 10 Private Banking operators in Europe

(30.9.2018 - €bn)

	AUM
UBS <sup>(1)</sup>	2,114
Credit Suisse <sup>(2)</sup>	694
BNP Paribas	377
Julius Bar <sup>(3)</sup>	349
HSBC	282
<b>Fideuram - Intesa Sanpaolo Private Banking</b>	<b>220</b>
Deutsche Bank <sup>(4)</sup>	211
ABN - AMRO	196
Pictet	180
Crédit Agricole	174

(1) Invested assets (Global Wealth Management division)

(2) Client assets (Private Banking)

(3) Figures at 31.10.2018

(4) Client assets (Wealth Management)

Source: Internal processing based on financial statements, presentations, press releases and websites.

### Market shares by Client Assets

(€bn)

	31.12.2018		31.12.2017	
	CLIENT ASSETS	% OF TOTAL CLIENT ASSETS	CLIENT ASSETS	% OF TOTAL CLIENT ASSETS
Fideuram Group (*)	205.5	40.0	209.3	40.4
Banca Mediolanum	67.5	13.1	69.3	13.4
Finecobank	59.9	11.7	57.9	11.2
Banca Generali Group	57.5	11.2	55.7	10.7
Allianz Bank	45.3	8.8	45.3	8.7
Azimut Group	38.4	7.5	39.8	7.7
Deutsche Bank Group	14.0	2.7	14.4	2.8
Unione di Banche Italiane Group	8.7	1.7	9.9	1.9
Banca Monte dei Paschi di Siena	6.2	1.2	6.5	1.2
Credito Emiliano Group	5.2	1.0	5.5	1.1

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

Source: Assoreti (Italian Association of Companies Selling Financial Products and Investment Services)

### Total net inflows and into managed assets

(€bn)

	2018		2017	
	TOTAL NET INFLOWS	NET INFLOWS INTO MANAGED ASSETS	TOTAL NET INFLOWS	NET INFLOWS INTO MANAGED ASSETS
Fideuram Group (*)	9.2	3.4	12.2	11.5
Finecobank	5.5	1.7	5.4	3.9
Banca Generali Group	5.0	2.2	6.9	6.0
Banca Mediolanum	3.5	2.5	4.8	4.9
Allianz Bank	3.4	2.3	4.4	4.4
Azimut Group	1.2	0.7	2.3	1.8
BNP Paribas Group	1.0	0.6	1.0	0.8
Deutsche Bank Group	0.7	0.4	0.9	0.7
Unione di Banche Italiane Group	0.2	(0.1)	0.8	0.4
Banca Monte dei Paschi di Siena	0.2	(0.1)	0.5	0.3
Credito Emiliano Group	-	(0.2)	0.1	0.2

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

Source: Assoreti (Italian Association of Companies Selling Financial Products and Investment Services)

## 3.4 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 this year with net profit totalling €834m and a Return on Equity of 30%. Financial resources acquired as customer deposits through current accounts, deposits and repurchase agreements totalled €32.1bn, up 4% on the end of 2017. Group shareholders' equity totalled €2.8bn and was still impacted by valuation losses on the financial assets measured at fair value through other comprehensive income portfolio totalling €28m. Fideuram's own funds totalled €991m and its total capital ratio was 17.5%. The Fideuram Group voluntarily estimates its consolidated capital requirements, taking its membership of the Intesa Sanpaolo Banking Group into account. At 31 December 2018, our Common Equity Tier 1 Ratio was estimated to be 20,1%.

Fideuram is able to pay its shareholder a significantly higher dividend this year than last year (+€22m), with a total payout that has risen from €788m to €810m, and a payout ratio of 97.07% of consolidated net profit and 99.48% of the net separate profit of Fideuram - Intesa Sanpaolo Private Banking S.p.A..

The Group's stability has a fivefold foundation:

- A business model which integrates production and distribution.
- Appropriate staff distribution across our branches 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 3% of Group shareholders' equity).
- A structured risk monitoring system on different control levels.
- Stable earnings mainly generated by recurring commission and fee income from managed assets.

### MANAGED ASSETS

Total net inflows were positive, amounting to €10.2bn. This value has to be viewed as especially satisfying, notwithstanding the changed market context, which was decidedly less favourable than in 2017. In fact, negative market performance market reduced managed assets by -€13.7bn.

Aggregate managed assets totalled €213.1bn. Analysis of the item shows a decrease in managed assets, which fell from €152.9bn to €147bn (-4%). Non-managed assets were up on the previous financial year, rising from €63.6bn to €66.1bn (+4%).

The rise in average managed assets to above last year's levels (€152.3bn at the end of 2018, a €6.4bn increase on 2017), drove up total net recurring fees, which had increased to €1.6bn at year-end, up 2% on the previous financial year. Performance fees totalled €10m and net front-end fees totalled €165m.

€834<sub>m</sub>

Consolidated net profit

€810<sub>m</sub>

Dividends paid



Further information  
on pages 317-360

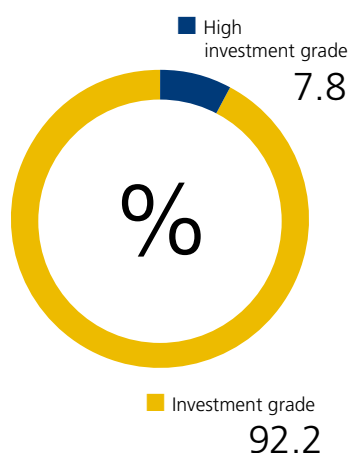
## SECURITIES HOLDINGS AND RELATED FINANCIAL RISKS

In regard to the method used to determine the fair value of the bonds held in its portfolio, the Group continued referring directly to market values and made only marginal use of financial models for the pricing of unlisted or illiquid assets.

The bank portfolio, which totalled €38.4bn at 31 December 2018 (€36.7bn at the beginning of 2018), consisted of €21.8bn in loans to banks and customers, with the remainder being comprised by bonds. Sixteen per cent of the securities portfolio was comprised by Italian government bonds and 69% by bonds issued by Intesa Sanpaolo Group companies. As previously mentioned, a negative reserve for financial assets measured at fair value through other comprehensive income was stated under shareholders' equity at year-end, totalling €28m (+€37m at the beginning of 2018). The €65m decrease resulted from redemptions made during the year and changes in the fair value of the securities portfolio during the year. Analysis of the securities holdings shows continued high loan quality, with 7.8% of the investments being rated high investment grade, 92.2% investment grade.

The Group's total exposure to interest rate risk (shift sensitivity) was mitigated following a strategy of making asset swap contracts linked to the individual fixed-coupon bonds in the portfolio. Hedging derivatives totalling €808m were stated under liabilities in the balance sheet at year-end 2018, a decrease of 3% from the figure at beginning 2018.

### Composition of portfolio



## LIQUIDITY RISK

Analysis of the Group's consolidated liabilities shows the prime role of customer deposits, which totalled approximately €32.1bn 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 containing 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.

## 3.5 Non-financial risk

The Group closely monitors its own exposure to non-financial risks.

A total of 1,525 complaints were received in 2018, up 21% from 1,260 in 2017. In regard to waiting times, the average number of days needed to process complaints is significantly lower than the regulatory limit: 19 days for banking service complaints (compared with the regulatory limit of 30 days), and 35 days for investment service complaints (compared with the regulatory limit of 60 days).

Special attention is also dedicated to compliance with the Model of Organisation, Management and Control pursuant to Italian Legislative Decree No. 231/2001, with 2,341 training hours being offered over the last three years.

The Group constantly monitors compliance with the applicable health and safety laws, regulations, and standards through its own Prevention, Protection, and Environmental Protection Service. This kept the workplace accident rate at an extremely low level in 2018.

The Group continued to apply its own energy conservation policies during the year. Adequate waste disposal processes and procedures were implemented in compliance with current laws and regulations. The total amount of waste pro-capita amounted to 32 kg per employee.

The paper document digitalisation process also contributed to a significant reduction in paper consumption, which fell from 63 kg per employee in 2017 to 60 kg in 2018.

Continuing the trend of past years, the Group did not receive any reports of discriminatory practices or violation of human rights in 2018.



Fideuram - Intesa Sanpaolo Private Banking - Milan, Permanent Secondary Office



The following are shown below for the principal activities of the Group: the type of risk, the mitigation measures adopted and the stakeholders involved. The impact of each activity on the consolidated income statement is also illustrated.

	ACTIVITY	TYPE OF RISK	RISK MITIGATION MEASURES	INCOME EFFECTS	STAKEHOLDERS INVOLVED
INCOME	The Group specialises in the provision of <b>financial advisory services</b> and the <b>development, management and distribution</b> of banking, insurance, pension and investment products through its Personal Financial Adviser Networks	Operational risk Reputational risk Performance risk Social risk	<ul style="list-style-type: none"> <li>- Application of Intesa Sanpaolo operational risk measurement, management and control guidelines</li> <li>- Establishment of a litigation fund for any legal proceedings</li> <li>- Insurance policy taken out to cover any offences by Personal Financial Advisers</li> <li>- Dynamic customised management of client financial assets</li> <li>- Commercial Due Diligence for Private Banking customers</li> <li>- In-depth knowledge of customers and counterparties and compliance with regulations regarding anti-money laundering and combating the financing of terrorism</li> </ul>	<ul style="list-style-type: none"> <li>- Fee and commission income</li> <li>- Other income</li> </ul>	CUSTOMERS PERSONAL FINANCIAL ADVISERS SHAREHOLDER COMMUNITY
	The Group <b>operates on the financial markets</b> 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"> <li>- Application of the Group Investment Policy which subjects the securities holdings to limits regarding asset allocation, rating, currency area, geographical area, sector and counterparty concentration</li> <li>- Monitoring current exposures and auditing hedge effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>- Net interest income</li> <li>- Net profit (loss) on financial assets and liabilities</li> </ul>	SHAREHOLDER
	The Group provides <b>loans</b> to its customers and operates on the interbank market	Credit risk Liquidity risk Market risk Operational risk Environmental risk	<ul style="list-style-type: none"> <li>- Acquisition of collateral and personal security or irrevocable mandates to sell financial instruments</li> <li>- Analysis of counterparty creditworthiness, monitoring of any deterioration in collateral and regular reviews of every position</li> <li>- Inclusion on environmental risk in the creditworthiness assessment, gathering specific supplementary information concerning customers belonging to the most risky sectors</li> </ul>	<ul style="list-style-type: none"> <li>- Interest income</li> </ul>	SHAREHOLDER CUSTOMERS COMMUNITY
COSTS	The Group's main sources of <b>inflows</b> are deposits and current accounts (banks and customers)	Liquidity risk Market risk Operational risk	<ul style="list-style-type: none"> <li>- Liquidity control, maintaining a balanced relationship between inflows and outflows in both the short and medium-to-long term</li> </ul>	<ul style="list-style-type: none"> <li>- Interest expense</li> </ul>	SHAREHOLDER CUSTOMERS
	The Group <b>invests in its people:</b> Employees Personal Financial Advisers	Operational risk Reputational risk Social risk	<ul style="list-style-type: none"> <li>- Training activities</li> <li>- Development of written procedures, circulars and regulations</li> <li>- Personnel selection policies respecting human rights</li> </ul>	<ul style="list-style-type: none"> <li>- Personnel expenses</li> <li>- Fee and commission expense</li> <li>- Net provisions for risks and charges</li> <li>- Other expense</li> </ul>	EMPLOYEES PERSONAL FINANCIAL ADVISERS SHAREHOLDER COMMUNITY
	The Group <b>invests in its operating departments</b>	Operational risk Reputational risk Environmental risk	<ul style="list-style-type: none"> <li>- Application of internal regulations regarding expenditure which aim to ensure continual improvement in quality standards and an attentive supplier selection process</li> </ul>	<ul style="list-style-type: none"> <li>- Other administrative expenses</li> <li>- Depreciation and amortisation</li> </ul>	CUSTOMERS EMPLOYEES PERSONAL FINANCIAL ADVISERS SUPPLIERS SHAREHOLDER
	The Group <b>procures goods and services</b> as part of its daily operations	Social risk Environmental risk	<ul style="list-style-type: none"> <li>- Ethical suppliers</li> <li>- Professional assignments respecting human rights</li> </ul>	<ul style="list-style-type: none"> <li>- Administrative expenses</li> </ul>	SUPPLIERS SHAREHOLDER



- 4.1 Overview of 2018
- 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 services
- 4.7 Economic, financial and non-financial results
- 4.8 Events after the reporting period and outlook

**Total net inflows**

came to € **10.2bn**  
(including €**3.6bn** inflows  
into managed assets)

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

was **30%** and the  
**Cost/Income ratio**  
was **32%**





#### 4. Performance



## 4.1 Overview of 2018

The Fideuram - Intesa Sanpaolo Private Banking Group ended 2018 with consolidated net profit of €834m, down €37m (-4%) on 2017. Net of non-recurring items totalling €52m, which include a non-recurring charge of €25m for the settlement of a tax dispute, profit was €886m, down €9m compared to the €895m of the previous year (-1%). The wealth created by the Group's business totalled €2.8bn at the end of 2018, up €9m from last year. The return on equity (R.O.E.) was 30%.

Analysis of the main income-statement items shows that profit before tax from continuing operations was down

€19m on 2017. This performance is largely attributable to the growth in operating expenses (+€21m) and the lower net operating income (-€11m), which was impacted by the reduction in net interest income (-€8m) and net fee and commission income (-€9m). The provisions for risks and charges moved in the opposite direction (-€17m on 2017, mainly due to lower provisions for contractual indemnities owed to the Personal Financial Advisers and to cover contingent liabilities from lawsuits). The Group's Cost/Income Ratio improved to 32% from 30% in 2017.



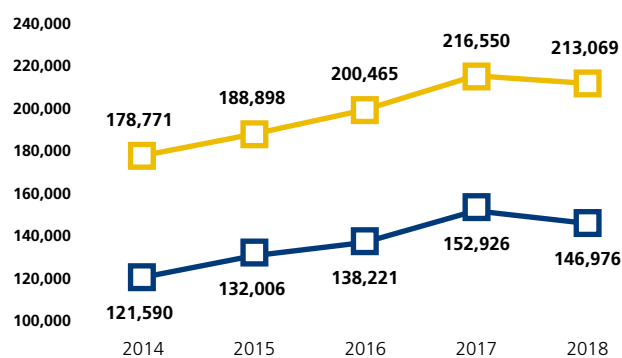
Fideuram - Intesa Sanpaolo Private Banking - Turin, Registered Office

There were a total of 5,995 Personal Financial Advisers at 31 December 2018, including the sales network of the Morval Vonwiller Group acquired in the second quarter of 2018. This number was up from the 5,990 professionals at 31 December 2017. Client assets per Personal Financial Adviser were approximately €36m at 31 December 2018. Group staff totalled 3,335, up from 3,233 at 31 December 2017, mainly as a result of the growth of our distribution and sales networks. Bank branches totalled 228 and Personal Financial Advisers' offices totalled 326.



## Client Assets (\*)

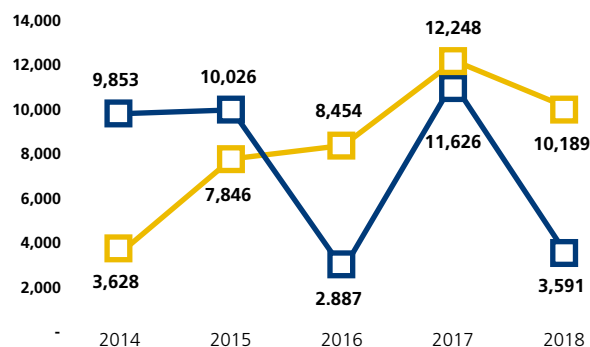
(€m)



— Total Client Assets — Managed Client Assets

## Net inflows (\*)

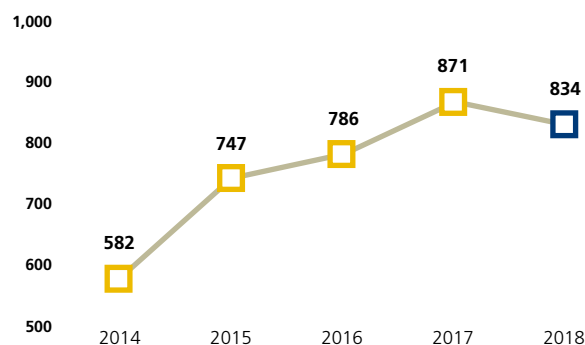
(€m)



— Total Net Inflows — Net inflows into Managed Assets

## 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)

	31.12.2018	1.1.2018 (*)	CHANGE	
			AMOUNT	%
<b>ASSETS</b>				
Financial assets measured at fair value through profit or loss	294	631	(337)	-53
Financial assets measured at fair value through other comprehensive income	3,294	3,786	(492)	-13
Debt securities measured at amortised cost	13,299	10,560	2,739	26
Loans to banks	12,301	14,555	(2,254)	-15
Loans to customers	9,531	7,840	1,691	22
Hedging derivatives	-	5	(5)	-100
Equity investments	151	148	3	2
Property and equipment and intangible assets	309	271	38	14
Tax assets	198	175	23	13
Other assets	1,388	1,230	158	13
<b>TOTAL ASSETS</b>	<b>40,765</b>	<b>39,201</b>	<b>1,564</b>	<b>4</b>
<b>LIABILITIES</b>				
Due to banks	3,366	2,644	722	27
Due to customers	32,130	30,845	1,285	4
Financial liabilities held for trading	28	196	(168)	-86
Hedging derivatives	808	833	(25)	-3
Tax liabilities	82	101	(19)	-19
Other liabilities	1,079	1,154	(75)	-6
Provisions for risks and charges	468	462	6	1
Share capital and reserves	1,970	1,945	25	1
Equity attributable to non-controlling interests	-	150	(150)	-100
Net Profit	834	871	(37)	-4
<b>TOTAL LIABILITIES</b>	<b>40,765</b>	<b>39,201</b>	<b>1,564</b>	<b>4</b>

(\*) Restated taking the changes in the scope of consolidation and application of IFRS9 into account so that straight comparisons can be made.

## Consolidated income statement

(reclassified - €m)

	2018	2017 (*)	CHANGE	
			AMOUNT	%
Net interest income	152	160	(8)	-5
Net profit (loss) on financial assets and liabilities	34	31	3	10
Net fee and commission income	1,701	1,710	(9)	-1
<b>TOTAL NET INTEREST AND TRADING INCOME</b>	<b>1,887</b>	<b>1,901</b>	<b>(14)</b>	<b>-1</b>
Net impairment for credit risk	5	2	3	150
<b>OPERATING INCOME</b>	<b>1,892</b>	<b>1,903</b>	<b>(11)</b>	<b>-1</b>
Personnel expenses	(350)	(331)	(19)	6
Other administrative expenses	(236)	(228)	(8)	4
Depreciation and amortisation	(10)	(16)	6	-38
<b>OPERATING EXPENSES</b>	<b>(596)</b>	<b>(575)</b>	<b>(21)</b>	<b>4</b>
Net provisions for risks and charges	(15)	(32)	17	-53
Profit (loss) on equity investments	9	9	-	-
Other income (expense)	(4)	-	(4)	n.s.
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>1,286</b>	<b>1,305</b>	<b>(19)</b>	<b>-1</b>
Income taxes for the year on continuing operations	(381)	(390)	9	-2
Expenses regarding the banking system (net of tax)	(18)	(16)	(2)	13
Non-recurring income (expenses) (net of tax)	(52)	(24)	(28)	117
Economic effects of the allocation of acquisition costs (net of tax)	(1)	-	(1)	n.s.
Net profit (loss) for the period attributable to non-controlling interests	-	(4)	4	-100
<b>NET PROFIT</b>	<b>834</b>	<b>871</b>	<b>(37)</b>	<b>-4</b>

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

n.s.: not significant



## 4.3 Client financial assets

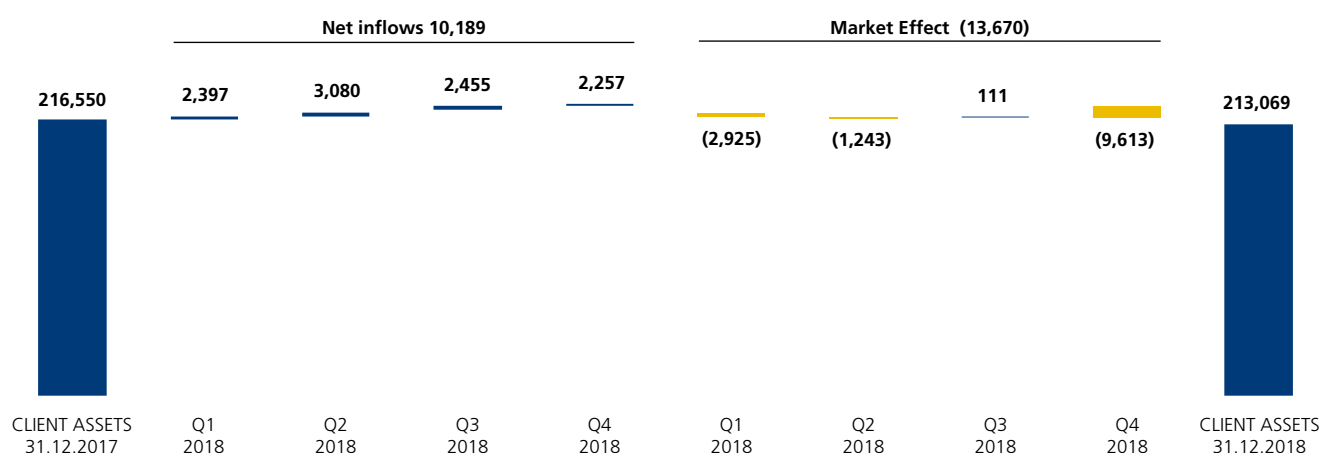
€213.1 bn

Client Assets  
(down 2% on 2017)

**Client Assets** totalled **€213.1bn** at 31 December 2018, down €3.5bn from 31 December 2017 (-2%). This result is attributable to market performance, which negatively impacted assets by €13.7bn (-€9.6bn in managed assets and -€4.1bn in non-managed assets), which was partly offset by net positive inflows amounting to €10.2bn.

### Client Assets 2018

(€m)



Analysis of the aggregated items shows that **managed assets** (69% of total client assets), totalled **€147bn**, a decrease of €6bn on the figure at 31 December 2017. The decrease affected discretionary accounts (-€3.4bn), mutual funds (-€1.5bn), and life insurance (-€1.2bn). Non-managed assets totalled €66.1bn, up €2.5bn on the figure at year-end 2017.

### Client Assets

(€m)

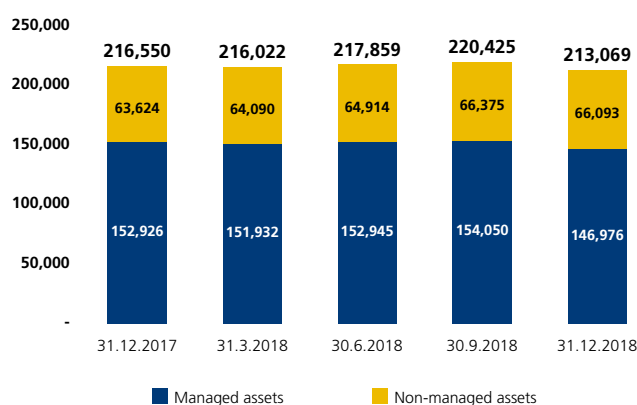
	31.12.2018	31.12.2017 (*)	CHANGE	
			AMOUNT	%
Mutual funds	55,418	56,950	(1,532)	-3
Discretionary accounts	41,338	44,738	(3,400)	-8
Life insurance	48,228	49,395	(1,167)	-2
including: Fideuram Vita / Intesa Sanpaolo Vita unit linked	32,649	34,387	(1,738)	-5
Pension funds	1,992	1,843	149	8
<b>Total managed assets</b>	<b>146,976</b>	<b>152,926</b>	<b>(5,950)</b>	<b>-4</b>
<b>Total non-managed assets</b>	<b>66,093</b>	<b>63,624</b>	<b>2,469</b>	<b>4</b>
including: Securities	37,730	37,658	72	-
<b>Total Client Assets</b>	<b>213,069</b>	<b>216,550</b>	<b>(3,481)</b>	<b>-2</b>

(\*) Restated where necessary to reflect the contribution made by the Morval Vonwiller Group so that straight comparisons can be made.

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

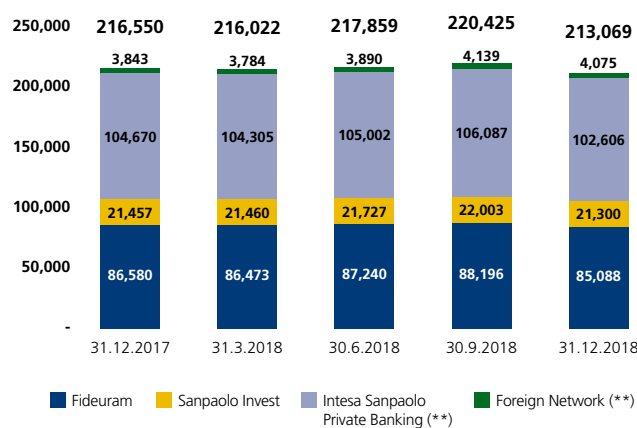
### Client Assets by type of inflows (\*)

(€m)



### Client Assets by Sales Network (\*)

(€m)



(\*) Restated where necessary to reflect the contribution made by the Morval Vonwiller Group so that straight comparisons can be made.

(\*\*) The figures for the Intesa Sanpaolo Private Banking sales network include the client assets of Sirefid Fiduciaria. The Foreign Network includes the client assets of the Morval Vonwiller Group, Intesa Sanpaolo Private Bank (Suisse), and the London Branch of Intesa Sanpaolo Private Banking.

## 4.4 Inflows into managed and non-managed assets

Net inflows

€10.2 bn

The Group's distribution networks generated **€10.2bn** in **net inflows** in 2018, down €2.1bn (-17%) on the total for last year. The analysis of aggregated figures shows that the **inflows into managed assets**, totalling €3.6bn, fell €8bn from 2017. This resulted mainly from the Group personal financial advisers directing a portion of the new inflows from customers towards the bond and monetary market in response to cyclical market conditions. The **non-managed assets component** was **positive** for **€6.6bn**, up **€6bn** from 2017. The reversal in the trend became very evident in the second half of 2018, when non-managed assets accounted for most of total inflows.

### Net inflows (\*)

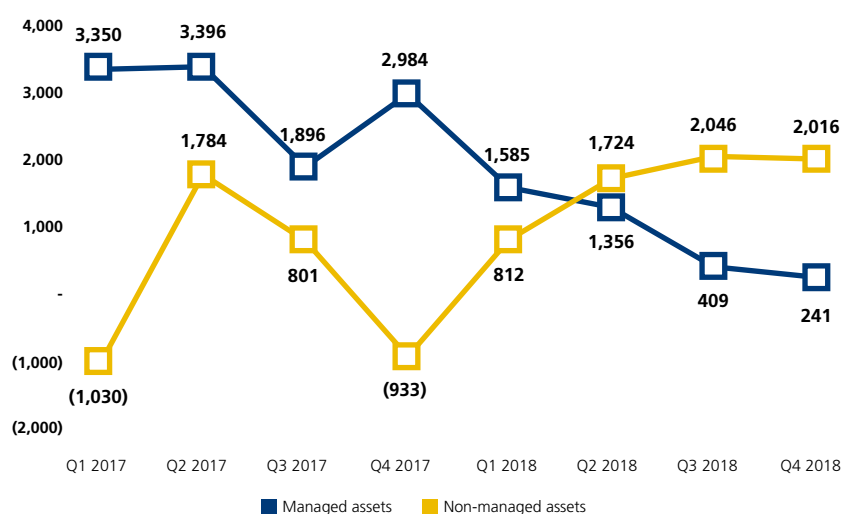
(€m)

	2018	2017	CHANGE	
			AMOUNT	%
Mutual funds	2,398	7,275	(4,877)	-67
Discretionary accounts	(346)	1,034	(1,380)	n.s.
Life insurance	1,342	3,112	(1,770)	-57
including: Fideuram Vita / Intesa Sanpaolo Vita unit linked	999	3,344	(2,345)	-70
Pension funds	197	205	(8)	-4
<b>Total managed assets</b>	<b>3,591</b>	<b>11,626</b>	<b>(8,035)</b>	<b>-69</b>
<b>Total non-managed assets</b>	<b>6,598</b>	<b>622</b>	<b>5,976</b>	<b>n.s.</b>
including: Securities	4,056	(1,356)	5,412	n.s.
<b>Total Net Inflows</b>	<b>10,189</b>	<b>12,248</b>	<b>(2,059)</b>	<b>-17</b>

n.s.: not significant

### Net inflows (\*)

(€m)



(\*) Restated where necessary to reflect the contribution made by the Morval Vonwiller Group so that straight comparisons can be made.

## 4.5 Customer segmentation

### Client Assets at 31 December 2018

- Fideuram: €85.1bn
- Sanpaolo Invest: €21.3bn
- Intesa Sanpaolo Private Banking: €99.1bn
- Siref Fiduciaria: €3.9bn (\*)
- Intesa Sanpaolo Private Bank (Suisse): €1.6bn
- Morval Group: €2.1bn

(\*) Does not include the fiduciary mandates regarding Group Client Assets. Total client assets came to €11.4bn.

### CUSTOMERS at 31 December 2018

- Fideuram: No. 565,870
- Sanpaolo Invest: No. 152,081
- Intesa Sanpaolo Private Banking: No. 37,321 (\*\*)
- Siref Fiduciaria: No. 2,032 mandates
- Intesa Sanpaolo Private Bank (Suisse): No. 760
- Morval Group: No. 1,069

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

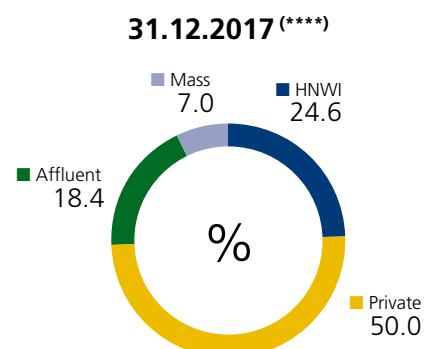
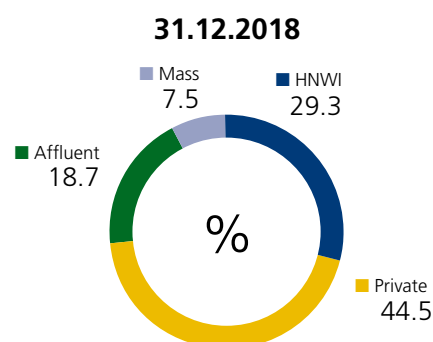
Analysis of the Group's customer base shows that it is concentrated in the Private Banking and High Net Worth Individual (HNWI) segment. This focus on high-end customers (about 74% of client assets come from Private Banking and HNWI customers) enables our Personal Financial Advisers to target a segment 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)

	31.12.2018	31.12.2017	CHANGE AMOUNT	%
High Net Worth Individual customers	62,506	53,333	9,173	17
Private Banking customers	94,765	108,183	(13,418)	-12
Affluent customers	39,760	39,873	(113)	-
Mass Market customers	16,038	15,161	877	6
<b>Total</b>	<b>213,069</b>	<b>216,550</b>	<b>(3,481)</b>	<b>-2</b>

### Percentage impact of client assets by type of customer



(\*\*\*) 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.

(\*\*\*\*) Restated where necessary to reflect the contribution made by the Morval Vonwiller Group so that straight comparisons can be made.



## 4.6 Advanced advisory services

€36.3 bn

Advanced Advisory

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 their 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 326 Personal Financial Advisers' offices, 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 supporting each 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 identifies the customer's individual requirements classified by area of need, analyses their overall position and risk/return profile, and identifies appropriate investment strategies and solutions for each individual area of need, monitoring them over time.
- **Private Banking Advanced Advisory Service:** a personalised advisory service with high added value for customers who want to be actively involved in their asset allocation choices with the assistance of their Personal Financial Adviser and the support of one of our Financial Advisory Unit specialists.
- **VIEW (Value Investment Evolution Wealth) Advanced Advisory Service:** an advisory service offered by Intesa Sanpaolo Private Banking. VIEW 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 Bank's Active Advisory Service. VIEW also allows the customer and his 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.

The number of customers subscribed to our Advanced Advisory Services was equal to over 68,000 at the end of December 2018, accounting for approximately €36.3bn client assets.

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

Over **68** K

Customers subscribed to  
Advanced Advisory Services

## Customers subscribed to Advanced Advisory Services

(number)

	31.12.2018	31.12.2017	CHANGE	
			AMOUNT	%
High Net Worth Individual customers	873	682	191	28
Private Banking customers	16,758	18,344	(1,586)	-9
Affluent customers	32,586	34,746	(2,160)	-6
Mass Market customers	18,281	17,044	1,237	7
<b>Total</b>	<b>68,498</b>	<b>70,816</b>	<b>(2,318)</b>	<b>-3</b>

## Advanced Advisory Service client assets

(€m)

	31.12.2018	31.12.2017	CHANGE	
			AMOUNT	%
High Net Worth Individual customers	5,717	4,573	1,144	25
Private Banking customers	21,306	24,293	(2,987)	-12
Affluent customers	8,186	8,787	(601)	-7
Mass Market customers	1,132	1,018	114	11
<b>Total</b>	<b>36,341</b>	<b>38,671</b>	<b>(2,330)</b>	<b>-6</b>

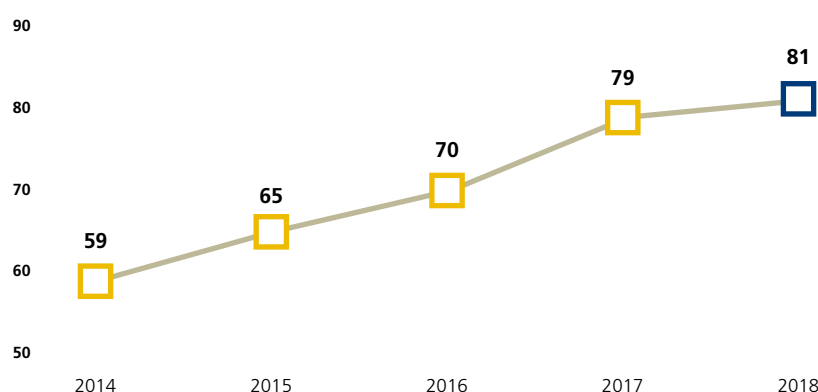
## Advanced Advisory Service fee and commission income

(€m)

	2018	2017	CHANGE	
			AMOUNT	%
Fee and commission income	128	129	(1)	-1
Fee and commission expense	(47)	(50)	3	-6
<b>Net fee and commission income</b>	<b>81</b>	<b>79</b>	<b>2</b>	<b>3</b>

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

(€m)



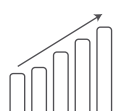
(\*) Restated where necessary to take the changes in the scope of consolidation into account so that straight comparisons can be made.

## 4.7 Economic, financial and non-financial 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 five 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 to 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.

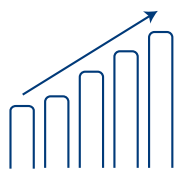
The following table shows the contribution of capital to the value creation process, which reveals how the Group achieves its strategic objectives by combining the different types of capital available following its business model. To illustrate this concept clearly, the table uses the following connections grid showing the relations between the different types of capital, the Group's strategic objectives and its Key Performance Indicators.

### STRATEGIC OBJECTIVES

	DEDICATED SERVICE MODELS	ADVISERS FACTORY	UPGRADING OF PRODUCTS AND SERVICES OFFERED	GROWTH OF FOREIGN OPERATIONS	DIGITAL CHAMPION	
<b>Financial Capital</b>	<ul style="list-style-type: none"> <li>- Net Profit</li> <li>- Net fee and commission income</li> <li>- Client Assets by type of customer</li> <li>- Wealth created</li> </ul>	<ul style="list-style-type: none"> <li>- Net Profit</li> <li>- Net fee and commission income</li> <li>- Personnel expenses</li> <li>- Other administrative expenses</li> <li>- Wealth created</li> </ul>	<ul style="list-style-type: none"> <li>- Net Profit</li> <li>- Net fee and commission income</li> <li>- Advanced Advisory Service</li> <li>- Fee and Commission Income</li> <li>- Customers subscribed to Advanced Advisory Services</li> <li>- Advanced Advisory Service client assets</li> </ul>	<ul style="list-style-type: none"> <li>- Net Profit</li> <li>- Net fee and commission income</li> <li>- Client Assets</li> <li>- Wealth created</li> </ul>	<ul style="list-style-type: none"> <li>- Net Profit</li> <li>- Wealth created</li> <li>- Client Assets</li> </ul>	<ul style="list-style-type: none"> <li>- Commitment to sustainable finance with investments in Client Assets with ESG approach</li> <li>- Administrative expenses (donations and sponsorship)</li> <li>- New customers in sustainable investments</li> </ul>
<b>Productive Capital</b>	<ul style="list-style-type: none"> <li>- Expansion of Private Banking and HNWI Centre operations in key geographical areas</li> </ul>	<ul style="list-style-type: none"> <li>- Development of Fideuram Campus</li> <li>- Personalizzazione della consulenza offerta</li> </ul>	<ul style="list-style-type: none"> <li>- Area presence of Group logistics organisation</li> <li>- Number of Personal Financial Advisers by commercial area and region</li> </ul>	<ul style="list-style-type: none"> <li>- Growth of offices in strategic international centres</li> </ul>		<ul style="list-style-type: none"> <li>- Develop branch and office interventions to reduce area impact</li> </ul>
<b>Intellectual Capital</b>	<ul style="list-style-type: none"> <li>- Development of the Fideuram Alfabeto platform</li> <li>- Upgrade dedicated organisational management</li> </ul>	<ul style="list-style-type: none"> <li>- Upgrade dedicated organisational management</li> </ul>	<ul style="list-style-type: none"> <li>- Transactions arranged by customers via internet</li> <li>- Customization of the advice offered</li> </ul>	<ul style="list-style-type: none"> <li>- Growth in foreign markets with high development potential</li> </ul>	<ul style="list-style-type: none"> <li>- Extension of current IT platform with further modules supporting investments</li> <li>- Strengthening of the Alfabeto Platform</li> </ul>	<ul style="list-style-type: none"> <li>- Upgrading the range of products for growth in foreign markets and development in the Italian market</li> </ul>
<b>Human Capital</b>	<ul style="list-style-type: none"> <li>- FINER CF market research</li> <li>- Recruitment of Personal Financial Advisers of high standing</li> </ul>	<ul style="list-style-type: none"> <li>- Recruitment of Personal Financial Advisers of high standing</li> <li>- Training of Employees and Personal Financial Advisers of high standing (hrs.)</li> <li>- Staff numbers by ranking</li> <li>- Highly specialised training</li> </ul>	<ul style="list-style-type: none"> <li>- Fideuram Campus, Personal Financial Adviser Training School project</li> <li>- Employee and Personal Financial Adviser training</li> <li>- Number of Personal Financial Advisers</li> </ul>	<ul style="list-style-type: none"> <li>- Recruitment of Personal Financial Advisers of high standing and with international experience</li> </ul>	<ul style="list-style-type: none"> <li>- Training at the Fideuram Campus</li> </ul>	<ul style="list-style-type: none"> <li>- Enhancement of skills and professional growth of employees and Personal Financial Advisers</li> </ul>
<b>Relational Capital</b>	<ul style="list-style-type: none"> <li>- Develop dedicated local events to improve flow of information and customer relations</li> <li>- Brand and product communications in print and online</li> </ul>		<ul style="list-style-type: none"> <li>- Complaint response times</li> <li>- Sustainable finance products assets and yield</li> </ul>		<ul style="list-style-type: none"> <li>- Expansion of the digital customer interaction functions</li> </ul>	<ul style="list-style-type: none"> <li>- Improvement of the image, company reputation and customer and community satisfaction</li> </ul>
<b>Natural Capital</b>						<ul style="list-style-type: none"> <li>- Improvement of environmental KPIs</li> </ul>

STRONG FOCUS ON ISSUES RELATED TO CORPORATE SOCIAL RESPONSIBILITY





### 4.7.1 Financial Capital

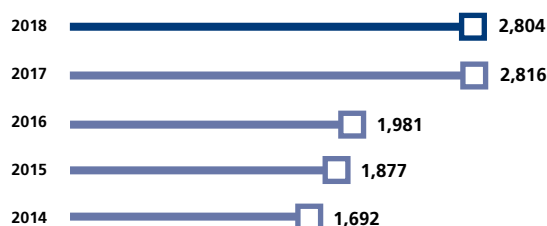
The Group's Financial Capital is the set of funds available to it and the economic performance resulting from the use of these funds.

MATERIAL TOPICS	WHY TOPICS ARE MATERIAL	CORPORATE POLICIES
<b>Maintenance of Group solidity and profitability</b> Market competitiveness Continuity of customer services	The corporate mission highlights the importance of providing outstanding products and services that are personalised to suit customer needs through detailed advice provided by highly qualified professionals. It emphasises that client assets are managed responsibly, with full transparency, and in compliance with the rules.	The Code of Ethics is a voluntary self-regulatory tool and an integral part of the Corporate Social Responsibility management model. It contains the mission, corporate values, and principles that govern relations with stakeholders, beginning with the corporate identity. In certain particularly important areas (e.g. human rights, protection of employee rights, environmental protection, the fight against corruption), it cites rules and principles consistent with the best international standards.

#### KEY INDICATORS (\*)

##### Group shareholders' equity

(€m)



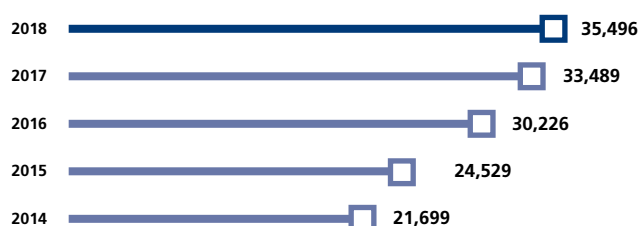
##### Consolidated net profit

(€m)



##### Bank and customer deposits

(€m)



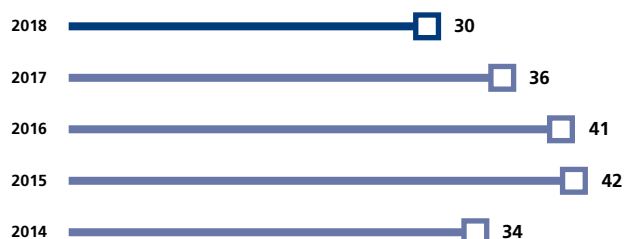
##### Consolidated net fees

(€m)



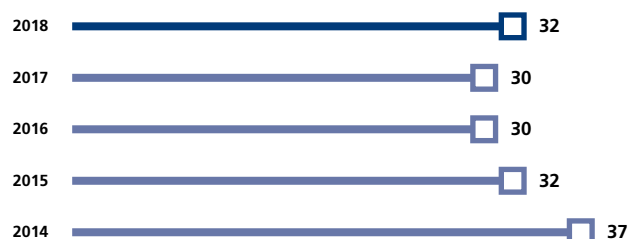
##### Return on Equity

(%)



##### Cost / Income ratio

(%)



(\*) Restated taking the changes in the scope of consolidation into account so that straight comparisons can be made. The figures for 2017 have been restated where necessary to take the first-time application of IFRS9 into account so that straight comparisons can be made.

## ANALYSIS OF THE INCOME STATEMENT

The Fideuram - Intesa Sanpaolo Private Banking Group ended 2018 with consolidated net profit of €834m, down €37m from last year (-4%).

### Consolidated income statement

(reclassified - €m)

	2018	2017 (*)	CHANGE	
			AMOUNT	%
Net interest income	152	160	(8)	-5
Net profit (loss) on financial assets and liabilities	34	31	3	10
Net fee and commission income	1,701	1,710	(9)	-1
<b>TOTAL NET INTEREST AND TRADING INCOME</b>	<b>1,887</b>	<b>1,901</b>	<b>(14)</b>	<b>-1</b>
Net impairment for credit risk	5	2	3	150
<b>OPERATING INCOME</b>	<b>1,892</b>	<b>1,903</b>	<b>(11)</b>	<b>-1</b>
Personnel expenses	(350)	(331)	(19)	6
Other administrative expenses	(236)	(228)	(8)	4
Depreciation and amortisation	(10)	(16)	6	-38
<b>OPERATING EXPENSES</b>	<b>(596)</b>	<b>(575)</b>	<b>(21)</b>	<b>4</b>
Net provisions for risks and charges	(15)	(32)	17	-53
Profit (loss) on equity investments	9	9	-	-
Other income (expense)	(4)	-	(4)	n.s.
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>1,286</b>	<b>1,305</b>	<b>(19)</b>	<b>-1</b>
Income taxes for the year on continuing operations	(381)	(390)	9	-2
Expenses regarding the banking system (net of tax)	(18)	(16)	(2)	13
Non-recurring income (expenses) (net of tax)	(52)	(24)	(28)	117
Economic effects of the allocation of acquisition costs (net of tax)	(1)	-	(1)	n.s.
Net profit (loss) for the period attributable to non-controlling interests	-	(4)	4	-100
<b>NET PROFIT</b>	<b>834</b>	<b>871</b>	<b>(37)</b>	<b>-4</b>

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

n.s.: not significant

### Quarterly consolidated income statements

(reclassified - €m)

	2018				2017			
	Q4	Q3	Q2	Q1 (*)	Q4 (*)	Q3 (*)	Q2 (*)	Q1 (*)
Net interest income	40	38	37	37	38	39	43	40
Net profit (loss) on financial assets and liabilities	3	6	5	20	2	11	6	12
Net fee and commission income	425	416	423	437	443	428	424	415
<b>TOTAL NET INTEREST AND TRADING INCOME</b>	<b>468</b>	<b>460</b>	<b>465</b>	<b>494</b>	<b>483</b>	<b>478</b>	<b>473</b>	<b>467</b>
Net impairment for credit risk	7	(1)	-	(1)	3	(1)	-	-
<b>OPERATING INCOME</b>	<b>475</b>	<b>459</b>	<b>465</b>	<b>493</b>	<b>486</b>	<b>477</b>	<b>473</b>	<b>467</b>
Personnel expenses	(97)	(86)	(82)	(85)	(88)	(81)	(84)	(78)
Other administrative expenses	(64)	(62)	(55)	(55)	(59)	(57)	(60)	(52)
Depreciation and amortisation	(3)	(2)	(3)	(2)	(5)	(4)	(3)	(4)
<b>OPERATING EXPENSES</b>	<b>(164)</b>	<b>(150)</b>	<b>(140)</b>	<b>(142)</b>	<b>(152)</b>	<b>(142)</b>	<b>(147)</b>	<b>(134)</b>
Net provisions for risks and charges	(4)	1	(7)	(5)	(10)	(7)	(8)	(7)
Profit (loss) on equity investments	3	2	1	3	-	3	3	3
Other income (expense)	(3)	-	(1)	-	(1)	2	-	(1)
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>307</b>	<b>312</b>	<b>318</b>	<b>349</b>	<b>323</b>	<b>333</b>	<b>321</b>	<b>328</b>
Income taxes for the year on continuing operations	(87)	(96)	(95)	(103)	(103)	(98)	(96)	(93)
Expenses regarding the banking system (net of tax)	(6)	(6)	(3)	(3)	2	(15)	1	(4)
Non-recurring income (expenses) (net of tax)	(36)	(7)	(5)	(4)	(12)	(1)	(5)	(6)
Economic effects of the allocation of acquisition costs (net of tax)	(1)	-	-	-	-	-	-	-
Net profit (loss) for the period attributable to non-controlling interests	-	-	-	-	(1)	-	(1)	(2)
<b>NET PROFIT</b>	<b>177</b>	<b>203</b>	<b>215</b>	<b>239</b>	<b>209</b>	<b>219</b>	<b>220</b>	<b>223</b>

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

# €1.9<sub>bn</sub>

## Total net interest and trading income

**Total net interest and trading income**, amounting to €1.9bn, fell by €14m from 2017 (-1%). This result is attributable to:

- decreased net interest income (-€8m);
- increased net profit on financial assets (+€3m);
- reduced net fee and commission income (-€9m).

## Net interest income

(€m)

	2018	2017	CHANGE	
			AMOUNT	%
Interest expense on due to customers	(32)	(25)	(7)	28
Interest expense on due to banks	(19)	(21)	2	-10
Interest income on debt securities	222	216	6	3
Interest income on loans	75	83	(8)	-10
Net interest on hedging derivatives	(94)	(94)	-	-
Other net interest income	-	1	(1)	-100
<b>Total</b>	<b>152</b>	<b>160</b>	<b>(8)</b>	<b>-5</b>

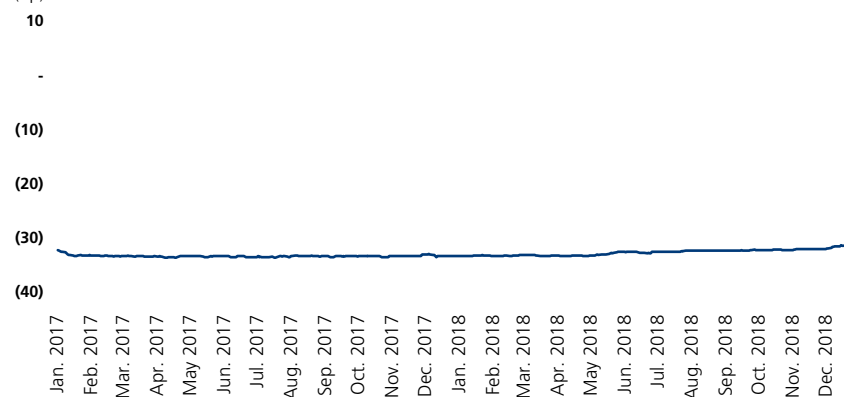
# €152<sub>m</sub>

## Net interest income

**Net interest income** totalled €152m, down €8m (-5%) from last year, due to interest rates remaining very low over the whole yield curve, and still negative in the shortest term segment on the yield curve. This change was partly offset by the growth in average interest-bearing assets, which contributed to the stability of net interest income in 2018. The trend analysis shows growth in net interest income during the last two quarters of 2018, in consequence of actions taken to reposition the Group portfolio on medium-term maturities, in combination with a reduction in the deposit-lending rate spread during the last quarter of the year.

## 3-month Euribor rate

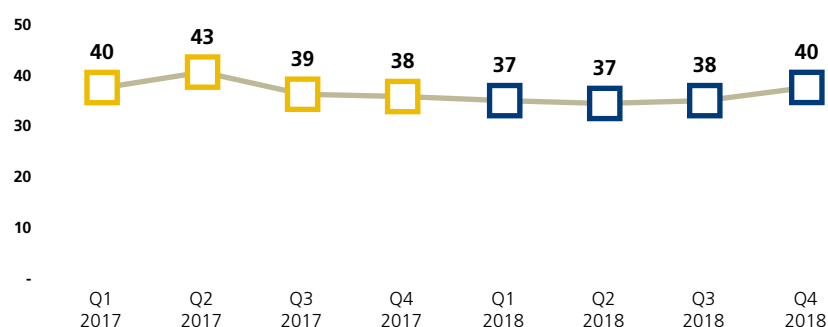
(bp)



Source: Bloomberg

## Quarterly change in net interest income

(€m)



## Net profit (loss) on financial assets and liabilities

(€m)

	2018	2017	CHANGE	
			AMOUNT	%
Net profit (loss) on sale of loans and financial assets	24	16	8	50
Net profit (loss) on trading activities	10	14	(4)	-29
Net profit (loss) on hedging derivatives	-	1	(1)	-100
<b>Total</b>	<b>34</b>	<b>31</b>	<b>3</b>	<b>10</b>

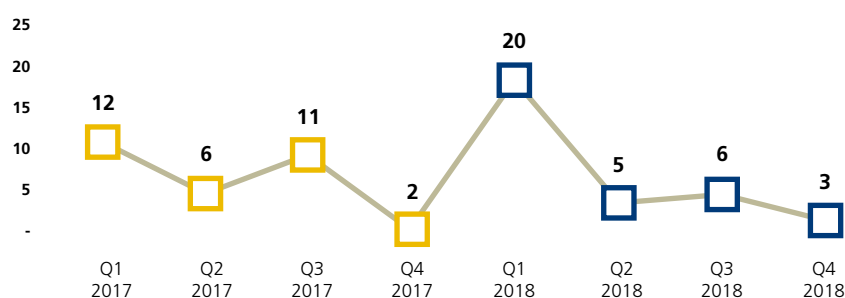
**Net profit on financial assets and liabilities** came to €34m, up €3m from the figure for 2017 (+10%). Analysis of the item shows that net profit on sale of loans and financial assets (€24m) increased by €8m due to increased sales of investment securities. The net profit on trading activities came to €10m, down €4m compared with 2017. Net profit on hedging derivatives, resulting from the ineffective hedging of interest-rate derivatives, decreased by €1m from last year, consistently with the changes in market interest rate curves, while holding steady on trend values close to zero during the last two quarters of 2018.

€34<sub>m</sub>

Net profit on financial assets and liabilities

## Quarterly net profit (loss) on financial assets and liabilities

(€m)



## Fee and commission income

(€m)

	2018	2017	CHANGE	
			AMOUNT	%
Fee and commission income	2,459	2,443	16	1
Fee and commission expense	(758)	(733)	(25)	3
<b>Net fee and commission income</b>	<b>1,701</b>	<b>1,710</b>	<b>(9)</b>	<b>-1</b>

**Net fee and commission income** totalled €1.7bn, down €9m (-1%) on 2017.

€1.7<sub>bn</sub>

Net fee and commission income



## Net recurring fees

(€m)

	Q1	Q2	Q3	Q4	TOTAL
2018	407	403	408	387	1,605
2017	382	393	403	400	1,578
<b>Change</b>	<b>25</b>	<b>10</b>	<b>5</b>	<b>(13)</b>	<b>27</b>

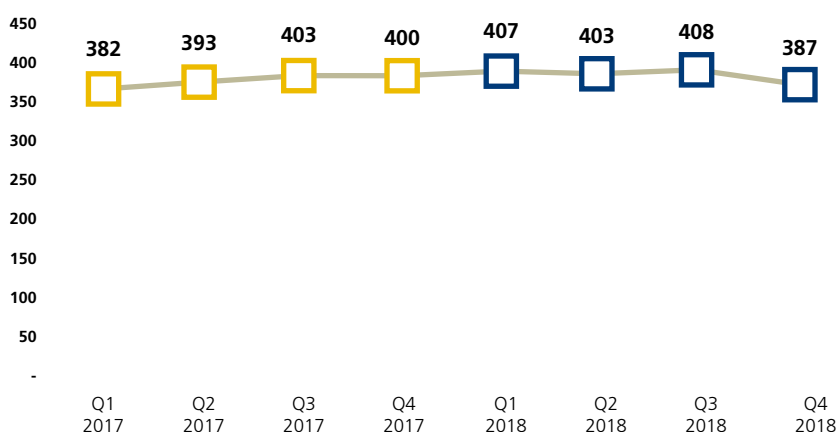
€1.6<sub>bn</sub>  
Net recurring fees

Notwithstanding the high volatility on financial markets, **net recurring fees** continued to stabilise Group earnings. They amounted to €1.6bn in 2018, up €27m from last year (+2%). This result is attributable to the increase in average managed assets, which rose from €145.9bn at 31 December 2017 to about €152.3bn at the end of December 2018 (+4%). This more than offset the lower profitability of products. Analysis of the quarterly changes shows the trend tracked by recurring fees, which remained at higher levels in the first nine months of 2018 than in all quarters of 2017, while falling in the fourth quarter due to the sharp downward correction on the financial markets towards the end of the year.

Net recurring fees also benefited from the positive contribution of client assets connected with our Advanced Advisory Services, which generated net recurring fees of €81m compared with €79m on 2017 (+3%).

## Quarterly net recurring fees

(€m)



## Net performance fees

(€m)

	Q1	Q2	Q3	Q4	TOTAL
2018	-	-	-	10	10
2017	-	1	-	26	27
<b>Change</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(16)</b>	<b>(17)</b>

€10<sub>m</sub>  
Net performance fees

**Net performance fees** totalled €10m, down €17m (-63%) from 2017. The Fideuram Group charges the performance fees on individual discretionary accounts annually (zero in 2018, compared with €9m in 2017), except when the customer decides to close the account early. The group calculates the performance fees on its internal insurance funds (none charged in 2018 and 2017) on a daily accrual basis in relation to the performance of the fund, applying a High Water Mark clause which means that performance fees 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 (€10m in 2018, compared with €18m in 2017) are charged annually with the exception of two 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
2018	51	43	28	43	165
2017	47	47	45	35	174
Change	4	(4)	(17)	8	(9)

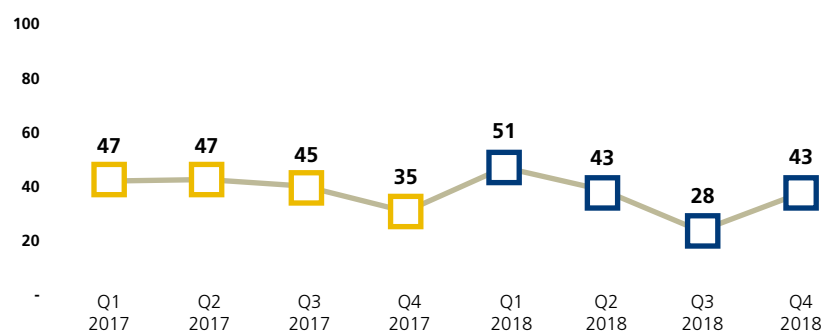
**Net front-end fees** totalled €165m, and were down €9m from the net amount last year (-5%).

The growth in front-end fee income on bonds and certificates was fully offset by the decrease in front-end fee income for managed asset and insurance product sales. During the year, the Group's sales networks distributed a number of bond loans and certificates, in addition to Italian government bonds, which brought in approximately €2.5bn in gross inflows, compared with €919m in 2017.

€165 m  
Net front-end fees

## Quarterly net front-end fees

(€m)



## Other commission expense: incentives and others

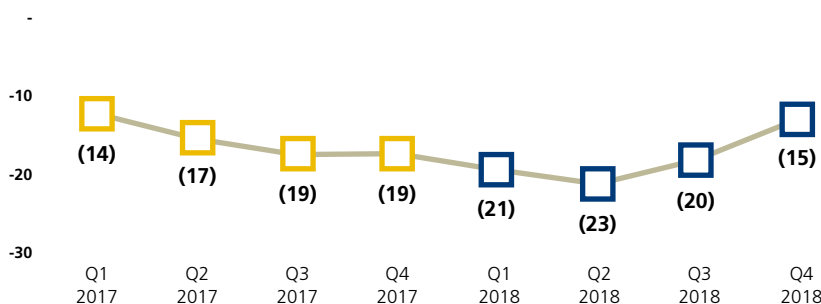
(€m)

	Q1	Q2	Q3	Q4	TOTAL
2018	(21)	(23)	(20)	(15)	(79)
2017	(14)	(17)	(19)	(19)	(69)
Change	(7)	(6)	(1)	4	(10)

**Commission expense for incentives and others** totalled €79m, up €10m from the same period of the previous year (+14%). That stemmed primarily from higher incentives accrued during the year and, to a lesser extent, from contingent assets on bonuses recognised in 2017.

## Quarterly other commission expense

(€m)



**Net impairment for credit risk** totalled a positive €5m, up €3m from 2017. This performance was attributable to the significant improvement in the credit rating of customer loans, which positively impacted the annual income statement.

## Operating expenses

(€m)

	2018	2017	CHANGE	
			AMOUNT	%
Personnel expenses	350	331	19	6
Other administrative expenses	236	228	8	4
Depreciation and amortisation	10	16	(6)	-38
<b>Total</b>	<b>596</b>	<b>575</b>	<b>21</b>	<b>4</b>

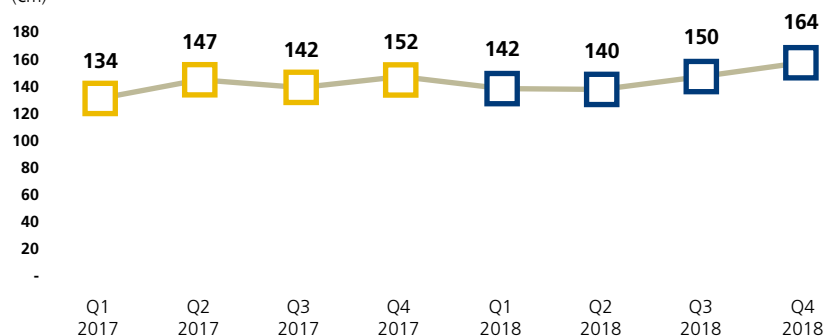
€596 m

Operating expenses

**Operating expenses** came to €596m, up €21m (+4%) on the figure for last year. Analysis of the item shows that personnel expenses, which totalled €350m, were up €19m compared with 2017, consequent to the increase in headcount (+102 new employees), mainly in the sales area and, to a lesser extent, to the increase in accruals for the variable components of remuneration. Other administrative expenses totalled €236m, up €8m from the figure for last year, principally as a result of higher information technology and real estate expenses. Depreciation and amortisation fell by €6m. This was largely caused by revision of the useful life of proprietary software beginning 1 January 2018. This extended the average term of amortisation by about two years.

## Quarterly operating expenses

(€m)



## Net provisions for risks and charges

(€m)

	2018	2017	CHANGE	
			AMOUNT	%
Personal Financial Advisers' termination indemnities and incentives	17	24	(7)	-29
Litigation and complaints	(3)	4	(7)	n.s.
Network loyalty schemes	1	4	(3)	-75
<b>Total</b>	<b>15</b>	<b>32</b>	<b>(17)</b>	<b>-53</b>

**Net provisions for risks and charges** came to €15m, down €17m (-53%) from the figure for last year. Detailed analysis of the item shows that the provision for the termination of Personal Financial Adviser agency agreements, totalling €17m, decreased by €7m. This was mainly due to revision of the actuarial assumptions used to measure the value of the Fund and, to a lesser extent, an upward shift in the interest rate curve causing the discounting of the long-term liability to have a reduced impact on the expense recorded in the income statement. The provisions set aside to cover contingent liabilities from lawsuits, litigation, claims from receivers and customer complaints decreased by €7m, due to the settlement of several cases at costs lower than what had been estimated. The provisions set aside for the Network Loyalty Schemes were down by €3m, mainly due to the termination of a loyalty scheme at the end of 2017.

€15<sub>m</sub>

Net provisions for risks and charges

**Profit on equity investments** came to €9m, in line with the net amount for last year. It refers to the Group's share of net income on its interest in Fideuram Vita S.p.A., FI.GE Fiduciaria S.p.A., and DJ Inversiones S.A.

€9<sub>m</sub>

Profit on equity investments

**Other income and expense** represents a residual item for miscellaneous income and expense that cannot be recognised in other items of the income statement. This item fell by €4m in 2018 from the zero balance of 2017, which included non-recurring income.

**Income taxes**, for which €381m was set aside in the year, were down €9m compared with last year as a result of the lower profit before tax in 2018. The tax rate was 30%, in line with 2017.

The item **Expenses regarding the banking system net of tax** is for the expenses related to maintaining the stability of the banking system, recognised in the income statement in accordance with current regulations. In 2018, these expenses totalled €18m, up €2m on the figure for last year, and comprised the €7m expense of the contribution to the Deposit Guarantee Scheme (DGS) introduced by Directive 2014/49/EU, €6m set aside for the contribution to the Single Resolution Fund introduced by Directive 2014/59/EU, and the €5m non-recurring charge connected with the total write-down of the subordinated bond acquired after the assistance provided to Banca Carige, as part of 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 €52m in net expenses (compared with €24m in 2017). Of this amount, €27m was attributable to the expenses incurred to integrate Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Bank (Suisse), Siref Fiduciaria and the Morval Vonwiller Group in the Fideuram Group, while €25m (of which €1m for penalties and €2m for interest) was attributable to the estimated charges for settlement of the claims made by the Tax Authorities concerning direct taxes for the years 2013-2017, which mainly regarded the cash pooling activities of the French subsidiary Financière Fideuram.

The **economic effects of the allocation of acquisition costs net of tax** (€1m) refer to the amortisation of intangible assets recognised after the acquisition of the Morval Vonwiller Group in the second quarter of 2018. A comparison of the total cost of the acquisition and the shareholders' equity of the Morval Group (which has been revalued to account for the fair value of the acquired assets and liabilities), a €26m difference has arisen following measurement of the value of the intangible asset connected with client asset management relationships. This asset was recognised as an intangible asset with a finite useful life at a carrying amount of €34m (including the tax effect) and will be amortised over 15 years on the basis of the useful life of the underlying assets.

## 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.

### Segment reporting at 31 December 2018

(€m)

	MANAGED FINANCIAL ASSETS	LIFE INSURANCE ASSETS	BANKING SERVICES	TOTAL FIDEURAM GROUP
Net interest income	-	-	152	152
Net profit (loss) on financial assets and liabilities	-	-	34	34
Net fee and commission income	1,136	496	69	1,701
<b>Total net interest and trading income</b>	<b>1,136</b>	<b>496</b>	<b>255</b>	<b>1,887</b>
Operating expenses	(315)	(83)	(198)	(596)
Other	(12)	(6)	13	(5)
<b>Profit before tax from continuing operations</b>	<b>809</b>	<b>407</b>	<b>70</b>	<b>1,286</b>
<b>Average Client Assets</b>	<b>101,414</b>	<b>50,870</b>	<b>65,296</b>	<b>217,580</b>
<b>Client Assets</b>	<b>96,756</b>	<b>50,220</b>	<b>66,093</b>	<b>213,069</b>
<b>Indicators</b>				
Cost / Income Ratio	28%	17%	75%	32%
Profit before tax / Average Client Assets	0.8%	0.8%	0.1%	0.6%
Net fee and commission income / Average Client Assets	1.1%	1.0%	0.1%	0.8%

### MANAGED FINANCIAL ASSETS SEGMENT

The Managed Financial Assets Segment covers the Group's discretionary account and mutual fund business, which totalled €96.8bn at 31 December 2018 (45% of total client assets), a €4.9bn decrease on 31 December 2017 as a result of the market performance that negatively impacted assets. The inflows into managed and non-managed assets, totalling a positive €2bn, decreased by €6.3bn from last year. This resulted mainly from the Group personal financial advisers directing a portion of the new inflows from customers towards the bond and monetary market in response to cyclical market conditions. The segment's contribution to profit before tax totalled €809m, down on the previous financial year, principally due to the reduction in net fee and commission income and increase in operating expenses. 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%.

Aiming to provide its clients with constantly up-to-date investment solutions in response to their evolving needs and the market context, Fideuram carried out numerous product development activities in 2018 according to a guided open architecture approach with important international asset managers, and consistently with its own business model, which is always based on providing financial advice.

The offering of Fideuram **funds**, and especially the Luxembourg umbrella fund Fonditalia (FOI), has been expanded with five new products, some with open-ended investment and others with an investment window, and flexible, multi-asset and equity strategies. The first three solutions have been developed in partnership with independent managers who are highly specialised in the underlying strategies. In particular, FOI Opportunities Diversified Income fund was launched. It offers a long-only flexible bond solution with an unconstrained approach, and has been outsourced



## Managed financial assets

(€m)

	2018	2017 (*)	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities	-	-	-
Net fee and commission income	1,136	1,146	-1
<b>Total net interest and trading income</b>	<b>1,136</b>	<b>1,146</b>	<b>-1</b>
Operating expenses	(315)	(309)	2
Other	(12)	(22)	-45
<b>Profit before tax from continuing operations</b>	<b>809</b>	<b>815</b>	<b>-1</b>
<b>Average Client Assets</b>	<b>101,414</b>	<b>97,110</b>	<b>4</b>
<b>Client Assets</b>	<b>96,756</b>	<b>101,688</b>	<b>-5</b>
<b>Indicators</b>			
Cost / Income Ratio	28%	27%	
Profit before tax / Average Client Assets	0.8%	0.8%	
Net fee and commission income / Average Client Assets	1.1%	1.2%	

(\*) Restated where necessary to reflect the contribution made by the Morval Vonwiller Group so that straight comparisons can be made.

to TwentyFour Asset Management, Vontobel Group company. The second fund, FOI Eurizon Collection 2023, outsourced to Eurizon Capital, is a multi-asset investment window fund that combines established strategies developed by Eurizon in both the equity and bond segments for a five-year investment period. Finally, the FOI Income Mix fund has been developed in outsourcing to Invesco. This is a flexible management solution with a balanced portfolio that aims to offer investors long-term growth through the selection of equities and bonds that can generate a steady income flow. Further expanding its product line, Fideuram Asset Management (Ireland) has added two new specialised equity funds, FOI Millennials Equity and FOI Africa & Middle East Equity. Savings Investment Plans (PIR) continued to be offered as a product by Fideuram Investimenti SGR. Customers have continued to express great interest in this product, and also in the opening of new plans in continuation of the plans subscribed in 2017. Moreover, Fideuram Investimenti has made a unique and innovative programme available

on the Fideuram Alternative Investments (FAI) platform created in 2016. This new programme was created for investing on private markets. For the first time with FAI - Mercati Privati Globali, retail customers of Fideuram and Sanpaolo Invest have access to a solution that allows them to invest in the real economy, in unlisted firms, in Private Equity, Private Debt, infrastructure, and real estate segments. Finally, Fideuram Multibrand (the range of funds offered by third-party asset managers) has been expanded with three new partnerships with the addition of a selection of their best strategies. These independent asset managers are Nordea Asset Management, a firm dedicated to asset management for the Nordea Group, which is the biggest financial institution in the Nordic countries, Muzinich & Co., an American asset management company specialised in corporate debt founded in 1988, and Capital Group which, founded in Los Angeles in 1931, is now one of the biggest asset management companies in the world. Advanced maintenance of catalogue offerings has also continued.

The offering of funds and SICAVs distributed by Intesa Sanpaolo Private Banking was expanded during 2018 with the launch of new funds. Eurizon Capital SGR launched three Italian specified investment window funds with an investment time horizon of five years:

- Eurizon Top Star Aprile 2023, with a diversified investment strategy across multiple asset classes to adapt to evolution in the market context, with an equity component (between 40% and 80% of the portfolio) managed with a contrarian approach and a bond component (between 20% and 60% of the portfolio) managed flexibly and with diversification across all segments of the bond market (including structured credit).
- Eurizon Opportunity Select Luglio 2023, characterised by an innovative Core-Satellite approach. The Core component (60%) is structurally invested through the best flexible strategies of Eurizon (30% flexible equity strategy, 30% flexible bond strategy). The Satellite component (40%) is developed by using hedging and extra-return strategies to improve the risk/return profile of the portfolio.
- Eurizon Obbligazioni Dollaro Novembre 2023, which invests in US dollar denominated bonds issued by corporations and having mainly investment grade ratings. The Fund permits portfolio diversification of currencies for the investors and the possibility of assuming exposure to the American interest rate curve.

€96.8 bn

Managed financial assets  
(45% of total client assets)

The range of Luxembourg funds offered by Eurizon Capital has been expanded with new bond, flexible and equity investment solutions, including:

- Eurizon Fund Securitized Bond Fund, which specialises in structured European credit with the aim of realising an absolute return with a short-medium term horizon, and which invests mainly in high-quality, mostly floating-rate securitisations, thereby significantly mitigating both credit risk and duration risk.
- Eurizon Fund Bond Aggregate RMB, a new opportunity to invest in Renminbi denominated bonds. The management team selects the government and corporate securities by privileging those issues which offer a good level of liquidity and an interesting risk/return profile.
- Eurizon Fund Equity China A, which invests in the Chinese equity market in local currency, through the presence in Hong Kong of a management team highly specialised in the Chinese market that invests in A-Shares. Eurizon Fund Absolute Green Bonds, where the manager selects the bonds, mainly investment grade, by using the criteria defined by GBP (Green Bonds Principles) to support the growth of investments having green environmental themes.
- Eurizon Fund Bond Corporate Smart ESG - for "responsible" investing in the corporate investment grade bond market. The fund is diversified across a wide universe of investment grade bonds with issues in Euro and having a maturity longer than/equal to one year and excluding bonds whose characteristics are incompatible with Environmental, Social and Governance criteria.

The offering of the range managed by Fideuram Asset Management (Ireland) has also been expanded with new investment solutions, both in the form of investment windows and continuous investment, dedicated to Intesa Sanpaolo Private Banking, through the new Luxembourg SICAV Ailis and with their management being outsourced to leading international investment firms:

- Ailis M&G Collection is the first Ailis investment window fund, whose management is outsourced to the Multi Asset team of M&G Investments. Their management is characterised by a selection of M&G funds that flexibly invest across multiple equity classes and are characterised by their consolidated track record. The fund objective is to generate positive aggregate returns through a combination of income and capital growth, over a five-year investment horizon, exploiting active management of the underlying funds. The objective of Ailis Invesco Income, an investment window fund and whose management is outsourced to Invesco, is to exploit the potential of bonds and equities throughout the world with interesting valuations, coupon flow and dividend growth, aiming at growing the value of its portfolio over a five-year investment horizon. The highly diversified portfolio of this fund invests primarily in high-return global debt securities and may be invested up to 40% in highly capitalised global equities.
- Ailis Man Multi Asset, an investment window fund whose management is outsourced to MAN AHL, a manager having a quantitative and systematic approach, represents the new generation of multi-asset investment and combines a dynamic exposure to different asset classes with the use of systematic quantitative strategies. Its objective is to generate positive returns and preserve its invested capital over the five-year time horizon through dynamic exposure to different asset classes with stable volatility, independently of market conditions. The use of advanced risk management techniques aims to boost overall performance and reduce correlation, while limiting risks during the most difficult market phases.
- Ailis JPM Flexible Allocation, whose management is outsourced to J.P. Morgan Asset Management, is the first continuous investment fund of Ailis and is characterised by its dynamic and global exposure to different asset classes. The fund has a diversified portfolio and mainly invests in shares and bonds at the global level, taking a flexible approach. The

management team defines the asset allocation of the portfolio through a combination of qualitative and quantitative evaluations generated by the global integrated research platform of J.P. Morgan, which has the capacity to select the best opportunities worldwide. The new Ailis funds also offer an income distribution class based on the coupon flow of the underlying assets.

The offer of third-party funds and SICAV is further enriched with a new investment firm, Janus Henderson Investors, created from the merger of two leading active management firms: Janus Capital Group and Henderson Global Investors. The new offer concerns the Luxembourg SICAV Janus Henderson Horizon Fund and the Irish SICAV Janus Henderson Capital Funds plc. Lastly, we also added new funds of international investment houses whose products we already distribute and continued our updating and maintenance of the funds offered.

In regard to **individual discretionary accounts**, and especially the Omnia asset management, actions were taken during 2018 to simplify and rationalise the product structure, to provide more complete service to the different client segments and develop the offering of Private Banking solutions. In particular, the thresholds for access to the product and the families of investments were revised, certain product lines were discontinued if deemed to be of lesser interest in light of market prospects, while the Active Beta 100 equity line was introduced. Finally, with the objective of developing the offering of Private Banking products, the catalogue was revised by introducing new Ego lines differentiated according to their investment aims. In particular, the Ego Sustainable line is characterised by exclusive investment in funds that adopt sustainable investment policies having a social and environmental impact.

The launch of the new Fideuram Folios service characterised 2018. It offers access to an innovative platform for investing in funds, ETF and securities, realised with the contractual framework of Fideuram Investimenti multi-line asset management service. Fideuram Folios allow customers to construct their own strategy for par-

participation in the market through the free composition of over 40 Folios, offering an alternative to à la carte investment solutions, with a wide choice of opportunities developed with the contribution of Fideuram Investimenti in their creation, selection, and diversification and greater operational and tax efficiency. In addition to the investment platform, Fideuram Folios provide a series of additional services and contractual options, including the possibility of choosing the most appropriate tax treatment for the customer (non-managed or discretionary account). The platform was expanded in the second half of the year with the "Step-in" Folios. These make gradual investments in equity and multi-asset portfolios of Folios with the aim of making it easier to invest liquidity in the current market context. The products offered by the Folios was then rounded out with the "Customized Folios" ("Il Mio Foglio"), a new type of Folio conceived to allow customers to participate actively in the construction of their own investment strategy through the free choice of funds and ETF from a "List of Financial Instruments" defined, monitored, and updated over time by Fideuram Investimenti. "Customized Folios" provide selected customers with investment solutions that are also available in the à la carte offering with all the management, tax and operational benefits of the Fideuram Folios platform. The customer can choose the funds and ETF in compliance with several selection criteria, defined to guarantee adequate portfolio diversification, and the maximum contractually allowed risk level and measured by volatility. Within the discretionary limits accorded in the management mandate, Fideuram Investimenti performs in-depth assessments and selection of investment opportunities and continuous monitoring of customer portfolios.

## LIFE INSURANCE ASSETS SEGMENT

This segment covers the Group's life insurance and pension fund business, which totalled €50.2bn at 31 December 2018 (24% of total client assets), down €1bn principally due to market performance, which negatively impacted portfolios. Total net inflows in the segment were €1.5bn, down €1.8bn compared with the previous financial year.

The contribution made to gross profit amounted to €407m, down €7m from the previous year, due to the reduction in net fee and commission income and the increase in operating expenses. 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%.

### Life insurance assets

(€m)

	2018	2017 (*)	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities	-	-	-
Net fee and commission income	496	502	-1
<b>Total net interest and trading income</b>	<b>496</b>	<b>502</b>	<b>-1</b>
Operating expenses	(83)	(79)	5
Other	(6)	(9)	-33
<b>Profit before tax from continuing operations</b>	<b>407</b>	<b>414</b>	<b>-2</b>
<b>Average Client Assets</b>	<b>50,870</b>	<b>48,791</b>	<b>4</b>
<b>Client Assets</b>	<b>50,220</b>	<b>51,238</b>	<b>-2</b>
<b>Indicators</b>			
Cost / Income Ratio	17%	16%	
Profit before tax / Average Client Assets	0.8%	0.8%	
Net fee and commission income / Average Client Assets	1.0%	1.0%	

(\*) Restated where necessary to reflect the contribution made by the Morval Vonwiller Group so that straight comparisons can be made.

Several advanced measures were taken with **insurance products** to expand the existing range and improve the advisory component of the offering. Investment opportunities were expanded and contractual options were improved for the insurance investment products of Fideuram Vita. In particular, new mutual funds were added to the Unit Linked policies in the Fideuram Vita Insieme family, and the access thresholds for the base and private version were revised to better respond to target customer needs. For the offering of multi-class policies, the Fideuram Vita Sintonia policy has been enriched with the

introduction of new additional services and functions, including decumulation. Moreover, the structure of subscription fees of the Fideuram Vita Sintonia multi-class policy and of the Fideuram Vita Insieme family has been simplified. Then, in the segment of for-profit policies, the Fideuram

€50.2 bn

Life Insurance products  
(24% of total client assets)

Vita Garanzia and Valore 2 product has been opened up for investment. This is a Class I single-premium whole-of-life policy with a capital guarantee for settlement events (surrender, claim or conversion into an annuity) and associated with the segregated management of the FV VIVADUE FUND. With the aim of relaunching and revitalising the offer of pure risk products, the Fideuram Vita Serena product was opened up for investment. This is a term life insurance policy with a constant annual premium. Fideuram Vita Serena, which has replaced the previous term life insurance policy named Fideuram Vita Attiva, differs from the latter due to its new subscription process, which expands the scope of potentially insured persons, offering greater maximum insurable capital, and due to its recourse to reinsurance contracts that make the product more competitive in terms of pricing.

At Intesa Sanpaolo Private Banking, the "Programma Dedicato" ("dedicated programme") started to be offered during the first half of the year. This is a Class I single-premium whole-of-life policy issued by Intesa Sanpaolo Vita. The policy offers an insurance solution that allows the customer to invest the capital to be distributed to designated beneficiaries upon decease of the customer or the capital to be paid out upon surrender of the policy. The return on the product is linked to the results of the segregated management of the VIVADUE Fund. In regard to the products already being offered to customers, actions were taken to expand and update the range of mutual funds which may be chosen in the policy for the following products:

- Synthesis of Intesa Sanpaolo Vita;
- Synthesis HNWI of Intesa Sanpaolo Vita;
- FV Private Mix of Fideuram Vita S.p.A.;
- Selezione Private of Intesa Sanpaolo Life dac.

Lastly, our inter-broker agreement with First Advisory Broker was extended with the addition of a new Luxembourg insurance company to further increase the range of Private Insurance solutions, in addition to a new Italian insurance company to satisfy the growing demand for Class I insurance products.

## 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 €66.1bn at 31 December 2018 (31% of total client assets), up €2.5bn com-

pared with the figure at 31 December 2017. Total net inflows in the segment were positive at €6.6bn, up €6bn due to a major shift in asset allocation. The contribution of this segment to profit before tax was €70m. The €6m decrease in profit before tax compared with last year was due to the increase in operating costs. The ratio of net fee and commission income to client assets and of profit before tax to client assets was 0.1%.

### Banking Services

(€m)

	2018	2017 (*)	% CHANGE
Net interest income	152	160	-5
Net profit (loss) on financial assets and liabilities	34	31	10
Net fee and commission income	69	62	11
<b>Total net interest and trading income</b>	<b>255</b>	<b>253</b>	<b>1</b>
Operating expenses	(198)	(187)	6
Other	13	10	30
<b>Profit before tax from continuing operations</b>	<b>70</b>	<b>76</b>	<b>-8</b>
<b>Average Client Assets</b>	<b>65,296</b>	<b>63,202</b>	<b>3</b>
<b>Client Assets</b>	<b>66,093</b>	<b>63,624</b>	<b>4</b>
<b>Indicators</b>			
Cost / Income Ratio	75%	72%	
Profit before tax / Average Client Assets	0.1%	0.1%	
Net fee and commission income / Average Client Assets	0.1%	0.1%	

(\*) Restated where necessary to reflect the contribution made by the Morval Vonwiller Group so that straight comparisons can be made.

Our development of the Group's **non-managed asset products and banking services** continued, advancing the initiatives to extend our banking facilities and the acquisition of new customers through the offering of services and products selected according to the specific requirements of customers.

In regard to our banking products, we continued to pursue the strategy first implemented a few years ago, to extend our banking facilities and acquire new customers through campaigns offering our Fideuram Plus current accounts, repurchase agreements and lending activities.

Moreover, the range of current accounts was relaunched by redefining it according to customer segments. In particular, the

Conto Fideuram One account is dedicated to those customers who use their own current account in the traditional way. The Conto Fideuram Prime is aimed at customers who use digital channels. The Conto Fideuram Private Banking and Conto Esclusivo Fideuram Private Wealth Management accounts are dedicated to HNWI.

€66.1 bn

Non-managed assets  
(31% of total client assets)



In regard to the offering of financial instruments, the second half of the year was characterised by a series of Investment Certificates issued by Banca IMI on equity indices and baskets of equity indices, with complete protection of the principal on maturity and full participation in the performance of the underlying securities, with or without a cap. These instruments are targeted at a broad range of customers, be they natural persons or legal entities (retail, professional, and qualified counterparties) regardless of their applicable customer segment (Mass, Affluent, Private, HNWI). For the bond distribution component, Fideuram, acting on its own account and also on behalf of Sanpaolo Invest, also participated in the placement of the Toyota Fixed Step Up bond in dollars and of BTP Italian government bonds launched by the Ministry of the Economy and Finance, both through its traditional channel and directly through Fideuram Online. Finally, Fideuram participated in private placements of Special Purpose Acquisition Companies, such as SPAXS, The SPAC, and NB Aurora, the first permanent capital vehicle listed in Italy ("Mercato MIV" - "Mercato degli Investment Vehicles", or Investment Vehicles Market), with the aim of investing in outstanding, unlisted Italian SMEs (small-to-medium enterprises).

The offering of securities on the primary market by Intesa Sanpaolo Private Banking in 2018 was dominated by the placement of 27 Certificates with the issuer Banca IMI (seven of which on request by individual customers).

In regard to banking products, the European Payment Services Directive PSD2 came into force on 13 January 2018. This is a legislative initiative undertaken by the European Union, which is continuing to make changes first introduced by PSD1 and SEPA (Single Euro Payments Area) for payment services, with significant implications for banks as providers of payment services. Payment systems have been gradually modified since this legislative and regulatory change, to harmonise them with the evolution under way in the Single Euro Payments Area. To improve the security of online purchases by customers as part of this process, an innovation was introduced affecting credit cards (Carta Mastercard Platinum, Carta Visa Oro), prepaid cards (Carta Flash Nominativa, Carta Flash Visa Paywave), and XME Card (formerly NextCard), which consists in the Secure Code for online payments on sites certified as secure (MasterCard Secure

Code and Verified by Visa), corresponding to the code generated by the O-key device assigned to the customer during subscription to the Services agreement via internet, mobile phone, and telephone.

BancoCard Plus debit cards also started to be offered on 21 May 2018. These debit cards are enabled for contactless use, which allows the card holder to execute payment transactions simply by placing the card close to enabled POS machines. To comply with the SCA (Strong Customer Authentication) requirements imposed by PSD2, the "Chip&Pin" was introduced as a new service for credit cards in the second half of 2018. This involves an implementation of credit card chips with the "preferred PIN", the setting requiring authentication of the payments by entering the PIN in lieu of a signature. This innovation has been applied to all newly issued credit cards in the catalogue since 1 December 2018, and will gradually be extended to outstanding credit cards through substitution of the card when it is recreated (through reissuance and duplication) or for renewal on expiration. At the same time, it will be possible to personalise the PIN on cards containing the new chip through the "change PIN" function available at ATMs. Also in regard to plastic money, the new process for requesting American Express cards (Platinum and Centurion) was implemented during the year.

In response to a need expressed by the Network, the offering of medium-long term loans was expanded with a new product in August 2018: the Light Fixed Rate. The loan is available for amounts exceeding €75k with maturity of up to 15 years, through the payment of monthly, quarterly or semi-annual instalments. The target is comprised both of natural persons and legal entities. This product offers the possibility of benefiting from initial "light" instalments consisting of interest alone, for up to a maximum of three years. The repayment schedule is flexible, by offering the choice between the "Amortisation Plan" option, defined at inception according to the term of the loan minus the amount due for the interest-only period, and which requires the payment of instalments comprised of interest and principal or "bullets", with a final balloon comprised of all the principal plus the last interest instalment. This bullet repayment solution is offered only for loans whose term does not exceed 3 years.



Fideuram and Sanpaolo Invest - Vicenza Office



## DISTRIBUTION OF VALUE

Creating value for our stakeholders is one of Fideuram'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 showing the Wealth created by the Group was prepared using the income statement figures from the Consolidated Financial Statements for 2018, reclassified in accordance with the instructions of the Italian Banking Association (Associazione Bancaria Italiana - ABI) following the guidelines of the Global Reporting Initiative (GRI). The Wealth created is the economic value generated in the period, 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 €2.8bn (+€9m on 2017).

This wealth was distributed to stakeholders as follows:

- Colleagues received 37.5% of the Wealth created, amounting to a total of €1bn. This included the remuneration paid to employees and the amounts set aside for and paid to the Personal Financial Adviser Networks.
- Our shareholder received 29.2% of the Wealth created, in the form of the proposed dividend pay-out totalling €810m.
- The government, public authorities, institutions and the community received €589m, principally in the form of direct and indirect taxes, amounting to 21.2% of the Wealth created.
- Suppliers received 9.9% of the Wealth created, amounting to €274m paid for goods and services.
- The remaining €62m has been retained by the Group. This amount includes the following items in particular: deferred tax assets and liabilities, amortisation and depreciation, and provisions for risks and charges.

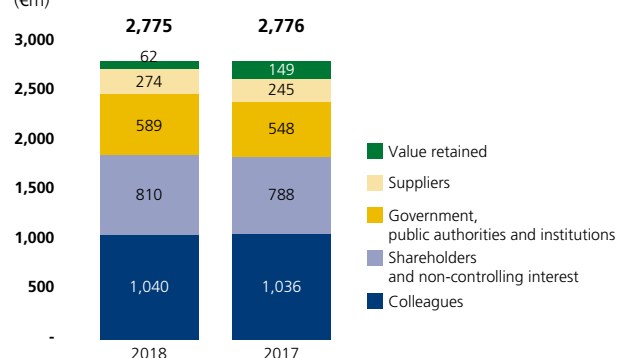
## Economic value added

(€m)

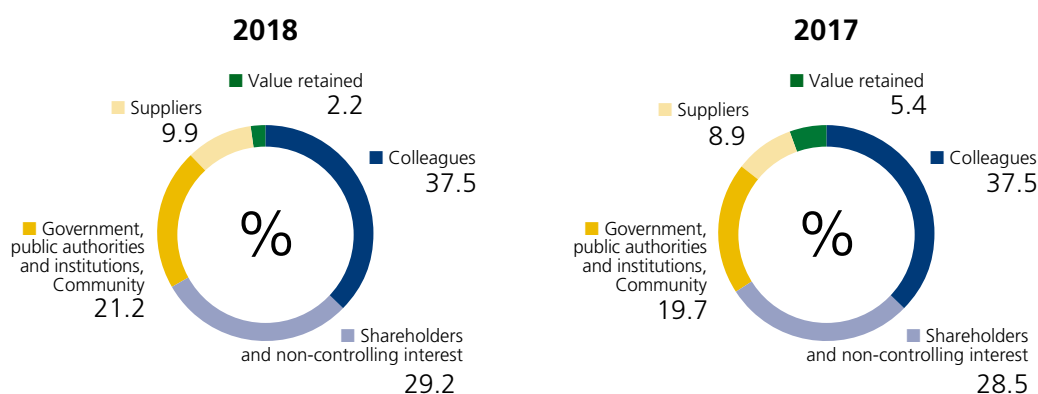
	2018	2017	CHANGE	
			AMOUNT	%
<b>Wealth created</b>	<b>2,775</b>	<b>2,766</b>	<b>9</b>	<b>-</b>
<b>Value distributed</b>	<b>(2,713)</b>	<b>(2,617)</b>	<b>(96)</b>	<b>4</b>
Colleagues	(1,040)	(1,036)	(4)	-
Shareholders and non-controlling interest	(810)	(788)	(22)	3
Government, public authorities and institutions, Community	(589)	(548)	(41)	7
Suppliers	(274)	(245)	(29)	12
<b>Value retained</b>	<b>62</b>	<b>149</b>	<b>(87)</b>	<b>(58)</b>

## Wealth created

(€m)



## Distribution of wealth created



Further information  
on page 411

## ASSET AND LIABILITY MANAGEMENT

The tables below show the main balance sheet items compared with the corresponding figures at 1 January 2018. The comparative amounts at 31 December 2017 on the reclassified balance sheet were reclassified by applying IFRS 9, entered into force on 1 January 2018, and restated in the new financial statements so that comparisons may be made on a like-for-like basis. The net amounts on the balance sheet at 1 January 2018 also reflect the contribution made by the Morval Vonwiller Group, which was consolidated beginning in the second quarter of 2018.

### Consolidated balance sheet

(reclassified - €m)

	31.12.2018	1.1.2018 (*)	CHANGE	
			AMOUNT	%
<b>ASSETS</b>				
Financial assets measured at fair value through profit or loss	294	631	(337)	-53
Financial assets measured at fair value through other comprehensive income	3,294	3,786	(492)	-13
Debt securities measured at amortised cost	13,299	10,560	2,739	26
Loans to banks	12,301	14,555	(2,254)	-15
Loans to customers	9,531	7,840	1,691	22
Hedging derivatives	-	5	(5)	-100
Equity investments	151	148	3	2
Property and equipment and intangible assets	309	271	38	14
Tax assets	198	175	23	13
Other assets	1,388	1,230	158	13
<b>TOTAL ASSETS</b>	<b>40,765</b>	<b>39,201</b>	<b>1,564</b>	<b>4</b>
<b>LIABILITIES</b>				
Due to banks	3,366	2,644	722	27
Due to customers	32,130	30,845	1,285	4
Financial liabilities held for trading	28	196	(168)	-86
Hedging derivatives	808	833	(25)	-3
Tax liabilities	82	101	(19)	-19
Other liabilities	1,079	1,154	(75)	-6
Provisions for risks and charges	468	462	6	1
Share capital and reserves	1,970	1,945	25	1
Equity attributable to non-controlling interests	-	150	(150)	-100
Net Profit	834	871	(37)	-4
<b>TOTAL LIABILITIES</b>	<b>40,765</b>	<b>39,201</b>	<b>1,564</b>	<b>4</b>

(\*) Restated taking the changes in the scope of consolidation and application of IFRS 9 into account so that straight comparisons can be made.

## Quarterly consolidated balance sheets

(reclassified - €m)

	31.12.2018	30.9.2018	30.6.2018	31.3.2018 (*)	1.1.2018 (*)	30.9.2017 (*)	30.6.2017 (*)	31.3.2017 (*)
<b>ASSETS</b>								
Financial assets measured at fair value through profit or loss	294	298	280	288	631	264	287	236
Financial assets measured at fair value through other comprehensive income	3,294	3,151	3,013	3,444	3,786	4,727	4,406	4,342
Debt securities measured at amortised cost	13,299	13,275	13,325	10,658	10,560	8,720	8,782	8,295
Loans to banks	12,301	12,968	13,373	15,337	14,555	14,560	14,202	14,516
Loans to customers	9,531	9,006	8,869	8,510	7,840	7,564	7,365	7,075
Hedging derivatives	-	2	1	2	5	3	6	4
Equity investments	151	156	148	151	148	146	144	141
Property and equipment and intangible assets	309	294	295	266	271	213	225	227
Tax assets	198	160	158	156	175	182	179	187
Other assets	1,388	1,260	1,192	1,182	1,230	1,060	1,112	1,096
<b>TOTAL ASSETS</b>	<b>40,765</b>	<b>40,570</b>	<b>40,654</b>	<b>39,994</b>	<b>39,201</b>	<b>37,439</b>	<b>36,708</b>	<b>36,119</b>
<b>LIABILITIES</b>								
Due to banks	3,366	2,469	2,464	2,566	2,644	2,671	2,741	2,934
Due to customers	32,130	32,975	33,175	31,668	30,845	29,434	28,669	28,266
Financial liabilities held for trading	28	30	32	18	196	44	84	19
Hedging derivatives	808	785	815	791	833	989	979	1,035
Tax liabilities	82	97	61	118	101	117	78	82
Other liabilities	1,079	1,115	1,214	1,164	1,154	1,016	1,220	1,062
Provisions for risks and charges	468	447	445	468	462	458	446	465
Share capital and reserves	1,970	1,995	1,994	2,814	1,945	1,892	1,885	1,863
Equity attributable to non-controlling interests	-	-	-	148	150	156	163	170
Net Profit	834	657	454	239	871	662	443	223
<b>TOTAL LIABILITIES</b>	<b>40,765</b>	<b>40,570</b>	<b>40,654</b>	<b>39,994</b>	<b>39,201</b>	<b>37,439</b>	<b>36,708</b>	<b>36,119</b>

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

Group **financial assets** totalled €16.9bn, an increase of €1.9bn (+13%) from 1 January 2018.

€16.9<sub>bn</sub>  
Financial assets

### Financial assets

(€m)

	31.12.2018	1.1.2018	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through profit or loss	294	631	(337)	-53
Financial assets measured at fair value through other comprehensive income	3,294	3,786	(492)	-13
Debt securities measured at amortised cost	13,299	10,560	2,739	26
Hedging derivatives	-	5	(5)	-100
<b>Total</b>	<b>16,887</b>	<b>14,982</b>	<b>1,905</b>	<b>13</b>

This performance is attributable to the strong growth of debt securities carried at amortised cost (+€2.7bn) due to the new purchases made during the year (mainly the debt securities issued by Intesa Sanpaolo). The financial assets measured at fair value through profit or loss moved in the opposite direction (-€337m) following the disposal of bonds hedged with interest rate derivatives that were no longer consistent with Group business models, and the financial assets measured at fair value through other comprehensive income. These decreased by €492m, mainly due to redemptions of bonds in 2018.

## Financial liabilities

(€m)

	31.12.2018	1.1.2018	CHANGE	
			AMOUNT	%
Financial liabilities held for trading	28	196	(168)	-86
Hedging derivatives	808	833	(25)	-3
<b>Total</b>	<b>836</b>	<b>1,029</b>	<b>(193)</b>	<b>-19</b>

**Financial liabilities**, consisting of derivatives, totalled €836m. This item shows a reduction of €193m (-19%) from 1 January 2018, mainly attributable to the early termination of several interest rate risk hedging derivatives consequent to the previously mentioned sale of bonds which were no longer in line with Group business models.

€836 m

Financial liabilities

## Loans to banks

(€m)

	31.12.2018	1.1.2018	CHANGE	
			AMOUNT	%
Due from Central Banks	339	636	(297)	-47
Current accounts	5,584	4,247	1,337	31
Term deposits	6,259	9,547	(3,288)	-34
Other	119	125	(6)	-5
<b>Total</b>	<b>12,301</b>	<b>14,555</b>	<b>(2,254)</b>	<b>-15</b>

**Loans to banks** totalled €12.3bn, down €2.3bn (-15%) on the figure at the beginning of the year. This change is mainly due to the reduction in investments in term deposits (-€3.3bn), partly offset by the increase in current accounts (+€1.3bn). Current accounts included €1.5bn in 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).

€12.3 bn

Loans to banks

## Due to banks

(€m)

	31.12.2018	1.1.2018	CHANGE	
			AMOUNT	%
Current accounts	882	168	714	n.s.
Term deposits	359	154	205	133
Repurchase agreement	2,101	2,286	(185)	-8
Other debts	24	36	(12)	-33
<b>Total</b>	<b>3,366</b>	<b>2,644</b>	<b>722</b>	<b>27</b>

n.s.: not significant

**Due to banks** totalled €3.4bn, up €722m from the beginning of 2018 due to the increased inflows to current accounts and term deposits. The Group continued to be a net lender on the interbank market, with net interbank deposits of €8.9bn (€12.3bn deposits and €3.4bn loans).

€3.4 bn

Due to banks

## Loans to customers

(€m)

	31.12.2018	1.1.2018	CHANGE	
			AMOUNT	%
Current accounts	6,222	5,709	513	9
Repurchase agreement	726	-	726	n.s.
Loans	815	658	157	24
Other	1,756	1,463	293	20
Impaired assets	12	10	2	20
<b>Total</b>	<b>9,531</b>	<b>7,840</b>	<b>1,691</b>	<b>22</b>

€9.5 bn

Loans to customers

**Loans to customers** totalled €9.5bn and mainly comprised short-term loans (repayable within 12 months or revocable loans without a specified term). The increase of €1.7bn in early 2018 is mainly attributable to the growth in repurchase agreements with institutional customers (+€726m) and current accounts (+€513m). Net problem loans totalled €12m at the end of December 2018, up €2m (+20%) on the figure last year. In detail: Doubtful loans totalled €2m, up €1m from the figure last year. Unlikely to pay loans totalled €7m, down €1m, while Past due or Overdue loans amounted to €3m, up €2m.

## Due to customers

(€m)

	31.12.2018	1.1.2018	CHANGE	
			AMOUNT	%
Current accounts	30,210	28,095	2,115	8
Term deposits	1,795	2,625	(830)	-32
Repurchase agreement	46	6	40	n.s.
Other	79	119	(40)	-34
<b>Total</b>	<b>32,130</b>	<b>30,845</b>	<b>1,285</b>	<b>4</b>

€32.1 bn

Due to customers

**Due to customers** totalled €32.1bn, up €1.3bn (+4%) compared with the figure at the beginning of 2018. This performance is attributable to growth in customer current account deposits (+€2.1bn), partly offset by the reduction in term deposits (-€830m).



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

(€m)	LOANS	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*)	TOTAL
Italy	2,260	376	2,636
United States	-	223	223
France	-	131	131
Luxembourg	-	40	40
Finland	-	37	37
Germany	-	18	18
China	-	5	5
Switzerland	-	4	4
Austria	-	1	1
<b>Total</b>	<b>2,260</b>	<b>835</b>	<b>3,095</b>

(\*) The Italian government bonds in the portfolio through other comprehensive income, which had a total face value of €240m, were covered by financial-guarantee contracts.

**Property and equipment and intangible assets** totalled €309m, including €140m in goodwill regarding Private Banking divisions acquired by the subsidiary Intesa Sanpaolo Private Banking between 2009 and 2013. Intangibles assets also include €32m for the valuation of Client Assets recognised after allocation of the purchase price of the Morval Vonwiller Group. That acquisition, which was completed in the second quarter of 2018, entailed the initial recognition in the consolidated financial statements of intangible assets for €34m, to be amortised in the income statement for 15 years on the basis of the estimated life cycle of the Swiss Client Assets. The annual amortisation allowance of €2m was charged to the income statement in 2018.

The **provisions for risks and charges** at 31 December 2018 were up €6m (+1%) from the figure at the beginning of 2018, illustrated as follows:

€468<sub>m</sub>

Provisions for risks  
and charges

## Provisions for risks and charges

(€m)

	31.12.2018	1.1.2018	CHANGE	
			AMOUNT	%
Litigation, securities in default and complaints	88	100	(12)	-12
Personnel expenses	103	91	12	13
Personal Financial Advisers' termination indemnities and incentives	232	221	11	5
Network loyalty schemes	40	44	(4)	-9
Other	5	6	(1)	-17
<b>Total</b>	<b>468</b>	<b>462</b>	<b>6</b>	<b>1</b>

The provisions for litigation, securities in default and complaints fell from the net amount at the beginning of the year (-€12m) due to use during the year. The provisions for personnel costs rose by €12m, due to the accruals for variable components of compensation and pension funds. The provisions for the termination of Personal Financial Adviser agency agreements were up €11m, mainly due to new provisions during the year. The provisions for Network loyalty schemes fell by €4m, mainly due to payments made during the year.

# €2.8 bn

## Shareholders' equity

### SHAREHOLDERS' EQUITY

Group shareholders' equity, including net profit for the year, totalled €2.8bn at 31 December 2018, having changed as follows:

#### Equity attributable to owners of the parent company

(€m)

<b>Shareholders' equity at 31 December 2017</b>	<b>2,778</b>
Effect of transition to IFRS9	38
<b>Shareholders' equity at 1 January 2018</b>	<b>2,816</b>
Dividend distribution	(788)
Change in valuation reserves	(62)
Other changes	4
Net profit	834
<b>Shareholders' equity at 31 December 2018</b>	<b>2,804</b>

The €38m change refers to the impact of first-time adoption of IFRS 9, which introduced new rules for the classification, measurement and impairment of financial assets beginning 1 January 2018. For analytical information on the effects of the transition to the new financial reporting standard used by the Fideuram Group, the reader is referred to the dedicated section in the part concerning accounting policies.

The €62m decrease largely refers to the reduction in the valuation reserves for financial assets through comprehensive income after redemptions during the year and changes in the fair value of the securities portfolio during the year. At the end of December 2018, the valuation reserve of financial assets measured at fair value through other comprehensive income totalled a negative €28m. The Group did not hold any treasury shares at 31 December 2018.

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

(€m)

	31.12.2018	
	SHAREHOLDERS' EQUITY	INCLUDING: NET PROFIT
<b>Parent company shareholders' equity</b>	<b>1,830</b>	<b>814</b>
Net profit of subsidiaries consolidated line-by-line	646	646
Valuation reserves of subsidiaries consolidated line-by-line	(12)	-
Effect of consolidation of subsidiaries and associated companies	340	13
Dividend income from Group companies	-	(639)
<b>Shareholders' equity</b>	<b>2,804</b>	<b>834</b>

Fideuram S.p.A.'s own funds and main capital ratios at 31 December 2018 are shown below. The improvement in capital ratios since the end of 2017 is attributable to the large reduction in risk-weighted assets obtained with the implementations made on the "Collateral Assets Portal" platform. These have made the collateral comprised by the pledge on the Group's discretionary accounts eligible. It is now possible to manage the look-through of the underlying assets for these discretionary accounts, which is a mandatory requirement for regulatory recognition of the mitigation.

## Fideuram S.p.A. Capital Ratios

(€m)

	31.12.2018	31.12.2017
CET1	991	998
Tier 1	991	998
Own funds	991	999
Total risk-weighted assets	5,672	7,065
<b>CET1 Ratio</b>	<b>17.5%</b>	<b>14.1%</b>
<b>Tier 1 Ratio</b>	<b>17.5%</b>	<b>14.1%</b>
<b>Total Capital Ratio</b>	<b>17.5%</b>	<b>14.1%</b>

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. 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 2018, our Common Equity Tier 1 Ratio was estimated to be 20.1% (15.8% at 31 December 2017).

**20.1%**  
Consolidated Common  
Equity Tier 1 ratio



Fideuram - Savona Office



## 4.7.2 Productive Capital

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

MATERIAL TOPICS	WHY TOPICS ARE MATERIAL	CORPORATE POLICIES
<b>Development of sales Networks and quality of service offered</b> Consolidation of the sales network  <b>Customer satisfaction</b> Services accessible to customers with physical disabilities	<p>The Personal Financial Adviser occupies a central role in the Group's business model, publicising and promoting banking services through "off-site sales". The meeting between the customer and the Personal Financial Adviser is pivotal to the relationship of trust that is established. The Group therefore makes available an extensive network of Branches and Offices to Personal Financial Advisers.</p> <p>Of particular importance for the Group is its ability to interact with all customers at its structures, thus eliminating architectural barriers and equipping ATMs with special interfaces.</p>	<p>The Group applies the "Physical Safety Rules", which are included in the "Security Principles" governance document, containing the rules and most appropriate conduct to optimise the safety measures adopted, and consequently, minimise risks to people and assets.</p>

(No.)

	2018	2017 (*)	2016 (*)
Bank branches - Fideuram Network	96	96	96
Bank branches - Intesa Sanpaolo Private Banking Network	126	127	129
- of which High Net Worth Individual Branches	7	7	5
Bank branches outside Italy	6	6	6
<b>Total Bank Branches</b>	<b>228</b>	<b>229</b>	<b>231</b>
Personal financial advisers' offices - Fideuram Network	202	201	200
- of which Private Banking Centres	10	10	10
Personal financial advisers' offices - Sanpaolo Invest Network	121	119	121
Personal financial advisers' offices - Intesa Sanpaolo Private Banking Network	3	3	3
<b>Total Personal Financial Advisers' Offices</b>	<b>326</b>	<b>323</b>	<b>324</b>

(\*) Restated where necessary to take into account the contribution of the Morval Vonwiller Group acquired during the second quarter of 2018.

## LOGISTICS STRUCTURE SUPPORTING THE NETWORKS

No. **326**  
Personal financial  
advisers' offices

No. **228**  
Bank Branches

Our Personal Financial Advisers are supported in their work by the Group's logistics structure, which consists of 222 bank branches across Italy (96 in the Fideuram Network and 126 in the Intesa Sanpaolo Private Banking Network) and 6 branches outside Italy (London, Geneva, Lugano, Luxembourg and George Town), as well as 326 Personal Financial Advisers' Offices (202 in the Fideuram Network, 121 in the Sanpaolo Invest Network and 3 in the Intesa Sanpaolo Private Banking Network).

Ten Private Banking Centres, supporting the sales activities of the Fideuram and Sanpaolo Invest Networks and seven HNWI Branches serving the Intesa

Sanpaolo Private Banking Network are provided for our top-segment customers. The Networks are organised into areas. Each area is sized to suit the business potential of the territory concerned and may cover several regions or just a few provinces.

Operating synergies across the Group Networks were consolidated during 2018, with the shared goal of optimising costs and rationalising logistics' interventions.

Further local improvements are planned for 2019 (premises and brand image), focusing attention on increasing synergies between Networks in the scope of the new sales areas structure of the Fideuram and Sanpaolo Invest Networks.

## GEOGRAPHICAL DISTRIBUTION OF NETWORKS

The Fideuram Group provides its investment services through Personal Financial Adviser Networks, the Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking Networks, distributed and operating throughout Italy, as well as a Foreign Network operating in Switzerland, the United Kingdom, Cayman Islands, Argentina, Uruguay and Kingdom of Bahrain.

To respond to the complex demands posed by the market context, significant restructuring was undertaken at the start of 2018 in the territorial-based organisation of the Fideuram and Sanpaolo Invest Networks. The aim of this new territorial structure is to broaden the Networks coverage in Italy based on a higher number of Area Managers, who can more effectively monitor the quality of service provided to customers in terms of the market context as well as legislative and regulatory requirements, which stipulate increasingly complex and intensive management duties. In addition, the new territorial-based organisation focuses more attention on Personal Financial Advisers coordinating Networks with greater oversight, and more especially paying attention to training and their own professional development, including recruitment, which are essential to business development.

The restructuring created a new organisation within the sales Areas, which have been completely reconfigured in their scope, increasing those under the Fideuram Network from five to seven, and from two to three in the Sanpaolo Invest Network. The creation of new sales Areas provided greater segmentation to the territories covered, which thanks to the work undertaken in recent years in terms of net inflows and performance, now have more financial assets.

Specifically, in the Fideuram Network, the Liguria Region was taken out of Area 1 and added to Area 3, which also incorporates the provinces of Bergamo, Cremona, Lodi and Pavia, which previously fell under Area 2. Area 4 comprises the Veneto, Trentino Alto Adige, Friuli-Venezia Giulia and Emilia Romagna Regions (provinces of Ravenna, Forlì-Cesena, Rimini, Ferrara and the agency in Imola), which were previously allocated to Area 3. Area 5 includes Tuscany, the provinces of Emilia Romagna and municipality of Città di Castello that were previously classified under Area 4. The regions of Marche and Umbria fall under Area 6 (previously in Area 4) as

does Lazio (previously in Area 5). The remaining Area 5 regions are now included in Area 7.

Subdividing the Sanpaolo Invest Network into three Areas has ensured the territory is subdivided consistently in terms of customers' commercial characteristics, and the need to provide for Personal Financial Advisers' professional development. More specifically, separating the regions in Southern Italy from the Central regions to form a third Area, has made it possible to group together both the Sanpaolo Invest Network and Fideuram Network into one area coordinated by a single Area Manager, thus developing a shared sales policy and greater synergies.

The sales structure of the Intesa Sanpaolo Private Banking Network was also revised during 2018, with the number of commercial Areas reduced from fourteen to twelve. In particular, Lombardy Area 1 was created, by incorporating the Bergamo and Lecco branches into the Lombardy South Area; Lombardy Area 2 was created by incorporating the branches in Busto Arsizio, Cantù, Como and Varese into the Area and Province of Milan; finally, the branches in the province of Venice were included in the Veneto South East Friuli-Venezia Giulia Area, which was renamed the North East Area.

The changes to the commercial Areas of the Fideuram and Sanpaolo Invest Networks that had begun at the start of 2018, continued to the end of the year. Specifically, as from 1 January 2019, the territorial coverage of Networks' sales Areas will increase from the current ten (seven for the Fideuram Network and three for the Sanpaolo Invest Network) to the envisaged thirteen (seven for the Fideuram Network and six for the Sanpaolo Invest Network).

In addition, Fideuram acquired the Morval Vonwiller Group during 2018. This acquisition fits into the context of the foreign development project outlined in the 2018-2021 Business Plan, which has identified the business in Switzerland and the international leverage of the Morval Vonwiller Group as a strategic opportunity to establish a foreign Hub and extend the distribution Networks into international markets.



The area structures of the four Networks are shown below.

## Area Structure of the Fideuram Network

	1.1.2019	31.12.2018	31.12.2017
AREA	REGIONS	REGIONS	REGIONS
1	Piedmont, Valle d'Aosta, Liguria, Lombardy (provinces of Lodi and Pavia)	Piedmont, Valle d'Aosta	Piedmont, Valle d'Aosta, Liguria
2	Lombardy (provinces of Como, Lecco, Milan, Monza-Brianza, Sondrio, Varese, Bergamo except for the municipality of Treviglio)	Lombardy (provinces of Como, Lecco, Milan, Monza-Brianza, Sondrio, Varese)	Lombardy (excepting provinces of Brescia and Mantua)
3	Lombardy (provinces of Brescia, Cremona, Mantua and the municipality of Treviglio)	Liguria, Lombardy (provinces of Bergamo, Brescia, Cremona, Lodi, Mantua, Pavia)	Lombardy (provinces of Brescia and Mantua), Veneto, Trentino Alto Adige, Friuli-Venezia Giulia, Emilia Romagna (provinces of Ravenna, Forlì-Cesena, Rimini, Ferrara and the agency in Imola)
4	Veneto, Friuli-Venezia Giulia, Trentino Alto Adige, Emilia Romagna (provinces of Ferrara, Ravenna, Forlì-Cesena, Rimini, and the municipality of Imola)	Veneto, Friuli-Venezia Giulia, Trentino Alto Adige, Emilia Romagna (provinces of Ferrara, Ravenna, Forlì-Cesena, Rimini, and the municipality of Imola)	Emilia Romagna (excepting provinces of Ravenna, Forlì-Cesena, Rimini, Ferrara and the agency in Imola), Tuscany, Umbria, Marche
5	Tuscany, Emilia Romagna (provinces of Piacenza, Parma, Reggio Emilia, Modena, Bologna, except for the municipality of Imola), Umbria (municipality of Città di Castello only)	Tuscany, Emilia Romagna (provinces of Piacenza, Parma, Reggio Emilia, Modena, Bologna, except for the municipality of Imola), Umbria (municipality of Città di Castello only)	Lazio, Sardinia, Campania, Abruzzo, Molise, Basilicata, Puglia, Calabria, Sicily
6	Lazio, Marche, Umbria (except for the municipality of Città di Castello)	Lazio, Marche, Umbria (except for the municipality of Città di Castello)	
7	Abruzzo, Molise, Campania, Puglia, Basilicata, Calabria, Sicily, Sardinia	Abruzzo, Molise, Campania, Puglia, Basilicata, Calabria, Sicily, Sardinia	

## Area Structure of the Sanpaolo Invest Network

	1.1.2019 (*)	31.12.2018	31.12.2017
AREA	REGIONS	REGIONS	REGIONS
1	Piedmont, Valle d'Aosta, Lombardy, Liguria	Piedmont, Valle d'Aosta, Lombardy, Trentino Alto Adige, Friuli-Venezia Giulia, Veneto, Emilia Romagna	Piedmont, Valle d'Aosta, Lombardy, Trentino Alto Adige, Friuli-Venezia Giulia, Veneto, Emilia Romagna
2	Veneto, Friuli-Venezia Giulia, Trentino Alto Adige, Emilia Romagna	Liguria, Tuscany, Umbria, Marche, Lazio	Liguria, Marche, Lazio, Sardinia, Abruzzo, Campania, Calabria, Puglia, Molise, Sicily, Basilicata, Tuscany, Umbria
3	Tuscany, Umbria, Marche	Abruzzo, Molise, Campania, Puglia, Basilicata, Calabria, Sicily, Sardinia	
4	North of Lazio and part of the province of Rome		
5	South of Lazio and part of the province of Rome		
6	Abruzzo, Molise, Campania, Puglia, Basilicata, Calabria, Sicily		

(\*) From 1 January 2019, Sardinia is excluded from the new Sanpaolo Invest Network organisational structure. Personal Financial Advisers and Offices have been integrated into Fideuram Network Area 7.

## Area Structure of the Intesa Sanpaolo Private Banking Network

31.12.2018		31.12.2017	
AREA	REGIONS	AREA	REGIONS
Turin and province	Piedmont (municipality and province of Turin)	Municipality and province of Turin	Piedmont (municipality and province of Turin)
Valle d'Aosta, Piedmont and Liguria	Valle d'Aosta, Piedmont (except for the municipality and province of Turin), Liguria	Valle d'Aosta, Piedmont and Liguria	Valle d'Aosta, Piedmont, Liguria
Milan City council	Lombardy (Municipality of Milan only)	Municipality of Milan	Lombardy (Municipality of Milan only)
Lombardy 1	Lombardy (provinces of Pavia, Lodi, Cremona, Brescia, Bergamo, Lecco, Sondrio and Mantua)	Province of Milan	Lombardy (province of Milan excepting the Municipality of Milan)
Lombardy 2	Lombardy (province of Milan excepting the Municipality of Milan, Monza-Brianza, Como and Varese)	Northern Lombardy	Lombardy (provinces of Varese, Lecco, Como, Sondrio and Bergamo)
North-West of Veneto and Trentino Alto Adige	Veneto (provinces of Verona, Vicenza and Belluno), Trentino Alto Adige	Southern Lombardy	Lombardy (provinces of Pavia, Lodi, Cremona, Brescia and Mantua)
North East	Veneto (provinces of Venice, Treviso, Padua and Rovigo), Friuli-Venezia Giulia	Venice	Veneto (province of Venice)
Emilia Romagna	Emilia Romagna	North-West Veneto and Trentino Alto Adige	Veneto (provinces of Verona, Vicenza and Belluno), Trentino Alto Adige
Tuscany and Umbria	Tuscany, Umbria	South-East Veneto and Friuli Venezia Giulia	Veneto (provinces of Treviso, Padua and Rovigo), Friuli-Venezia Giulia
Lazio, Sardinia and Campania	Lazio, Sardinia, Campania	Emilia Romagna	Emilia Romagna
Adriatic Area, Puglia, Calabria and Basilicata	Marche, Abruzzo, Molise, Puglia, Calabria and Basilicata	Tuscany and Umbria	Tuscany, Umbria
Sicily	Sicily	Lazio, Sardinia and Campania	Lazio, Sardinia, Campania
		Adriatic Area, Puglia, Calabria and Basilicata	Marche, Abruzzo, Molise, Puglia, Calabria and Basilicata
		Sicily	Sicily

## Area Structure of the Foreign Network, 2018

31.12.2018	
	COUNTRIES
Intesa Sanpaolo Private Banking	United Kingdom - London
Morval Vonwiller Group	Switzerland - Lugano, Geneva Cayman Islands - George Town
Intesa Sanpaolo Private Bank (Suisse)	Switzerland - Lugano
Fideuram Bank (Luxembourg)	Luxembourg - Luxembourg

## 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 persons with disabilities.

The Group owns the following properties, which it uses to conduct its business:

- 31 Piazzale Giulio Douhet, Rome;
- 44 Via Cicerone, Rome;
- 1a Riva Caccia, Central Park, Lugano;
- 18 Rue Charles-Galland, Geneva;
- 14 Rue Rodolphe-Toepffer, Geneva.

## Fideuram Group - Area Coverage - Logistics Structure and Geographical Distribution of Personal Financial Advisers

(No.)

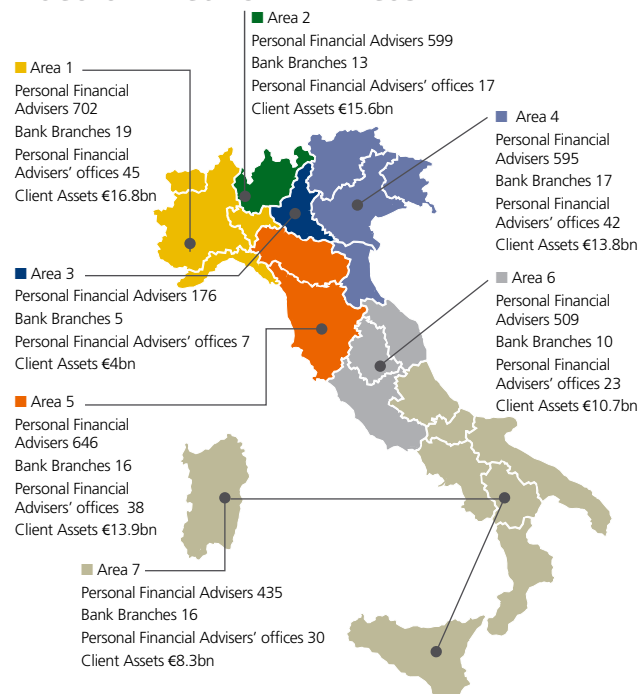
	BANK BRANCHES			PERSONAL FINANCIAL ADVISERS' OFFICES			PERSONAL FINANCIAL ADVISERS		
	2018	2017 (*)	2016 (*)	2018	2017	2016	2018	2017 (*)	2016 (*)
Piedmont	34	34	34	43	43	42	797	776	775
Valle d'Aosta	1	1	1	2	2	2	15	13	11
Liguria	9	9	9	21	21	21	301	310	294
Lombardy	45	45	45	42	40	40	1.237	1.227	1.172
Veneto	25	25	26	27	27	27	522	498	491
Friuli-Venezia Giulia	6	6	7	9	9	10	129	126	123
Trentino Alto Adige	4	4	4	7	7	8	50	51	52
Emilia Romagna	21	21	21	32	32	32	561	548	535
Tuscany	21	21	20	34	34	34	546	541	536
Umbria	3	3	4	8	8	9	91	85	81
Marche	5	5	5	11	12	11	127	124	132
Lazio	12	12	12	30	28	28	742	749	732
Abruzzo	2	3	3	10	10	10	88	97	94
Molise	-	-	-	2	2	2	14	19	18
Campania	13	13	13	15	15	15	320	351	346
Basilicata	-	-	-	2	2	2	16	15	15
Puglia	7	7	7	9	10	10	122	129	139
Calabria	4	4	4	4	4	4	34	38	36
Sicily	7	7	7	12	11	11	167	180	192
Sardinia	3	3	3	6	6	6	54	66	68
Intesa Sanpaolo Private Banking - London Branch	1	1	1	-	-	-	2	2	1
Morval Vonwiller Group	3	3	3	-	-	-	41	40	39
Intesa Sanpaolo Private Bank (Suisse)	1	1	1	-	-	-	19	5	5
Fideuram Bank (Luxembourg)	1	1	1	-	-	-	-	-	-
<b>Total</b>	<b>228</b>	<b>229</b>	<b>231</b>	<b>326</b>	<b>323</b>	<b>324</b>	<b>5,995</b>	<b>5,990</b>	<b>5,887</b>

(\*) Restated where necessary to take into account the contribution of the Morval Vonwiller Group acquired during the second quarter of 2018.

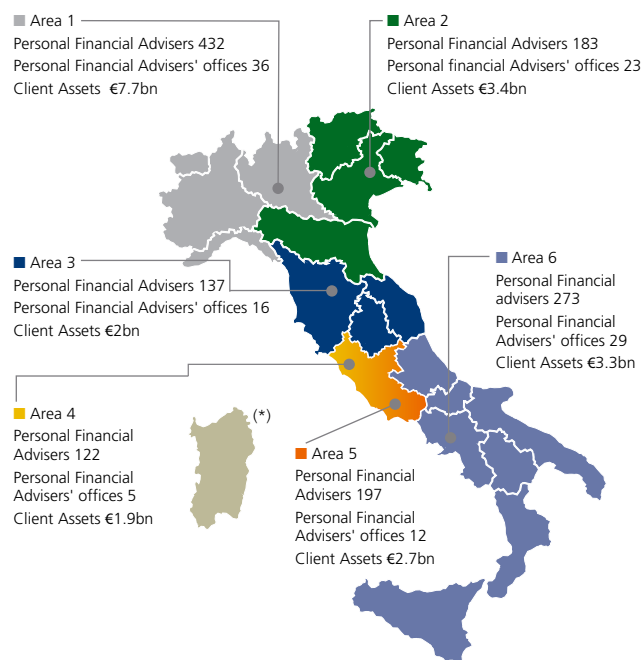
## Sales Areas of the three Fideuram Group Networks

The new structure of the sales areas of the Fideuram and Sanpaolo Invest Networks that have been operational since 1 January 2019 is provided below.

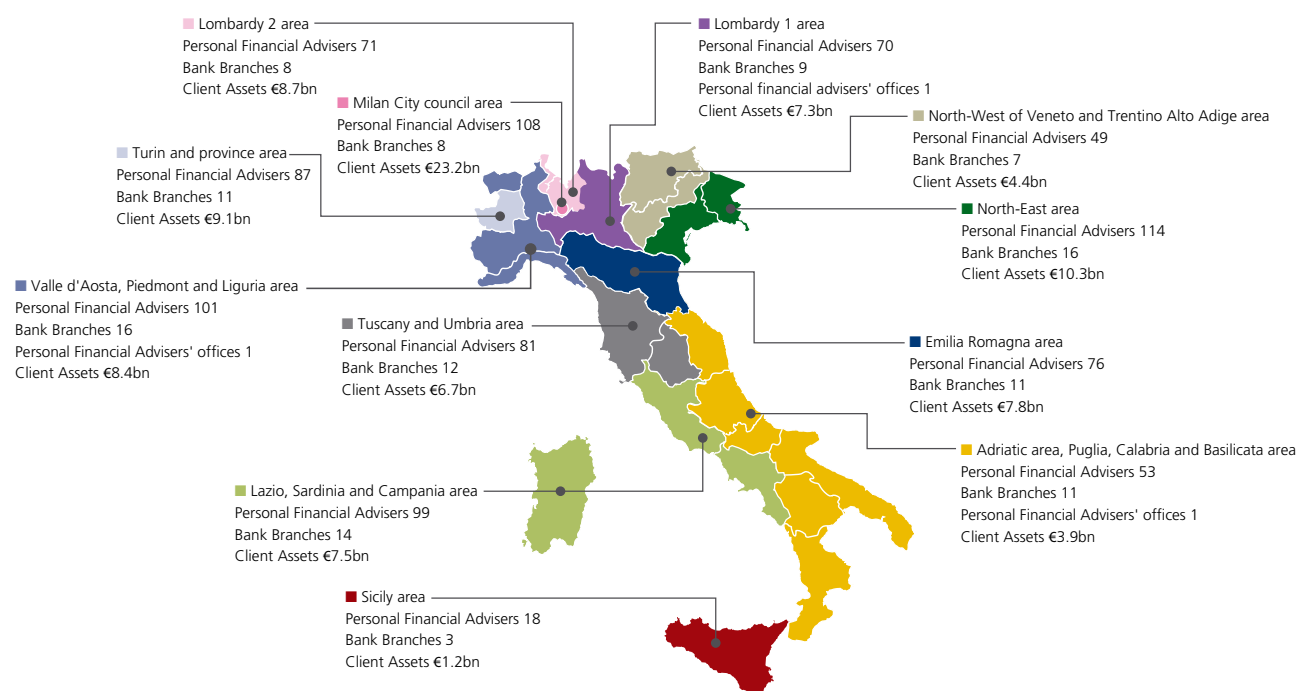
### Fideuram Network: 7 Areas



### Sanpaolo Invest Network: 6 Areas



### Intesa Sanpaolo Private Banking Network: 12 Areas





### 4.7.3 Intellectual Capital

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

MATERIAL TOPICS	WHY TOPICS ARE MATERIAL	CORPORATE POLICIES
<p><b>Security and management of customer portfolios</b> Transparent management of customer portfolios</p> <p><b>Development of sales Networks and quality of service offered</b> Improving communication channels dedicated to current and potential customers Developing consulting services, so as to anticipate market requirements Prompt and effective response to customer needs Further development of the tools supporting advisory services</p> <p><b>Suitability of financial product offered</b> Adequate cost of financial product in relation to the quality of service offered Appropriate products offered in relation to customers' financial culture Information provided is understandable and relevant (e.g. prospectuses)</p> <p><b>Innovation</b> New tools available to customers Product innovation Service innovation</p> <p><b>Brand reputation</b> IT security in terms of preventing computer fraud and personal data protection (privacy)</p> <p><b>High Net Worth Individuals and Private Banking customers</b> Services dedicated to HNWI customer segment</p> <p><b>Internet and home banking</b> E-banking and services virtualization</p>	<p>Offering professional and cutting-edge advisory services underpins the Group's competitiveness. Advisory services that are all-encompassing, also including customers' needs that are not purely financially based. Innovation in additional services and investment products is therefore the focus of business activity. Innovation also involves the tools supporting Advisory Services, whereby customers access services via other channels rather than the traditional channel.</p> <p>The Group has set itself the objective of providing clear and transparent information to customers, using simple language in documentation, which makes it easier to understand the characteristics of the products and services offered, as well as the applicable financial conditions. The offering of products and services to customers is based on their knowledge level and propensity to risk.</p> <p>The Group deems IT security to be of strategic importance with regard to data protection, given customers' increased propensity for making use of on-line services.</p>	<p>In providing its investment services, the Group applies the EU Directives stipulated under MiFID 2, whilst its audit functions monitor whether internal procedures are appropriate on the basis of preventive validation and ongoing verification, and whether they are compliant.</p> <p>The Group assigns strategic importance to the protection of data and processes managed within its structures, safeguarding colleagues and customers interests and rights, both when developing new services and solutions, as well as in the operational management of company activities.</p> <p>Evolving current technologies, changes to operating processes subsequent to their automation and continual developments in the ecosystem can impact on corporate Information Security risk levels. Effectively monitoring the latter contributes to mitigating IT risk, which due to its specific nature, is included among the operational, reputational and strategic risks outlined in the "Group's IT risk governance guidelines".</p> <p>The Group intends adopting Product Governance monitoring controls based on the "Group Product Governance Guidelines related to financial products", which aim to safeguard investors' interests over the course of the financial Products' entire life cycle, from conception through to after sales, ensuring that all corporate Bodies and structures involved are accountable.</p> <p>The Rules for implementing the guidelines set out the roles and responsibilities of the sales Networks and define the macro-processes intended to regulate the distribution of financial Products to all customers.</p> <p>Special attention is given to the processing of personal data based on a process that aims to define the protection logic for data by identifying potential non-compliance risks (in relation to the nature, object, context and purposes of processing) and the appropriate technical and organisational measures to mitigate these risks, starting in the design stages and over the course of the entire data processing life cycle. Privacy by Design (term referring to data protection from the time of design), therefore ensures that processing complies with legislative requirements and that data is processed with the necessary measures securely in place, from the time the data is collected until its erasure.</p>



	2018	2017	2016
Customers subscribed to Advanced Advisory Services (No.)	68,498	70,816	68,327
Advanced Advisory Service client assets (€m)	36,341	38,671	34,106

## ADVISORY SERVICES

### MAIN OBJECTIVES FOR 2018

Expansion of the content provided to customers as part of the SEI Advanced Advisory Service, especially in regard to the global asset advisory services.

Continuous growth in the level of information provided to customers in relation to the characteristics of the products and services provided, with special focus on the aspects related to applied costs and received benefits.

Consolidate and improve the VIEW Advanced Advisory Service.

### ACTIONS AND RESULTS ACHIEVED

In March 2018, the "SEI" and "SEI Versione Private" advisory service contracts were supplemented by three additional services that address the financial, asset and succession related needs of customers and their household unit: the "Nucleo" service, which contractually formalises the extension of the "SEI" model to the household unit, the "Monitoraggio Immobiliare" service, providing customers with a detailed analysis of their real estate assets and "Passaggio Generazionale" service, intended to provide support to customers in the transfer of assets to future generations. 4,921 additional services have been activated since the launch date, for a total of 2,875 customers and 660 Private Banker customers with at least one activated service.

In 2018, a multi-function work group comprising the main departments of the Group analysed the directive MiFID 2's impact on the business model, focusing especially on aspects regarding applied costs and received benefits. More appropriate solutions in line with the business model were identified, using the tools and systems available (e.g. electronic signature, biometric signature).

Over 5,000 VIEW Advanced Advisory Service contracts have been activated since the service was launched. About 700 of these were entered into in 2018, with this strong take-up of the service testifying to its very positive reception by Intesa Sanpaolo Private Banking customers. The service has been further improved through various modifications, which also reflect suggestions made by the Network.

The Group decided to adopt an advisory operating model following the coming into force of the European Union 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 all other investment services for any transaction carried out by our Branches or through our financial advisers authorised to offer products and services outside company premises or using remote communication technologies. Our provision of investment advisory ser-

vices involves acquiring the information from each customer or potential customer in advance as necessary to compile a financial profile reflecting their:

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

In 2018, the service model was aligned to the guidelines set out in Directive 2014/65/EU (MiFID 2), which came into force on 3 January 2018.

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 View and Private Banking Advanced Advisory Service provided through the Intesa Sanpaolo Private Banking Network. The Group service model provides customers having greater financial resources with dedicated organisational services and geographical coverage: Private Wealth Management with Private Banking Centres and HNWI Centre of Excellence with the HNWI Branches.

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

The SEI Advanced Advisory service charges a fee for activating the service and regular annual commission, each of which is 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 support in analysing their customers' needs, identifying optimum customised solutions that meet them and monitoring their progress over time. All this is done whilst constantly monitoring the risk of each customer's total assets, in full compliance with applicable regulations.

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 held with other financial brokers, and also include an analysis of their non-financial assets (real estate assets, corporate assets and other high-value goods) during the diagnosis phase.

The advanced advisory service is offered in two versions, "SEI" and "SEI Versione Private", which meet the needs of different types of customers by offering greater flexibility in the levels of service offered. The version created for Private Banking customers offers exclusive benefits, such as specialised tax, legal, real estate and succession planning advice, preferred access to the services of Siref Fiduciaria, and a dedicated contact centre. In addition, the regular statements and reports sent to customers contain special content for the Private Banking version.

The "SEI Method" was consolidated during 2018 with the introduction of a new diversification measure and ancillary services to the "SEI" and "SEI Versione Private" advanced advisory services.

To steer customers toward improved quality in their portfolio, and from the perspective of continual risk monitoring, a new measure was introduced to determine the diversification of a customer's portfolio based on quantitative and qualitative variables. More specifically, this ascertains the extent and degree of diversification in a customer's portfolio in terms of market risk, credit risk and concentration.

The Private Wealth Management unit was consolidated in 2018, in view of developing and serving the Private Banking and High Net Worth Individuals segments through a pro-active approach and dedicated business model.

This holistic business model is supported by cross-sectoral expertise that leverages teamwork and shared best practice across the following areas: Financial Advisory, Real Estate, Corporate Assets, Value Protection and Value Creation, and Art&Luxury.

This advisory support is provided following a combined global approach that considers every aspect of a customer and their household'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, as well as 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 unit was strengthened with the addition of four professionals recruited on the market and from within the Intesa Sanpaolo Group.

Fideuram currently has dedicated Private Banking Centres for meetings with customers in Milan, Turin, Padua, Brescia, Bologna, Florence, Rome, Naples, Bari and Catania.

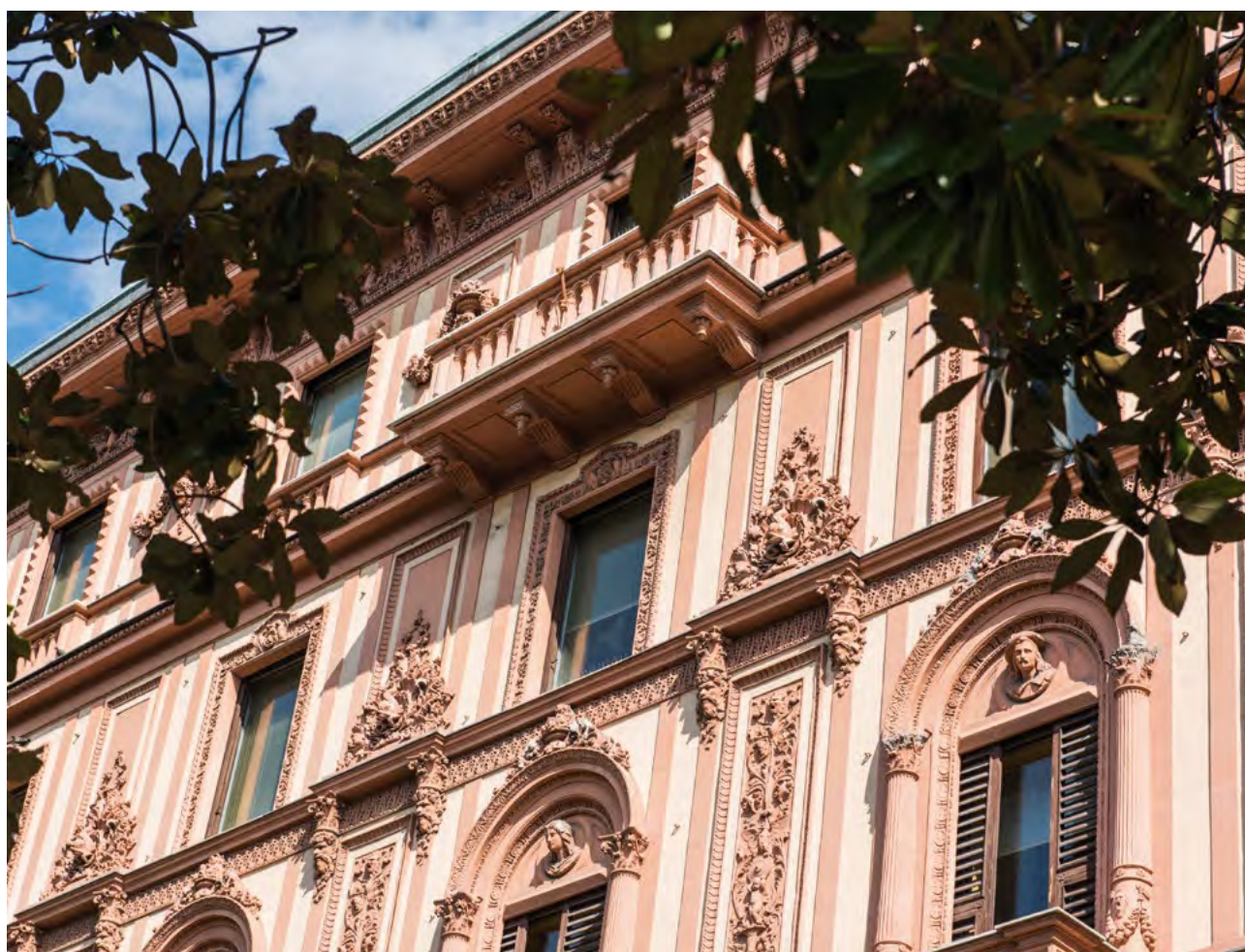
### SEI and SEI "Versione Private" additional services

As from March 2018, the Fideuram Group strengthened its analysis of customers' needs, channelling the "SEI" and "SEI Versione Private" service towards assessing the customer's total assets and providing succession management, extending its customer and household financial assets risk analysis to incorporate the analysis of non-financial risks as well. The advanced "SEI" and "SEI Versione Private" advisory services give customers the option of subscribing to three value-added ancillary services:

- "Nucleo" formalises the extension of the "SEI" model to the household unit, and makes it possible for Personal Financial Advisers to provide customers with an aggregate of the financial, real estate and corporate assets of their household unit, whilst fully complying with privacy legislation. In addition, subscribing to the service allows customers to benefit from special economic terms on regular contract-based commissions.

- "Monitoraggio Immobiliare" provides a detailed analysis of the composition and characteristics of customers and their household's real estate assets, with the view to analysing and monitoring these over time, in terms of their value, risks and diversification. The service includes a six-monthly "Monitoraggio Immobiliare" report sent to the customer.
- "Succession Management" responds to customers' needs relating to the transfer of assets to future generations, and supports Personal Financial Advisers with informed succession planning based on dedicated reporting.

These additional services were formalised in an addendum to the advanced advisory service contract and integrated in the regular commissions applicable to the "SEI" and "SEI Versione Private" services. On this basis, Personal Financial Advisers can offer customers an all-encompassing advisory service to meet their financial, asset and succession needs, with the support of a state-of-the-art computer platform, dedicated apps and advanced and customised reporting.



Sanpaolo Invest - Genoa Office



## VIEW ADVANCED ADVISORY SERVICE

VIEW is the new advanced Advisory service, based on a careful analysis of customers' needs. Operating through this service, Intesa Sanpaolo Private Banking aims to:

- assist its customers with the informed management of their assets according to their needs and risk profile, and always in accordance with their MiFID 2 profile;
- provide a comprehensive, effective and transparent advisory service in an increasingly volatile and complex market context;
- reaffirm its role as a professional and authoritative player as regards the whole spectrum of a customer's assets;
- prepare reports on the customers' entire assets, including on demand, and exploit an advanced and dedicated alert system.

The customer's assets are organised into "need areas" in the VIEW system, according to the needs expressed by the customer, including with the assistance of guideline customer "archetype" profiles: extra-return, discretionary investments, non-discretionary investments, pension, and short-term investment.

The Advisory function has been added to the non-discretionary investments area, upgrading it from a stand-alone service to real exclusive feature of the VIEW service. At the customer's discretion, the Advisory function available in VIEW may be activated to receive personalised recommendations on individual or linked transactions involving the allocated portion of assets in the non-discretionary investments need area.

VIEW makes it possible to identify investment strategies and solutions for each individual area of need in accordance with the customer's risk/return profile and to constantly monitor their wealth from a global standpoint in terms of risk and diversification over time.

Finally, the service is enhanced by the real estate tool, which makes it possible to extract the land registry data of customer-owned real estate through queries on the National Land Registry, and by the asset protection tool that offers customers initial support in succession management.

## PRIVATE BANKING ADVISORY

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 in full, but prefer to play an active role in their portfolio management in dialogue with top professionals.

The fee-paying advanced Private Banking Advisory Service is dedicated to customers having at least €2.5m in non-managed financial assets and who wish to have constant support from a team of specialists in making their investment decisions. This service comprises an analysis of the customer's portfolio, followed by proposals for personalised allocation and advice aimed at buying and selling individual financial instruments. The portfolio analysis and allocation proposals are handled directly by the Financial Advisory central team in the Non-managed Assets Unit, with the aim of guiding customers towards a more efficient and diversified portfolio and better risk control.

During 2018, Intesa Sanpaolo Private Banking continued to develop 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 Department is made up of 21 professionals and its Head, and is divided into three organisational units: Competence Centre, Client Business Development, and Business Model and Initiatives. The joint efforts of Department professionals and the Network over the year have yielded significant results, both in terms of acquiring new HNWI customers and consolidating and developing loyalty among existing customers.

The specialist network currently comprises 7 segment-dedicated hubs throughout Italy (Milan, Turin, Padua, Bologna, Florence, Rome and Naples). No new hubs were opened during 2018, although preparations were finalised to open the Piedmont, Liguria and Valle d'Aosta HNWI branch in Turin during January 2019, with sub-branches in Genoa, Cuneo and Novara.

The constant search for innovation continued regarding solutions dedicated to this segment, aimed at offering more targeted and complex solutions than what is traditionally offered in private banking.

## WM REPORT

The WM Report is available to Intesa Sanpaolo Private Banking customers as from July 2018. This new advanced reporting service on investments (WM Report) provides the customer with a single document detailing the assets held with Intesa Sanpaolo Private Banking, with the option of aggregating the positions of several parties that may even belong to different customer categories (e.g. natural persons, legal entities, fiduciary companies). The WM Report provides an aggregate representation of positions, at the level of both total assets or single entity. The Bank sends out the report on a six-monthly basis. Customers may request an on-demand report at any time from their reference branch.

## SPECIALIST SERVICES

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

- Tax, legal and succession advisory services for asset planning.
- Fiduciary services, supported by Siref 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. The needs analysis is conducted internally or with the support of external consultants, including international consultants, for valuation and agency services.
- Specialist Lending and Granting of Lines of Credit to support and develop the Group's lending business.
- Philanthropy Advisory continued in the scope of Intesa Sanpaolo Private Banking HNWI Management unit, with special focus on monitoring developments in the Third Sector Reform and growing interest in Donor Advised Funds (DAF).

## MAIN IMPROVEMENT OBJECTIVES FOR 2019

### ADVISORY SERVICES

The main objectives for 2019 are as follows:

- The introduction of an advisory services contract for professional customers, which as opposed to the retail customers' advisory contract, applies less stringent suitability criteria, based on the typical characteristics of a "professional customer".
- Consolidation of the service model, in terms of the information provided to customers in relation to the characteristics of the products and services provided, with special focus on the aspects related to applied costs and received benefits.
- Consolidation and improvement of the VIEW Advanced Advisory service and Intesa Sanpaolo Private Banking Advisory service, in view of increasing its penetration in the target customer segment, as well as improving the usability of these services via new digital platforms that are due for release during 2019.



## TOOLS SUPPORTING ADVISORY SERVICES

MAIN OBJECTIVES FOR 2018	ACTIONS AND RESULTS ACHIEVED
<b>FIDEURAM ALFABETO</b> Providing specifically-prepared informative content for the public, by internal departments and acquired through new agreements with suppliers (newspapers), with the availability of detailed statistics to better define the scope of training interventions.	During 2018, Alfabeto was used to circulate information on the leading financial and economic news topics. Personal Financial Advisers Network training continued during 2018 based on on-line courses that were taken by almost 2,400 Personal Financial Advisers (accounting for over 4,700 training hours), and direct training involving 1,850 Personal Financial Advisers in 23 cities (approximately 1,000 training hours). Training sessions referred to training for newly appointed Personal Financial Advisers, the digital advisory service, Alfabeto, Folios in Alfabeto and the digital office, the Advisory Platform and SEI contract services. This training increased usage of the latest applications that were released, and more use being made of digital solutions, thus enabling savings on paper.
Increased use of digital processes and tools and the compliance of Personal Financial Advisers' activities with the new regulations.	A fully digital signature method was introduced during 2018, which was simplified further using facial recognition and finger printing, to improve customers' user experience.
<b>ADVISORY PLATFORM</b> Extending functions and content supporting Personal Financial Advisers' advisory activities.	The process to populate content on the Advisory Platform began in 2018, with the aim of closing down other applications that had become obsolete and providing Personal Financial Advisers with the necessary support in their wealth management function based on a single Platform for position keeping, proposals and monitoring. During 2018, the process saw the release of several functions used in customer asset and portfolio analysis.
Expansion of platform use.	Monitoring was undertaken on the usage made of the Platform by Personal Financial Advisers, and training was introduced on the Network to consolidate its usage, and highlight strengths and areas for improvements.
<b>WELCOME AND EASYSIGN APP</b> "Welcome" makes it possible for Personal Financial Advisers to acquire new customers and open a current account based on a digital process. The "EasySign" app allows customers to biometrically sign documentation directly on the Personal Financial Adviser's iPad.	Significant changes were made to the "Welcome" app during 2018, both with regard to the process and graphic layout, so as to improve the user experience for Personal Financial Advisers. A "Welcome" desktop version was also introduced, which unlike the iPad version, enables the Personal Financial Advisers to select whether the customer signs the relevant documentation in a biometric format, or in holographic mode, with the necessary forms already precompiled. The "EasySign" app with its biometric signature was also revised from a graphics perspective. The process for acquiring documentation was improved, whereas speed and usability were optimised and improved.

Continued overleaf >>

## MAIN OBJECTIVES FOR 2018

### PORTAL FOR PERSONAL FINANCIAL ADVISERS

Maintain the effectiveness and efficiency levels acquired by the portal as an info-training tool serving the Personal Financial Advisers Network.

Keep the content constantly updated, focusing in particular on sales and product issues and financial disclosures.

The implementation of a new editorial contribution platform (CMS) introducing new characteristics and tools aiming to increase the adjustability and flexibility of work, including usage from mobile devices.

### KEY TV COMMUNICATIONS

Consolidation of the audience by assuring care and punctuality in sharing all business information in support of financial advisers' information, from strategic to sales and educational initiatives.

Dissemination of best practices and telling the stories of the financial adviser networks, also introducing new formats.

Steady promotion of Alfabeto with the growing and increasingly diversified production of contributions suited to a public of customers and potential customers.

Renewal of the video management and broadcasting platform. Improved flexibility in managing and channelling content, both directly on the platform and to the Personal Financial Advisers portal and users of Alfabeto.

## ACTIONS AND RESULTS ACHIEVED

During 2018, the Portal for Personal Financial Advisers maintained its central role as a method for distributing info-training content to the Fideuram and Sanpaolo Invest Networks. Besides continually updating commercial content, specific new areas were introduced on issues of interest, such as recruitment and web pages for Folios sales supports. The portal's editorial contribution platform (CMS) has also become the source of contributions created specifically for the public and distributed through Alfabeto.

Key TV continued to grow in 2018. The company television channel further expanded its productions, boosting the number of episodes produced over the year, and diversifying its content, which is no longer dedicated exclusively to Personal Financial Advisers, but also to programmes created specifically for the Alfabeto audience, customers, and prospects.

The platform for acquiring and managing videos was also updated during the year, making it available remotely so that content now can be disseminated promptly and more effectively.

The new platform also provides greater broadcasting personalisation opportunities based on the various user segments (e.g. content dedicated to managers) and more shared management, allowing different content contributors to interact directly.

In performing their own activity, the distribution networks use a set of tools that allow them to offer value added advisory services.

## FIDEURAM ALFABETO

The Fideuram Alfabeto digital platform enhances the service model, supporting the relationships between 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 also a cutting-edge channel making it possible to reach new potential customers, supporting generational change.

Alfabeto provides a **web showcase** for each of our Personal Financial Advisers to build their own personal brand, 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.



Customers 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 them 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. Personal Financial Advisers can also use Alfabeto to create and manage "Financial Salons", i.e. events organised to provide customers with information on topics that are especially

relevant to them, whilst interacting on the main social network channels.

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. The personal area is the core of the platform. It provides an array of functions for customers to keep an eye on their portfolio, including views of their financial position, statements, reports, proposals, documents on meetings with their Personal Financial Advisers and details on the their investments' performance. 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 Personal Financial Advisers and customers with access to the platform's functions at any time, even when on the move. Customers can also use Alfa-ID from inside the Alfabeto app. This is a new electronic signature method, which also uses facial recognition and finger printing to simplify and speed up the signature process. Since going live in July 2016, **approximately 3,000 Personal Financial Advisers** have published personal web pages on the platform supported by dedicated training, and with **almost 100,000 enabled customers**.

Improvements were introduced during the year to the Alfabeto platform, more specifically:

- improvements to the user experience on the web platform;
- reducing the gap between the functions available on the App compared to the web version;
- option of creating and managing "Financial Salons" and other events;
- launch of Fideuram Folios, a new investment solution, developed primarily for the Alfabeto platform and realised within the framework of the Fideuram Investimenti multi-line asset management service, with a selection of funds/ETF/ securities on specific asset classes, investment issues or from a multi-asset approach;
- opening platform to include settlor customers, giving them the option of interacting with their Personal Financial Adviser.

The production and populating of information content for Alfabeto continued during 2018, with production rationalised so as to focus resources more efficiently on the interests expressed by users. In detail, 11 editions of the "4D" newsletter were produced for existing and potential customer; 125 items were produced with financial content, articles, videos on the markets, periodic reports and comments on topics of the week, of which 69 in video format. 60 product information sheets were also generated during the Fideuram Folios launch phase.

## ADVISORY PLATFORM

The Advisory Platform guides and supports Personal Financial Advisers in providing the basic and advanced SEI advisory service, extending over all process phases, from the needs analysis through to ongoing asset monitoring.

Based on responsive web design technology, Personal Financial Advisers can use the Advisory Platform from a PC or iPad. Information of interest is easily accessible and classified according to customer category, based on simple and intuitive navigation.

In line with the service model, the Advisory Platform identifies a common operating process for all customers, whilst simultaneously optimising the advanced advisory service: based on the Platform, the Personal Financial Adviser can analyse customers and their household's financial position (even if these are held with other intermediaries) and asset position (real estate, business, other assets), agree on objectives and strategies with them, identify the most appropriate solution for their requirements, assist in monitoring the results achieved over time with ongoing risk management and an advanced alert system.

Advanced and customised reporting is available for Personal Financial Advisers via the Platform, which can be printed on demand and shared with the customer. In addition, potential customers can be recorded, thus supporting Personal Financial Advisers in onboarding any new customers.

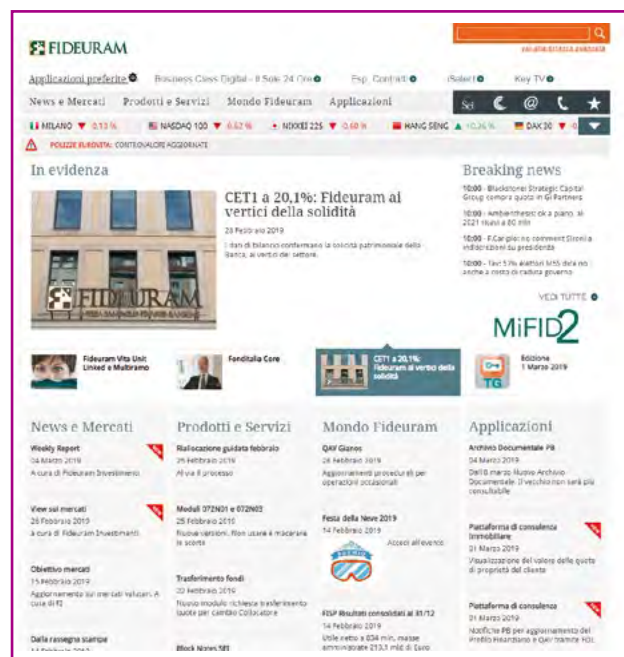
New functions were released during 2018 aiming to enhance the tool's information content, allowing the Personal Financial Adviser to conduct a more detailed and accurate study of individual customers assets and portfolios. Further integration was also carried out to support the launch and development of "Nucleo", "Monitoraggio Immobiliare" and "Passaggio Generazionale" additional services.

The Advisory Platform also provided an opportunity to manage all the operational process stages (position keeping, proposal and monitoring) for the new products that extended the range offered by the Group (for example, the "Fideuram Folios"). The revision of the sales offering was also initiated during the course of the year.

Based on the continual development of content and functions, the Networks' use of the Advisory Platform increased significantly, resulting in this application becoming one of the main tools used by Personal Financial Advisers when carrying out their advisory service.

## PORTAL FOR PERSONAL FINANCIAL ADVISERS

During 2018, the Portal for Personal Financial Advisers maintained its central role as a method for distributing Personal Financial Advisers' info-training content to the Fideuram and Sanpaolo Invest Networks. New areas were implemented in addition to the continual updating of content, such as in the Private Wealth Management Hub and Private Wealth Advisor areas, Events, Conosci Fideuram/Sanpaolo Invest, MiFID 2, etc.: more specifically, the showcase pages for the **SEI Advanced Advisory Service** were completely redesigned and reformulated; an **Agency Contract** section was created, containing useful documentation for Personal Financial Advisers, which was then profiled according to separate Personal Financial Adviser groups using a clustering function; a dedicated **Folios sales showcase page** was designed and introduced, to present this new and original product to Personal Financial Advisers. Once again in 2018, the Incentives Regulations were published directly on the Portal, with the previous editions archived. Moreover, through the editorial contribution platform (CMS), the portal has been the source of contributions created specifically for the public and distributed through Alfabeto.



## KEY TV



During 2018, Key TV continued to be a source of timely, accurate information on subjects of primary importance to our Personal Financial Advisers. In addition to providing constant updates on the markets and main economic and political events, Key TV extended the range of subjects covered with specific customer-based content. A range of topics were dealt with: pension, tax, behavioural finance and real estate market issues. Special focus was given to financial education with the introduction of a new format directed at customers and made available on both the Key TV and Alfabeto channels: "The A to Z of Finance" is conceived in such a way that it provides an explanation of certain basic concepts related to investments on financial markets.

The quantitative aspects of Key TV were also significant. 378 episodes were produced, up by 46 compared to 2017. The number of users who watched at least one episode during 2018 also grew, reaching 4,452, with Personal Financial Advisers Networks accounting for 88% of this figure. Frequent users (those that saw at least 4 episodes a month) also increased by 7% compared to 2017.





## WEB TV COMMUNICATIONS

Since March 2017, Intesa Sanpaolo Private Banking has also had access to a television channel dedicated to its own Network thanks to the opportunity offered by the Internal Communications Department of Intesa Sanpaolo, to offer a tailored version of the Group Web TV channel.

Consequently, the Personal Financial Advisers and their office colleagues can access all published informational content dedicated to them through a single television channel, which may be viewed on the company intranet.

Since its début, the channel dedicated to Intesa Sanpaolo Private Banking has been used first and foremost to transmit to the entire Network the principal messages sent to Network managers by Bank management during the periodic quarterly meetings. In the programme "Filo diretto con la Rete", the General Manager, Saverio Perissinotto, gave quarter-by-quarter commentary on the results achieved and outlined sales strategies for the following period. In addition, the channel was used to share the interviews recorded on Class CNBC's Patrimoni (television channel broadcasting economic news from around the world) with the network and to transmit the annual year-end greetings by General Management.

The Web TV has also been the preferred channel for telling Banking and Group employees about specific initiatives concerning Intesa Sanpaolo Private Banking, such as for example the service dedicated to High Net Worth Individual customers.



## FIDEURAM MOBILE SOLUTION

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



Through use of the most advanced technologies, the Personal Financial Advisers can access constantly updated documentation at any time and even on mobile devices, and share those documents with customers. They may acquire the customers' personal detail documentation in electronic format, through the smartphone Easy Doc app and through the Cruscotto Compliance Clienti 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

The transition to paperless documents has been supported by two ways of signing the many banking contracts and documents, both inside and outside its branches' premises:

- Biometric Signature (FEA: Advanced Electronic Signature);
- Digital Signature (FDR: Remote Digital Signature).

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 OFF-PREMISES OFFER OF PRODUCTS AND SERVICES

The availability of Biometric and Digital Signatures has enabled us to develop the digital side of our offering of products and services outside bank premises and to launch a remote offer model providing significant benefits to our Personal Financial Advisers and customers. The provision of products and services outside bank premises has benefited from the Biometric Signature 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. The remote offering enables our Personal Financial Advisers to offer value-added advisory support, sending investment proposals to their customers using remote communication techniques. Customers can look through proposals directly in their personal 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 cu-

stomers' 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, as well as sign the contract proposal directly in the personal area of the internet site.

## MAIN IMPROVEMENT OBJECTIVES FOR 2019

### TOOLS SUPPORTING ADVISORY SERVICES

#### Alfabeto

Increase the services available on the Alfabeto platform in the scope of the Fideuram Folios offering, thus increasing the level of customisation available to Personal Financial Advisers.

Improve the user experience in the digital interaction between Personal Financial Adviser and customer.

#### Advisory platform

With regard to the Advisory Platform, we envisage:

- increased usage by Personal Financial Advisers;
- completing the scope of customers managed;
- developments and improvements in the sales proposal phase;
- extending functions and content supporting Personal Financial Advisers' advisory activities;
- simplification in browsing through the platform;
- bringing operations in line with MiFID 2 regulations.

#### Service to optimise current account

Launching a service to optimise current accounts and sales instrument to redirect the portfolio towards Fideuram Folios. The service also provides access to a dedicated credit solution.

#### Portal for Personal Financial Advisers

The Portal for Personal Financial Advisers will continue to be a pivotal tool for keeping updated, maintaining the efficiency and effectiveness levels achieved as the info-training channel servicing the Fideuram and Sanpaolo Invest Networks, by continually keeping content updated, and focusing on sales communication aspects, so that Personal Financial Advisers can concentrate their attention on the core business.

#### Key TV Communications

The objective of Key TV is to increase the info-training tools that can support Personal Financial Advisers' everyday activities and their relations with customers, in a constantly changing world both in terms of regulations and the socio-economic context. Current affairs issues, economic analysis, workshops on financial markets, meetings with economists and managers of the leading investment houses will be included. There will also be an ongoing commitment to customer education, which will be made available via the Alfabeto platform.

## NETWORK SERVICES

### MAIN OBJECTIVES FOR 2018

#### Online Services

Development of customer services by adopting an innovative system for generating the O-Key code through smartphones for the use of Online Services. This system will gradually replace the present device consisting of a physical O-Key.

Introduction of new procedures for delivering the PIN code to customers.

Commitment to Intesa Sanpaolo Private Banking's continuous evolution of the multi-channel services, dedicating special attention to the revision of the authentication and security procedures for payment and investment orders.

#### Websites

Realisation of an English language version of the website dedicated to the Group, and updating and development of the editorial content and information material on products on the Intesa Sanpaolo Private Banking website.

### ACTIONS AND RESULTS ACHIEVED

O-Key Smart Fideuram was introduced in 2018. This App for smartphones can generate the O-Key code needed to use Online Services, without having to use a physical key.

E-Pin is the new way to receive credit and debit card PINs electronically, as an alternative to the current hard-copy delivery. Should it be necessary to recover a PIN after activating the card, customers that are natural persons and that have subscribed to the Online Services, will be able to view the PIN directly from Fideuram Online at any given time.

Multi-channel services confirmed growth in 2018, both in the number of customers subscribed to the services, and in the number of transactions completed online. During the year, platform development activities primarily concerned the payment and investment services area, and revision of the service contract documents following introduction of PSD2 (Payment Services Directive 2) and MiFID 2.

In line with the objectives, work began in 2018 on preparing the English language version of the website dedicated to the Group, which should be completed during the first few months of 2019.

The Intesa Sanpaolo Private Banking institutional website circulated media content relating to the Bank and Group during 2018 (results of the Private Banking Division, awards and sponsorships), as well as considerable editorial content relating to its Wealth Management non-financial advisory services, focusing specifically on Real Estate Advisory and Art Advisory.

### ONLINE SERVICES

Internet services continued to achieve solid growth for Fideuram and Sanpaolo Invest in 2018, both in the total number of customers subscribed to the services, which was up 13% on 2017, and in the total number of transactions completed online, which was up by nearly 11%.

Overall, Fideuram and Sanpaolo Invest customers executed over 87% of their wire transfers and 88% of their orders using the online channel. The service has grown for our Online Statements and Reporting system, with the active Statements and Reports for Advisory Services and Products contracts has increased by 28% since 2017, and the number of active Bank Statements and Securities Reports contracts has gone up by 16%.

During the year, progress was made in the promotion of secure and efficient electronic payments systems for customers and in support of the payment services offered in the e-commerce and online shopping areas. The "Secure Internet Payment Service" function was introduced in this context in 2018, replacing the use of the static password provided with a credit card, with a 6-digits code that is generated each time by the O-Key. This service is available

without charge to holders of the Fideuram Ambra/Oro and Platino Credit Cards and the Flash Nominativa Prepaid Card.

Interventions to applications were also undertaken during the year to improve the functions of trading foreign currency denominated securities, especially regarding the representation of average pricing.

Interventions also referred to the application to manage securities' deposits, and more specifically:

- compliance with MiFID 2 regulations, relating to record keeping, with the introduction of the LEI Code (Legal Entity Identifier) for Legal Persons and the Suitability Declaration, specifying the initiator and place for the meeting;
- improvement to the "Tax Position" function.

During 2018, Intesa Sanpaolo Private Banking recorded a slight increase to its multi-channel services. Customers executed over 60% of their payment and trading transactions online, recording a 10% increase on 2017.

Finally, the steady expansion of the Online Statements and Reports service continued, and is now active for over 90% of customers. With regard to the mobile banking segment,

Intesa Sanpaolo Private Banking customers can access the Bank's multi-channel services via the mobile banking iOS and Android apps.

## WEBSITES

### Fideuram and Sanpaolo Invest

The communication of new products and services was the main focus during 2018. Site activity concentrated on the new Fideuram O-Key Smart for operating online services without having to use the plastic key, and on Fideuram Folios, an innovative securities, ETF and funds portfolio management service, providing a brand new way of investing. In line with the objectives, work continued on preparing the English language version of the website dedicated to the Group, which should be completed during the first few months of 2019.



### Intesa Sanpaolo Private Banking

The relationship of Intesa Sanpaolo Private Banking with its customers remains a core element of its service model, based on an in-depth understanding of its customers and the ability to meet the needs of this specific market segment, which are the principal reasons for its leadership. Individuals are and will always be the common thread of the entire project, both in terms of the selection of images and in the definition of style and content. Considering the reason behind the website restyling project, consisting in the creation of greater proximity and greater interaction with customers and prospects, achievement of the objective is confirmed by the numbers: over 475 thousand users have visited the website over the year, with about 1.8 million sessions and over 3 million page displays.

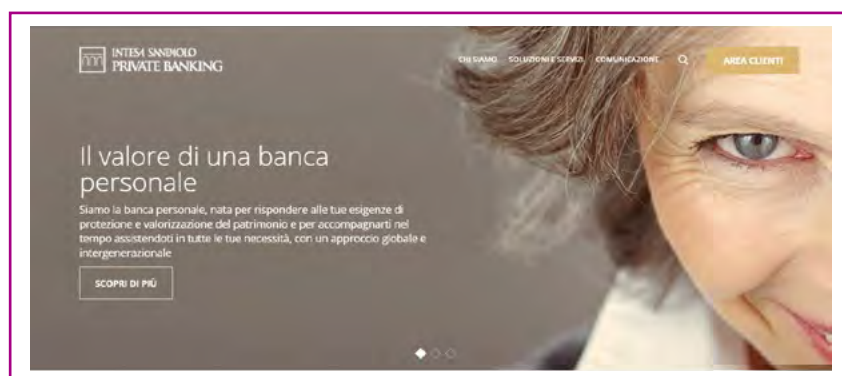
The home page was improved during the year with the development of a rich editorial section, which concentrated primarily on non-financial content, connected with topics directly related to Wealth Management. Specifically,

eight editions of Real Estate Monitor were published, with updates on the real estate market by Nomisma, and five editions of Art Monitor were released in a format presenting Art Advisory topics.

In addition, the synergy with Gallerie d'Italia contributed to increased visibility for the various initiatives promoted during the year by the Intesa Sanpaolo network of museums and cultural events: Da De

Nittis a Gemito - I napoletani a Parigi negli anni dell'Impressionismo, Restituzioni 2018 - La fragilità della bellezza, True Perfection - La Casseta Farnese di Capodimonte e Romanticismo.

Finally, a new page on legislation related to investment services was introduced following the regulatory amendments to MiFID 2 and the General Data Protection Regulation, and the Privacy page was completely revised.



## MAIN IMPROVEMENT OBJECTIVES FOR 2019

### NETWORK SERVICES

#### Online Services

The Group intends to continue in developing its services to customers, especially in the following areas:

- increasing security standards (pursuant to the PSD2 regulation) during the customer authentication process, based on a unique dynamic code linked to the beneficiary and amount for each individual transaction. The code will be sent to the customer via SMS on their mobile number (in this regard, a prior certification process will be initiated regarding the customer's mobile number);
- introduction of mobile payment tools at participating stores and on the web, using smartphones and smartwatches supporting this function.

In addition, Intesa Sanpaolo Private Banking intends moving forward on the continuous development of its own multi-channel services:

- firstly, dedicating special attention to the revision of the authentication and security procedures for payment and investment orders in accordance with PSD2 regulations on strong authentication;
- from the perspective of improving the user experience on all digital channels, restyling Internet and mobile platforms.

#### Website

Many initiatives are to be implemented, in particular completing the English language version of the website dedicated to the Group, a growing commitment in digital communication dedicated to Alfabeto, its potential and its developments, and updating of the editorial content and product content on the Intesa Sanpaolo Private Banking website.

## BELOW-THE-LINE COMMUNICATIONS

Our below-the-line communications supporting the development of the Group's product range in the year 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 addition, new product brochures were released for the launch of the third Fideuram alternative investment fund, **FAI Mercati Privati Globali**, the new Class I Fideuram Vita policy, **FV Garanzia e Valore 2** and the new term life insurance policy of Fideuram Vita, **Fideuram Vita Serena**.

Communications relating to the new Fonditalia sub-funds were based on a more simple and direct approach, with the creation of digital information sheets using the graphics from the Fonditalia brochure, and summarising the main product features. Four information sheets were produced during the year for the following products: **FOI Eurizon Collection 2023**, **FOI Opportunities Diversified Income**, **FOI Millennials Equity**, **FOI Africa and Middle East Equity**.

For the launch of **Fideuram Folios**, the new portfolio management service for securities, ETF and funds, realised by Fideuram Investimenti SGR and offered exclusively to customers in the Fideuram and Sanpaolo Invest Networks, a graphic design was chosen using a broad range of images referring to the different investment possibilities that this service offers. The launch of two new current accounts **Fideuram One** and **Fideuram Prime** on the other hand, are based on customer-centred product communication, emphasising the innovative features of the services offered.

Material was also designed from a more institutional perspective during 2018 to support Personal Financial Advisers training.

Specifically, an electronic brochure was created for the **Wealth Management Adviser certificate** course, which outlines the main steps in the course, and explains its characteristics. A leaflet was also published to explain the pluses of a certified adviser, providing the option of adding a business card.

During 2018, Intesa Sanpaolo Private Banking maintained its commitment to offering customers clear, transparent and complete information.

The activities referred to all aspects of institutional material and product documentation, with the purpose of describing the range of services offered by the Bank to the various customer targets.

Updates were made to the **corporate presentation** available on the Private Banking Platform Network, including the English language version.

A specific format was created for the "**Company Presentation**", with a "private banking" graphics layout, which was printed and distributed to the Network.

A new sales presentation **kit** was produced, dedicated to Intesa Sanpaolo Private Banking **Discretionary Accounts**, representing one of the Bank's core products.

Consistently with the graphic format already chosen, **commercial information sheets** were created and updated for customers, describing several of the main products launched and marketed during the year.

These sheets provide key information about the principal characteristics of the described products, supporting their comparability through a consolidated and replicable structure for content development.





## INTERNAL COMMUNICATION

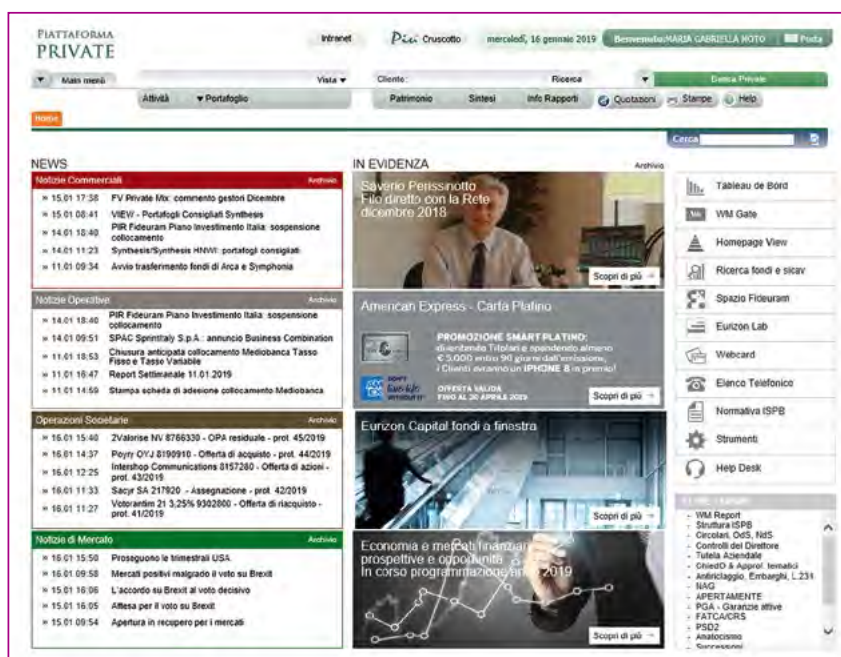
The presence of Intesa Sanpaolo Private Banking on internal communications channels and initiatives was consolidated in 2018.

In line with the Bank's commitment to spread awareness of the private banking market and the service model adopted to satisfy the needs of customers in that market, actions included:

- Updates to Intesa Sanpaolo Private Banking results and projects on the **Group's Intranet**, in the section dedicated to the Bank under the area reserved to the Private Banking Division.
- Various items of **Intranet News**, also included in "**Primo Piano**", informing employees on significant information relating to Intesa Sanpaolo Private Banking, such as the results achieved, positioning recorded periodically in the private banking segment, awards received and Web Tv clips.
- The **Web Tv** was used to disseminate content reserved to Intesa Sanpaolo Private Banking personnel, using the television channel specifically dedicated to them.

Personal Financial Advisers and office employees were able to view various Web Tv clips via this channel. Cultural initiatives were also published using this channel, like Miart 2018, where the Bank is a sponsor.

- Intesa Sanpaolo Private Banking also took part in the Group's **structured listening initiatives**, which included Net People Impact, an indicator of people's energy, and the Creative Labs.



## OPERATIONS OUTSIDE ITALY

**Fideuram Asset Management (Ireland)** continued to act as manager of the Fideuram Group's collective investment products in 2018 (Luxembourg, Irish and Italian collective investment undertakings) and of the products developed by the Intesa Sanpaolo Group's insurance companies (Italian pension fund and Irish unit-linked policies).

Client assets in the Luxembourg products offered by **Fideuram Asset Management (Ireland)** totalled €38.9bn at 31 December 2018, down by €3bn compared to 31 December 2017.

€38.9<sub>bn</sub>

Client Assets by  
Fideuram Asset Management  
(Ireland)

**Fideuram Bank (Luxembourg) S.A.** plays a leading role in the Fideuram Group's operating structure as the Depository Bank and Administrative Agent (calculation of Net Asset Value and keeping of subscriber register) of our Luxembourg funds with €38.9bn client assets at 31 December 2018. The bank operates through a select yet extensive network of worldwide correspondent banks, while also acting as Securities Lending Agent for the portfolio.

It also plays a significant role in providing treasury and liquidity risk management services for the Group's Luxembourg funds. The Bank also provides technological and organisational support in the form of IT services for the French subsidiary.

Part of the Group's treasury and finance activities are performed in France. These activities are conducted by the subsidiary **Financière Fideuram S.A.**, which had securities holdings of approximately €2.4bn at 31 December 2018 (€2.5bn at year-end 2017).



Fideuram Asset Management (Ireland)



Fideuram Bank (Luxembourg)

# CHF 1,845<sub>m</sub>

## Assets Under Management

### Intesa Sanpaolo Private Bank (Suisse)

**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 CHF1.845m at 31 December 2018, of which almost 50% comprised managed assets.

The Bank is currently committed to implementing the International Development Project outlined in the 2018-2021 Business Plan. This envisages consolidating its presence on Private Banking international markets, with the aim of becoming one of the leading Private Banks in Europe in terms of assets managed, at Group level.

Of note after the reporting period, and in the scope of implementing the aforementioned Plan, mergers were finalised between Intesa Sanpaolo Private Bank (Suisse) SA and Banque Morval SA and subsequently with Morval Vonwiller Holding SA. These transactions were undertaken between the end of January and start of February 2019, giving rise to Intesa Sanpaolo Private Bank (Suisse) Morval S.A.

The acquisition of a 94.6% equity stake in **Morval Vonwiller Holding S.A.** was completed on 10 April 2018. This financing company controls the Swiss Group by the same name. This transaction is part of the foreign development project of the Private Banking Division outlined in the Business Plan 2018-2021. That plan identifies the acquisition of the Morval Vonwiller Group as strategic. Based in Switzerland but with an international reach, the group is active in private banking and wealth management, and will be used to expand the scope of Fideuram Group activities outside Italy. With the acquisition of the Swiss Group, Fideuram not only assures complete geographic coverage of the Italian market but has also undertaken an expansion of its sales networks on international markets.

Client assets at 31 December 2018 amounted to CHF2.4bn, down from CHF2.7bn at the end of 2017.



Intesa Sanpaolo Private Banking - London Branch



Morval Vonwiller Holding S.p.A. - Geneva Branch



## ORGANISATION AND SYSTEMS MANAGEMENT

### ORGANISATION AND SECURITY

The Organisation Department is responsible for directing the development of the organisational model of the Bank and its subsidiaries with respect to organisational units, sizing and processes, working with colleagues outside the department to ensure, inter alia, 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.

In line with the strategic objectives of the 2018-2021 Business Plan, the Organisation Department has been engaged in many business and legislation-related planning initiatives, ensuring constant monitoring of 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 2018 were as follows:

#### 1. Regulatory projects

- Development and completion of the MiFID 2 project for the Division.
- Continued analysis and implementation of measures needed to comply with security and open banking requirements under the European Payment Service Directive (PSD2).
- Completion of all project phases to ensure Group companies are compliant with the new IFRS9 international accounting standard.
- Continuation of the Brexit project to manage the impact on the Division's companies.
- Integration and reinforcement of the Anti-Money Laundering and Compliance monitoring model for the Division.

#### 2. Corporate projects

- Merger of Fideuram Fiduciaria with Sirefid completed by Sirefid Fiduciaria, with legal effect from 30 June 2018. The project involved a revision of the corporate service and governance model, migration of the Fideuram Fiduciaria information management system into Sirefid and a revision of commercial and operating processes.

- Monitoring of the growth project of Intesa Sanpaolo Private Bank (Suisse) S.A..

#### 3. Management projects

- Adoption by Intesa Sanpaolo Private Banking of the New Master File for the Intesa Sanpaolo Group ("Nuova Anagrafe delle Controparti del Gruppo Intesa Sanpaolo - NAG"). The application platform will be extended to Fideuram and Sanpaolo Invest during 2019.
- Integration of all Italian companies in the Division with the Intesa Sanpaolo Group human resources management and administration system.

#### 4. Commercial projects

- Start of convergence project to NDCE Internet platform, APP and MyKey Contract for Intesa Sanpaolo Private Banking.
- Continued reinforcement of the Intesa Sanpaolo Private Banking High Net Worth Individuals Organisational Model.
- Developing support to the aggregated reporting service WM Report and the VIEW Advanced Advisory Service for Intesa Sanpaolo Private Banking customers.

#### 5. Technological innovation projects

- Launch of initiatives to strengthen technological innovation at Intesa Sanpaolo Private Banking (e.g. distribution of computers for customers' use at Branches).

The Organisation Department also oversees the development and maintenance of the Group's internal regulations, consisting of Governance Documents which govern the running of the Bank (Articles of Association, 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). In this regard, the project to adopt an integrated management system of Company Regulations was further developed. This will allow the Organisation

Department to coordinate the activity of all subsidiaries, ensuring the Private Banking Division's corporate regulatory framework is consistent and standard and reconciled with the Company Regulations issued by Intesa Sanpaolo.

The Organisation Department has put in place the requirements stipulated in terms of Privacy, with the introduction of the "General Data Protection Regulation". Specifically, the Board of Directors appointed a Data Protection Officer, and sent the relevant notification to the Data Protection Authority. The Board also adopted the "Guidelines on the Protection of Natural Persons with regard to the processing of personal data", provided Customers, Employees and Personal Financial Advisers with the new disclosure and has set up the data processing register.

During February 2018, the Organisation Department ensured that Company Bodies had adopted the "Operational Continuity Guidelines for the Intesa Sanpaolo Group", the "Group Organisational Model for Crisis Management". It also updated the Fideuram Sector Operational Continuity Plan, submitting the relevant information flows for the approval of the relative Company Bodies during November.

The Organisation Department is further responsible for the operational coordination of the activities assigned to the Contact Person for the Private Banking Division's Sector Business Continuity Plan, interfacing with the Intesa Sanpaolo Group Business Continuity Unit and subsidiaries of the Private Banking Division.

During the year, this saw the Department perform all the Business Continuity management activities provided for in the Intesa Sanpaolo Group Organisational Model for Crisis Management and Business Continuity Plan Rules, including the Operational Continuity Test and the Disaster Recovery Test.

With the establishment of an "Information Security and Business Continuity" unit during the last quarter of the year, the operational continuity monitoring activities and project development related to the introduction of the General Data Protection Regulation were referred to the above structure.

As required by applicable legislation with regard to outsourced activities, the Organisation Department coordinated the service level monitoring carried out by the respective Process Owners in the form of

regular audits of the Key Performance Indicators (KPIs) for the services provided. Management was then informed of the general outcome in periodic reporting.

### INFORMATION SYSTEMS AND BUSINESS OPERATIONAL SUPPORT

Among the tools for growth used by the Fideuram Group, technological innovation provides ever more effective support to the development of business and service models.

The Personal Financial Advisers and the key role they play in customer relations remain at the centre of technological evolution.

In view of fully exploiting the opportunities offered by the new technologies, information system development and streamlining activities during 2018 concentrated on three areas:

1. Activities in support of business.
2. Projects to develop and streamline the architecture and efficiency of our operating processes.
3. Compliance with regulatory requirements.

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

- **Alfabeto and Fideuram Folios:** the digital space enabling Personal Financial Advisers to provide customers with an Advisory Service, based on a multi-channel solution, with the addition of new innovative functions (e.g. financial salons, web analytics, prospects native management, customer localisation, face-ID enabled, etc.). The most significant innovation was the introduction of the new product concept with Fideuram Folios, represented by "Thematic Folios", "Folios' playlist" and "Customized Folios" (Il Tuo Foglio).
  - **Expansion of Product range:** various areas were expanded, the most significant involving the Fideuram Network include: the new SICAV Nordea, Capital Group and Muzinich, the new Fonditalia Opportunity Diversified Income, Core and Global, Millennials, Africa Middle East and Global Income funds, the new alternative FAI Global Markets fund (jointly with Intesa Sanpaolo Private Banking), the new Fideuram Vita Garanzia e Valore policy, changes to the Fideuram Vita Insieme policy (access thresholds, Potential Asset Class structure) and completion of the Fideuram Vita Sintonia policy.
- The main releases referring to the Intesa Sanpaolo Private Banking Network include: managing the Intesa Sanpaolo

Vita Programma Dedicato, restyling of the Polizza Fideuram Vita Private Mix, placement of the new Sicav M&G Investment Funds 1 and Janus Henderson, continued development and additions for discretionary accounts.

- **Advisory Platform:** some functional enhancements were implemented, introducing the Contratto Sei 2.0 concept with real estate monitoring, succession planning and household management services. A new diversification index was also introduced, extending the analysis to include market risk, credit risk and concentration risk issues. As part of the broader process to simplify applications, the Advisory Platform was integrated with the porting of a number of functions that had previously resided on the SIM PB application (e.g. Portfolio Synthesis, Accounting Summary, Portfolio Analysis, Product Search, etc.).
- **Systems supporting Private Wealth Management:** the components supporting the Private Wealth Management (PWM) unit have been released to manage advisory services workflows for the Private Banking customer clusters. The service to collect non-managed asset orders, based on a recorded call, has been launched.
- **Wealth Shaper:** the system supporting financial advisory services on the Intesa Sanpaolo Private Banking Network has been developed and extended with the management of Fiduciaries in Private Banking Advisory, an analysis of the currency breakdown and release of the new Front End HTML5.
- **ISPB WM Report:** the "WM Report" service for aggregated reporting has been completed and the pilot phase has been rolled out to the entire Personal Financial Advisers Network.
- **WM Gate:** application supporting the ISPB HNWI Network, developed and integrated with the release of modifications on the Plug-ins, Integrated Analysis (passions/interests, demographic profile, expiry MiFID profile with alerts) and Management Dashboard.
- **Evolution of VIEW (Value Investing Evolution Wealth):** the Advanced Advisory Service for Intesa Sanpaolo Private Banking customers has been upgraded with improved navigation capabilities and usability and with new functions.

The following projects have been completed in continuity and consistently with activities over recent years, as part

of a broader process for architectural transformation aimed at complete integration of the Private Banking Division:

- **Welcome and Easy Sign:** the App functions were expanded for onboarding customers, with the option of using them via iPad or a PC web-based application. This development provides Personal Financial Advisers with greater flexibility in managing the collection and allocation of data during the agreement and signing phase with the customer. The Biometric Signature application was further developed with the release of Easy Sign 2.0, introducing significant improvements in terms of usability and speed of use (e.g. the "quick sign" process).
- **Consolidation of Fideuram Mobile Solution:** in addition to the completion of several functions and natural evolution associated with the new products launched, the Operating Platform has been further stabilised, with its scalability and speed of use increased, thanks to the introduction of new application monitoring tools like Kibana and Glassbox.
- **Digitalisation of Profiling Questionnaires:** from the perspective of steadily reducing the use of paper, a function has been released for customers to renew expiring MiFID Questionnaires on-line and for Personal Financial Advisers to propose the renewal of the Questionnaire based on an electronic signature.
- **Okey-smart** has been introduced within the scope of PSD2 related regulations and the broader simplification and digitalisation programme. This refers to the Okey key's virtualisation on smartphones to generate One-Time-Password customer instructions. Dynamic passwords and E-PINs were also introduced for credit card transactions.
- **NAG (Nuova Anagrafica di Gruppo - New Master File for the Intesa Sanpaolo Group):** the project to centralise customer information at Intesa Sanpaolo was completed and the Fideuram and Sanpaolo Invest Networks related Master File is nearing completion. The project will be fully completed in 2019.
- **Setting up Private Banking ISPB Rooms for AES (Advanced Electronic Signature) usage:** every Branch of Intesa Sanpaolo Private Banking, including the HNWI Network have had a personal computer installed with Wacom 10" tablet that can be used for customers' biometric signing.



- Functions supporting the Fideuram and Intesa Sanpaolo Private Banking Networks and respective Managements have been developed and expanded, based on the Sales and Incentive Reporting (NSR+) and Qlik-View dashboards, Report Pricing and Derogations, the "Presidium" utility and statistics on the ISPB multi-channels.

Finally, significant work was done in 2018 in terms of regulatory compliance:

- **MiFID 2 regulations** introduced application and process changes to several Bank and Personal Financial Advisers activities. Specifically, the more significant referred to:
  - Product Governance (Product Comparison, ex-post Monitoring, Target Market, etc.).
  - Service Model (Switching and Suitability, ex-ante Disclosure, ex-post Reporting, Record Keeping, etc.).
  - Finance compliance (Orders and Transactions register, Post-trade transparency, etc.).
- Systems were adapted to bring them in line with **Electronic Invoicing** regulations, specifically regarding the administrative relations between Fideuram and Personal Financial Advisers.
- Operational and technical work was undertaken, which will continue well into 2019 relating to **GDPR regulations** and the adaptations needed for **PSD2**.

In addition to the work referred to on Information Systems, an initiative was launched to research the business potential of the Open Banking paradigm and analyse the repercussions in terms of infrastructure, architecture and technical/applications. The following drivers were specifically considered:

- significant impetus from regulations being imposed on banking (specifically PSD2 and GDPR, including developments in the Anglo Saxon market);
- growing demand for quality services, characterised by distinctive customer experience;
- progressive IT developments, with the rapid spread of mobile devices (smartphone and tablet) and API interfaces (Application Programming Interface);
- entry of new alternative players to the traditional financial institutions with new business models (e.g. OTT, start-up fintech, social network).

Open Banking represents an opportunity to take on a central role in the new ecosystem, where it can provide,

request and use its own and third party data to develop innovative services, competing with the new players introduced by legislation (AISP / PISP: Account Information Service Provider and Payment Initiation Service Provider).

The work already undertaken will intensify in 2019, and has become necessary to gain a clearer understanding of the opportunities that come with the market opening up. It will also help to understand how to adapt to changes so as to anticipate developments in the business model, in order to exploit the opportunities arising from Open Banking. These activities saw the structure involved in designing potential reference architecture, implementing certain test APIs and experimenting with Open Banking development processes during a Hackathon event, which was held during November, involving 10 teams, 50 people and 5 support technology partners.

Information Systems managed around 70 development projects to brief and deadline in the year with a total investment of approximately €42m.

The Business Operational Support unit played an active role in different projects, testing many new or restyled product solutions and major applications (SEI, the Operating Platform and Alfabeto), while also coordinating specific implementation initiatives, including the Customer Onboarding Project and the New Master File for the Intesa Sanpaolo Group. Moreover, the launch of the Welcome app for onboarding customers throughout the network attracted wide interest. This app was the result of a lean project and became a highly appreciated success story on the Networks due to its instinctive ease of use.

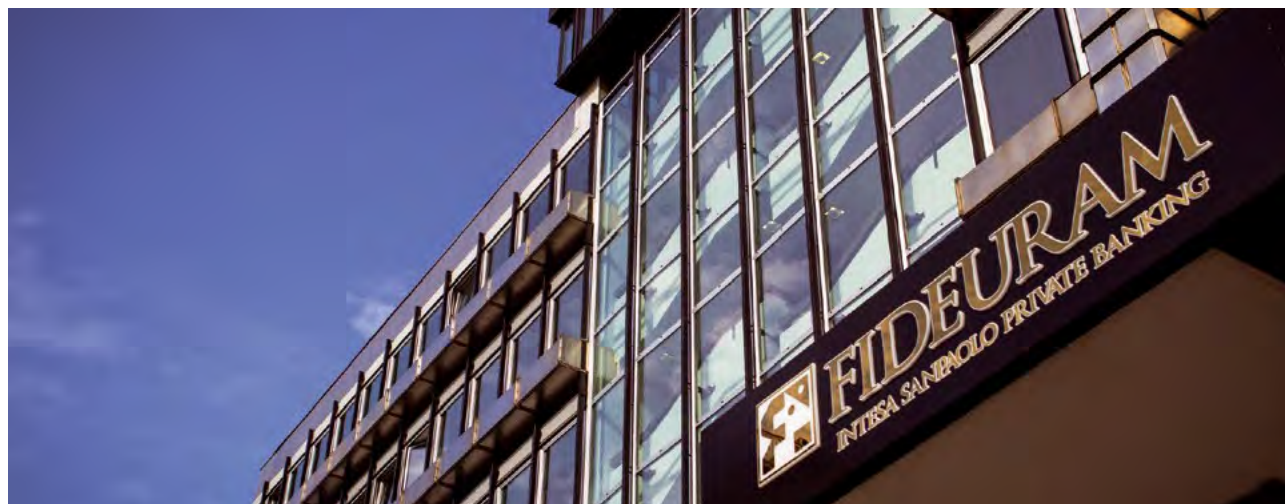
A process was launched in the year to integrate the operating services and resources of Fideuram and Intesa Sanpaolo Private Banking in order to provide a single Private Banking Division service centre. Several activities have already been standardised in this regard, such as the management of foreign operations and the centralised branch for the Networks.

**Automation and simplification of operating processes:** a change management process was launched, in which all resources were asked to re-think the activities they perform, identifying those components which involve

simple execution, and moving these towards digitisation and redesign of processes. This project makes it possible to dedicate the best professional expertise to supporting the Networks and satisfying the continuous demand for assistance with qualified advisory services, and analysis and resolution of less frequent cases. Consequently, the capacity to launch major projects for efficiency improvements has been developed, while simultaneously permitting improvements in the level of service. In many of these projects, the human resources in the Business Operational Support unit hold positions of responsibility, and perform analyses and certification of solutions.

To pursue all these objectives, during recent years, training activities provided in-house and outsourced to market companies have been expanded. As a part of these activities, an Operational Excellence Academy was launched and consolidated during the year. The Lean Banking & Six Sigma certifications were awarded in the presence of top management. In addition to the new Green Belt certifications, several colleagues obtained the next level of certification during the year: Black Belt. As part of the training process, different project lines pertaining to a single master programme named "Go Paperless" were organised and analysed. This project aims to create an integrated and single vision of the different initiatives that directly or indirectly impact paperless issues, identify new initiatives, and propose actions that better qualify the overall position of the company on this important matter.

In relation to Governance, the Coordination and Operational Strategies unit began onboarding Group companies regarding demand management, IT budget governance and project monitoring processes. In the context of international growth initiatives, which began with consolidating the Swiss hub, an effective contribution has been made to assist companies involved in contracting arrangements for Core Banking strategic applications/services, which are outsourced to specialist companies. With the Division's project portfolio having become more complex and extensive, this was carefully monitored by the Projects Committee. The relevant structures were strengthened in this respect, and supporting Project Management tools developed, which are also used during the preliminary assessment by the Management



Fideuram - Intesa Sanpaolo Private Banking - Rome Administrative Headquarters

Committee responsible for the Division's strategic projects.

In addition, PMO work was undertaken for all product initiatives (updating products in the catalogue and launch of new products), which besides monitoring projects and deliverables, simplified the resolution of any critical areas with the involvement of the relevant structures, and managed communication and co-operation among the various working groups.

Against the backdrop of growing complexity and intense focus on costs, thanks to careful and timely budget management and the renegotiation of all application management contracts, it has also been possible to fund efficiency improvement and architecture revision projects initially not covered by the budget. Significant support was also provided in this context to the preparation of technical specifications for the main tenders conducted during the year.

The process to revise the sourcing strategy continued, aimed at creating expertise in specific application areas by several outsourcers so as to more effectively manage the calls for tenders to develop software. Revision of the strategy has resulted in a formalised operating and remuneration model for application management contracts, regarding the acceptance of software developed

by third parties and the introduction of strict SLA clauses and management of the transition period.

Careful monitoring combined with the introduction of more stringent KPIs and negotiations with suppliers ensured service levels remained constant, and in some cases even improved, with a consequent reduction in the penalties applied to suppliers.

The Coordination and Operational Strategies unit also undertook the role of Technical Secretariat in the scope of the cross-cutting duties of the Chief Operating Officer Area in so far as relations with external supervisory authorities (ABI; Bank of Italy) and internal bodies (Financial Management Governance and Audit) were concerned. It actively participated in drafting the IT Strategic Plan (2018-2021) and was the primary interface in respect of the Parent Company's Governance structures on issues referring to the Capital Budget, costs and economic efficiency opportunities based on all possible synergies.

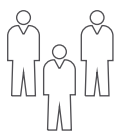
In terms of the tools to ensure adequate control monitoring of outsourced activities, a data base has been created for all IT suppliers' costs, contracts, applications and SLAs, providing shared and integrated management of data and dedicated reporting.

In addition, the following were introduced in the areas of demand management and budget governance: certification for project close-offs, qualitative and quantitative assessment of suppliers involved in projects, and standardised and computerised authorisation process for supplier invoicing.

The contact volumes reported by the Contact Centre dedicated to requests for assistance by the Networks remained in line with the previous year. The Contact Centre supported the Personal Financial Advisers with all changes in tools (onboarding, biometric signature, new Unified Advisory Platform, etc.), regulatory compliance (FATCA/CRS, compounding of interest, etc.) and products (launch of Fideuram Folios).

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

All the Audit and Financial Management Governance controls carried out on the Information Systems and Operating Services areas during the year confirmed that appropriate operational risk management was being implemented, enabling operational losses to be kept at entirely negligible levels.



## 4.7.4 Human Capital

Human capital includes the skills, abilities and knowledge of the employees and financial advisers who work within the Group.

MATERIAL TOPICS	WHY TOPICS ARE MATERIAL	CORPORATE POLICIES
<b>Security and management of customer portfolios</b> Reinforcement of Personal Financial Advisers retention measures	Professionalism among employees in the Fideuram Group ensures quality and excellence in the services provided to customers.	On the basis of the 231 Model adopted by the Fideuram Group, it is mandatory for all personnel to undertake the training intended for them, including Personal Financial Advisers. Participation in training is monitored by the department responsible for human resources training and department responsible for Personal Financial Adviser training. This is done in conjunction with Managers at different levels, who act as guarantors, especially in the case of "remote" training courses being followed by their staff. The Human Resources and Personal Financial Advisers' training Departments are also responsible for collecting the data relating to participation in the different courses, filing this and making it available to the relevant functions.
<b>Training and development of Personal Financial Advisers</b> Recruitment and induction of young talent in sales network through diverse systems of entry to the profession Specialist training for Personal Financial Advisers	Special focus is given during the recruitment phase to younger Personal Financial Advisers, where the Group provides specific training, as well as more experienced Personal Financial Advisers. Monetary and non-monetary incentive systems are essential leverage features to retain the best talent within the Group.	
<b>Employee training</b> 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	Employees support and steer the work of Personal Financial Advisers. Human resources therefore play a key role in enabling us to achieve our corporate objectives. To this end, the Group invests in the professionalism of its employees through organisational and training initiatives that aim to enhance individual competencies and promote their professional growth. The Group has also introduced new measures based on discussions with trade union organisations, which would improve the balance between employees' working and private life and provide a more effective corporate welfare system.	
<b>Performance management and career paths</b> Performance management system (assessment of employee performance and transparency of criteria used) Remuneration systems with reward mechanisms for management and colleagues Transfer and sharing of competencies between colleagues Attraction capability, development and retention mechanisms	The Group's commitment to occupational health and safety starts with the creation and management of working environments that are fully compliant with the relevant regulations and standards in this field.	

## PERSONAL FINANCIAL ADVISERS

	2018	2017 (*)	2016 (*)
Fideuram Network - No. of customers per Personal Financial Adviser	155:1	151:1	148:1
Sanpaolo Invest Network - No. of customers per Personal Financial Adviser	113:1	103:1	98:1
Intesa Sanpaolo Private Banking Network - No. of customers per Personal Financial Adviser	40:1	41:1	43:1
Foreign Network - No. of customers per Personal Financial Adviser	31:1	36:1	40:1
Ratio of Client Assets to Personal Financial Advisers (€m)	36	36	34

(\*) Restated where necessary to take into account the contribution of the Morval Vonwiller Group acquired during the second quarter of 2018.

## MAIN OBJECTIVES FOR 2018

Attention towards high-profile recruitment remains one of the elements that will enable the Group to make progress in offering excellent levels of professionalism that can focus on customer needs, by expanding the services provided, especially in terms of quality, effectiveness and competence, in order to respond to even the most complex needs.

Continuation of the Alfabeto developments with:

- the increase in the number of Personal Financial Advisers who can use the platform;
- the upgrading of the functions used to acquire new customers;
- support in managing events;
- improvements in the App version for Personal Financial Advisers.

With regard to the Advisory Platform:

- improvements in the sales proposal phase;
- new tools supporting global wealth management advisory services;
- new portfolio views;
- enhancement of risk analysis and simplification in browsing the platform;
- an increase in the use of digital tools and processes;
- adjustments in operations in line with the new MiFID 2 regulations.

## ACTIONS AND RESULTS ACHIEVED

The constant attention paid to the quality and consolidation of the high-profile sales force made it possible to achieve significant results in 2018, despite the complex market context. The volume growth of the Personal Financial Adviser Networks was achieved through recruitment activities focused above all on banking sector professionals with outstanding potential. The start-up of the project to develop the Foreign Network also contributed in this regard. Specifically, the Fideuram Group recruited 328 new Personal Financial Advisers during 2018.

Again with regard to recruitment, a specific Hub was established to direct special attention to consolidating services and Managers' focus areas.

During 2018, there were 3,000 active Personal Financial Advisers on Alfabeto.

A tool usability analysis was conducted during the year with the support of a specialist outsourcer, which helped to identify areas for improvement in terms of operations and user experience. In addition, the option of creating and managing "Financial Salons" was extended, with the enhancement of tools supporting digital advisory services either via the web or App, and the introduction of instruments to provide a fully digital sales offering.

The revision of the sales offering began during 2018 and integrations were made to support the launch and development of the additional "Nucleo Sei", "Monitoraggio Immobiliare Sei" and "Passaggio Generazionale Sei" services. New features were released that would enhance the tool information content, a new diversification measure was introduced, with increased use of the platform by all Networks. Further adjustments were made to the sales offering to bring it in line with the new MiFID 2 regulations.

## SIZE OF NETWORKS

The Group's Networks (Fideuram, Sanpaolo Invest, Intesa Sanpaolo Private Banking Networks and Foreign Network) totalled 5,995 Personal Financial Advisers at 31 December 2018, compared with 5,990 at the end of 2017, as shown below:

## Group Personal Financial Advisers

(No.)

	BEGINNING OF PERIOD 1.1.2018 (*)	IN	OUT	NET	END OF PERIOD 31.12.2018
Fideuram Network	3,635	166	139	27	3,662
Sanpaolo Invest Network	1,428	53	137	(84)	1,344
Intesa Sanpaolo Private Banking Network	880	88	41	47	927
Foreign Network (**)	47	21	6	15	62
<b>Total</b>	<b>5,990</b>	<b>328</b>	<b>323</b>	<b>5</b>	<b>5,995</b>

(\*) Restated where necessary to take into account the contribution of the Morval Vonwiller Group acquired during the second quarter of 2018.

(\*\*) The Foreign Network includes the Personal Financial Advisers of the London Branch of Intesa Sanpaolo Private Banking, the Morval Vonwiller Group, Intesa Sanpaolo Private Bank (Suisse) and DJ Inversiones.

## Fideuram Personal Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1.1.2018 - 31.12.2018	3,635	166	139	27	3,662
1.1.2017 - 31.12.2017	3,571	222	158	64	3,635
1.1.2016 - 31.12.2016	3,589	150	168	(18)	3,571

## Sanpaolo Invest Personal Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1.1.2018 - 31.12.2018	1,428	53	137	(84)	1,344
1.1.2017 - 31.12.2017	1,429	101	102	(1)	1,428
1.1.2016 - 31.12.2016	1,436	72	79	(7)	1,429

## Intesa Sanpaolo Private Banking Personal Financial Advisers (\*)

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1.1.2018 - 31.12.2018	880	88	41	47	927
1.1.2017 - 31.12.2017	842	69	31	38	880
1.1.2016 - 31.12.2016	821	49	28	21	842

(\*) At the end of 2018, the Intesa Sanpaolo Private Banking Network numbered 885 Personal Financial Advisers who are salaried employees registered in Italy's Unified Register of Financial Advisers and 42 freelance professionals on agency contracts.

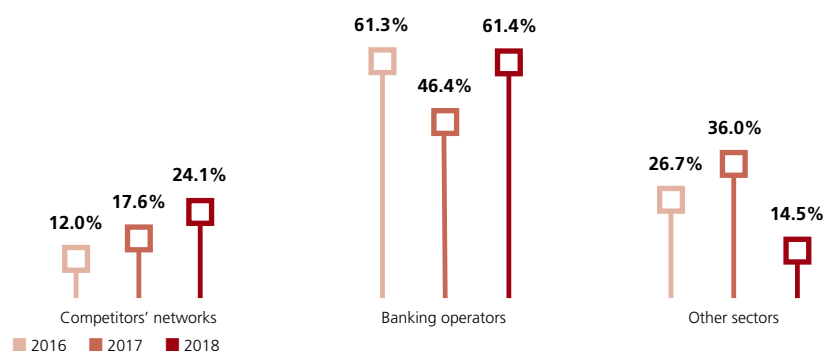
## Foreign Network Personal Financial Advisers (\*\*)

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1.1.2018 - 31.12.2018	47	21	6	15	62
1.1.2017 - 31.12.2017	45	4	2	2	47
1.1.2016 - 31.12.2016	44	8	7	1	45

(\*\*) The Foreign Network includes 2 Personal Financial Advisers from the London Branch of Intesa Sanpaolo Private Banking, 41 Personal Financial Advisers from the Morval Vonwiller Group, 17 from the Intesa Sanpaolo Private Bank (Suisse) and 2 Personal Financial Advisers from DJ Inversiones.



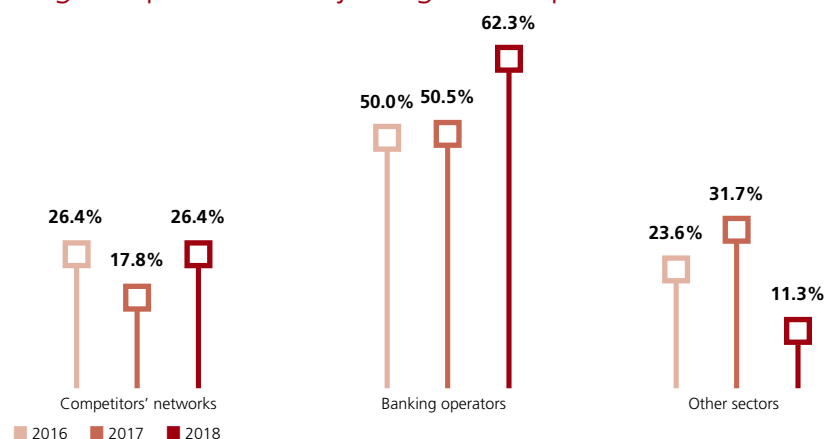
## Origin of professionals joining the Fideuram Network



Our recruitment programme brought 328 new Personal Financial Advisers into the Group in 2018, compared with 396 in 2017. A total of 323 Personal Financial Advisers left the Group during the year, with 31% of them moving to competitor networks.

The recruitment programmes were conducted with the greatest rigour and professionalism by the managements of the Group's 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.

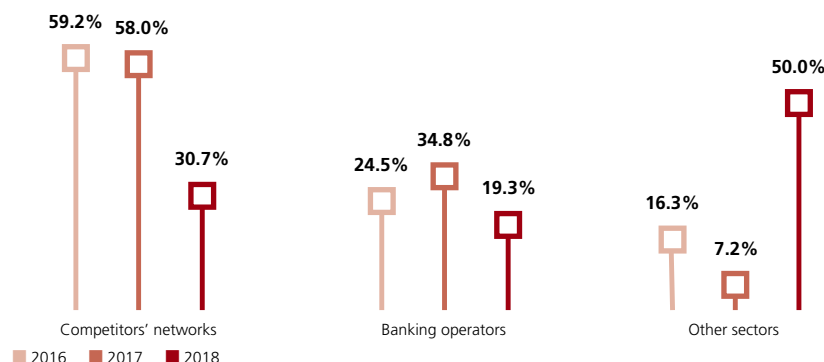
## Origin of professionals joining the Sanpaolo Invest Network



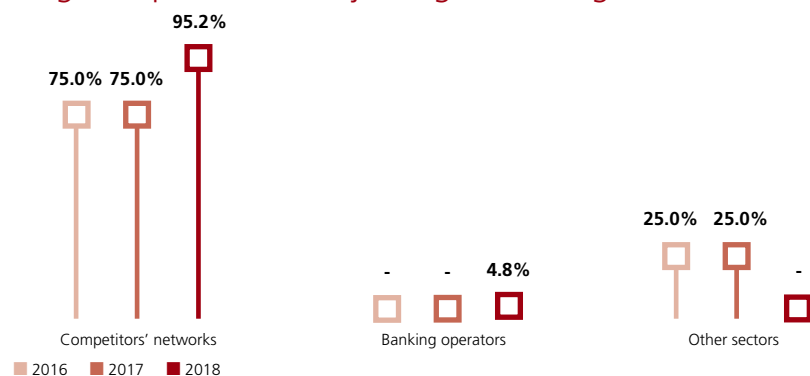
The training and work of our Personal Financial Advisers are guided by the principles of ethics and transparency which differentiate the Group and aim, amongst other things, to secure customer loyalty through the support of financial advisory services that are tailored to each customer's personal investment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



## Origin of professionals joining the Foreign Network



## 2018 TURNOVER BY AGE AND GENDER

## Fideuram Network

GENDER	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Men	117	3.9	120	4.0
Women	49	7.7	19	3.0
<b>Total</b>	<b>166</b>	<b>4.5</b>	<b>139</b>	<b>3.8</b>

AGE	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Under 30	13	15.3	7	8.2
30 to 50	106	8.8	34	2.8
over 50	47	2.0	98	4.1
<b>Total</b>	<b>166</b>	<b>4.5</b>	<b>139</b>	<b>3.8</b>

## Sanpaolo Invest Network

GENDER	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Men	41	3.9	113	10.7
Women	12	4.1	24	8.3
<b>Total</b>	<b>53</b>	<b>3.9</b>	<b>137</b>	<b>10.2</b>

AGE	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Under 30	4	15.4	3	11.5
30 to 50	27	5.8	41	8.8
over 50	22	2.6	93	10.9
<b>Total</b>	<b>53</b>	<b>3.9</b>	<b>137</b>	<b>10.2</b>

## Intesa Sanpaolo Private Banking Network

GENDER	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Men	59	9.7	27	4.5
Women	29	9.0	14	4.4
<b>Total</b>	<b>88</b>	<b>9.5</b>	<b>41</b>	<b>4.4</b>

AGE	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Under 30	-	-	-	-
30 to 50	56	13.6	13	3.2
over 50	32	6.3	28	5.5
<b>Total</b>	<b>88</b>	<b>9.5</b>	<b>41</b>	<b>4.4</b>

## Foreign Network

### GENDER

	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Men	17	48.6	6	17.1
Women	4	44.4	-	-
<b>Total</b>	<b>21</b>	<b>47.7</b>	<b>6</b>	<b>13.6</b>

### AGE

	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Under 30	-	-	-	-
30 to 50	12	75.0	2	12.5
over 50	9	32.1	4	14.3
<b>Total</b>	<b>21</b>	<b>47.7</b>	<b>6</b>	<b>13.6</b>



Fideuram and Sanpaolo Invest - Bologna Office

## ORGANISATIONAL STRUCTURE

The Group utilises a Network Managerial Organisation Model, focused on the **roles, responsibilities** and principal **activities** of individual **management positions**.

Management initiatives can be summarised in the following six main functional areas:



### GROUP MANAGEMENT AND DEVELOPMENT

Management and guidance of Personal Financial Advisers under supervision.

### NETWORK QUALITY DEVELOPMENT

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

### VOLUME GROWTH

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

### PROFESSIONAL DEVELOPMENT

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

### BUSINESS GROWTH

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

### SERVICE QUALITY DEVELOPMENT

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

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

## POSITION

### AREA MANAGER

## RESPONSIBILITIES

Coordinate the strategic/commercial guidance defined, in order to maximise the sustainable growth in the local area as part of the assigned Area.

Convey the strategies and the expected targets in the Area.

Share with the Managers under his/her supervision the sales activities in the local area in terms of actions, timing and priorities; transmit the company organisational methods to be implemented in the Area and check their effective execution.

Supervise and ensure the dissemination of Best Practices identified in the Area for each development area.

Periodically verify progress in different commercial development areas, discussing qualitative and quantitative results and progress of initiatives with Managers, specifying and monitoring any realignment actions necessary.

Ensure values of professionalism, propriety and appropriate business behaviour are applied across area by Personal Financial Advisers.

Communicate a return on the activities of a commercial nature carried out in the assigned Area.



Maurizio Boscariol



Antonio Grandi



Giorgio Pietanesi



Gabriele Roccato



Flavio Vanin



Loris Ventura



## POSITION

## RESPONSIBILITIES

### DIVISIONAL MANAGER

Implement strategic/commercial guidance in order to maximise the sustainable development and support the professional growth of the Financial Advisers supervised in the assigned Area.

Monitor the quality of the customer service provided by the Personal Financial Advisers and work on its improvement.

Implement management actions for guiding and supporting the qualitative and quantitative growth and development of client assets.

Coordinate management activities supporting Personal Financial Advisers to acquire and consolidate competencies and improve distinctive modes of behaviour.

Coordinate management activities guiding and monitoring quality of service offered, along with customer perceptions of service quality.

### REGIONAL MANAGER

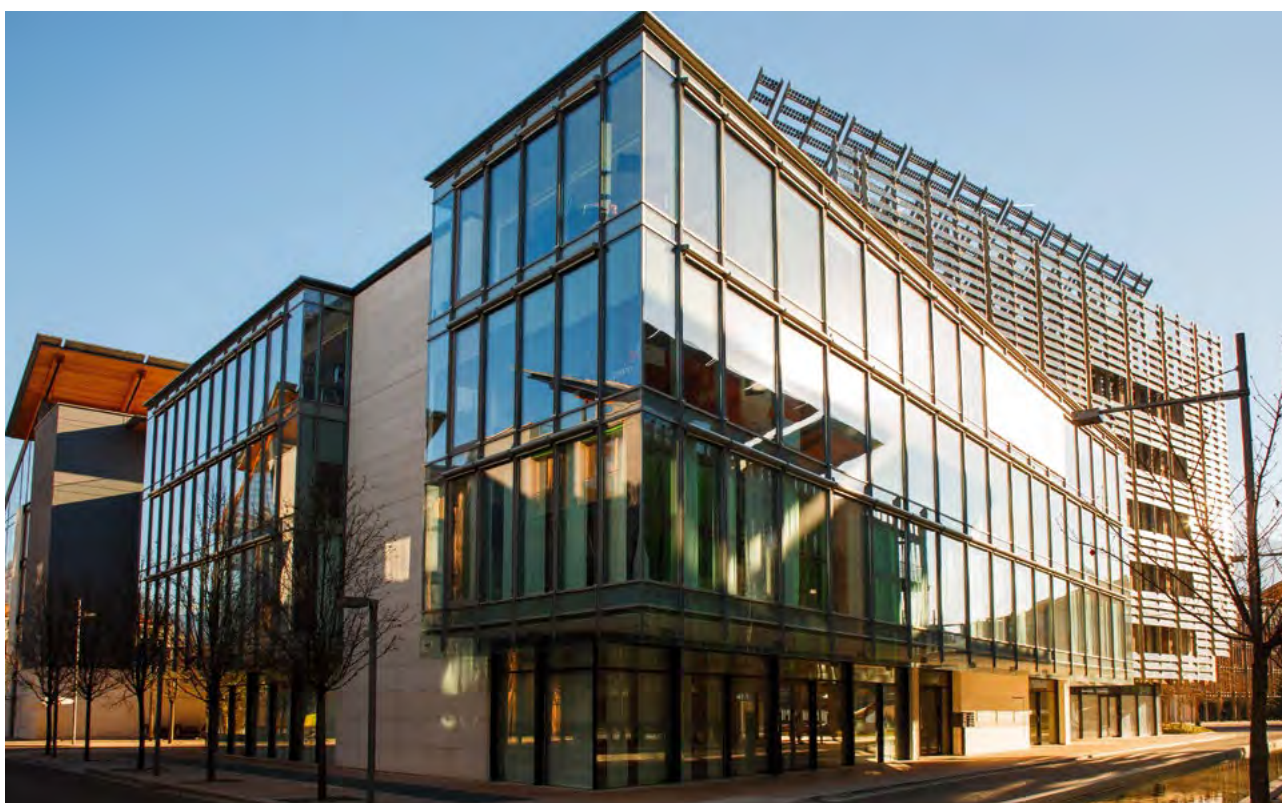
Carry out activities as the business contact of the Personal Financial Advisers, implementing the support activities aimed at maximising the development and growth of the group of Personal Financial Advisers under his/her supervision.

Implement management actions regarding the guidance and support of the group of Personal Financial Advisers supervised.

Work to expand the group of Personal Financial Advisers through recruitment, with constant and careful attention to the professional and personal quality of the recommended candidates.

Coordinates the professional growth of newly-recruited Personal Financial Advisers, providing support in the post-induction phase.

Ensure the quality of the group of Personal Financial Advisers assigned, implementing all the management actions required to manage and monitor Network change processes, checking the medium- to long-term strategic impact.



Fideuram and Sanpaolo Invest - Trento Office

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

## ROLE

## RESPONSIBILITIES

### PRIVATE BANKING AREA MANAGER

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.

Ensure strong brand affirmation.

### HNWI AND PRIVATE BANKING BRANCH MANAGER

Represent the Bank in their area and ensure achievement of economic, business and risk management objectives in Private Banking and HNWI Branches.

Manage their Private Banking and HNWI Branch, implementing business policies and appropriate lending procedures, and coordinating the personnel reporting to them.

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.

### GLOBAL RELATIONSHIP MANAGER

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.

### TEAM LEADER

Manage their team, implementing business policies and coordinating the personnel reporting to them.



Fideuram - Lecco Office

The following tables show the 2018 data for each of the four 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 Manager	7	-	7	61	26
Divisional Manager	20	-	20	57	31
Regional Managers	93	3	96	56	22
Group Managers	314	21	335	54	17
Personal Financial Advisers	2,593	611	3,204	52	15
<b>Total</b>	<b>3,027</b>	<b>635</b>	<b>3,662</b>	<b>52</b>	<b>16</b>

### Sanpaolo Invest Network

	MEN	WOMEN	TOTAL	AVERAGE AGE	AVERAGE LENGTH OF SERVICE
Area Manager	2	-	2	60	15
Divisional Manager	9	-	9	56	22
Regional Managers	40	1	41	54	18
Group Managers	146	17	163	54	16
Personal Financial Advisers	857	272	1,129	53	13
<b>Total</b>	<b>1,054</b>	<b>290</b>	<b>1,344</b>	<b>53</b>	<b>13</b>

### Intesa Sanpaolo Private Banking Network

	MEN	WOMEN	TOTAL	AVERAGE AGE	AVERAGE LENGTH OF SERVICE
HNWI Branch managers	4	2	6	56	33
Private Banking Branch managers	78	24	102	53	28
Global Relationship Managers	7	4	11	52	27
Team Leaders	59	23	82	52	27
Executive Personal Financial Advisers	40	24	64	51	25
Personal Financial Advisers	381	239	620	48	19
Freelancers on agency contracts	37	5	42	63	4
<b>Total</b>	<b>606</b>	<b>321</b>	<b>927</b>	<b>50</b>	<b>21</b>

### Foreign Network (\*)

	MEN	WOMEN	TOTAL	AVERAGE AGE	AVERAGE LENGTH OF SERVICE
Manager / Area Manager	4	-	4	62	7
Personal Financial Advisers	31	9	40	49	7
<b>Total</b>	<b>35</b>	<b>9</b>	<b>44</b>	<b>50</b>	<b>7</b>

(\*) Excluding 18 legal person agents.

## TEAM FIDEURAM

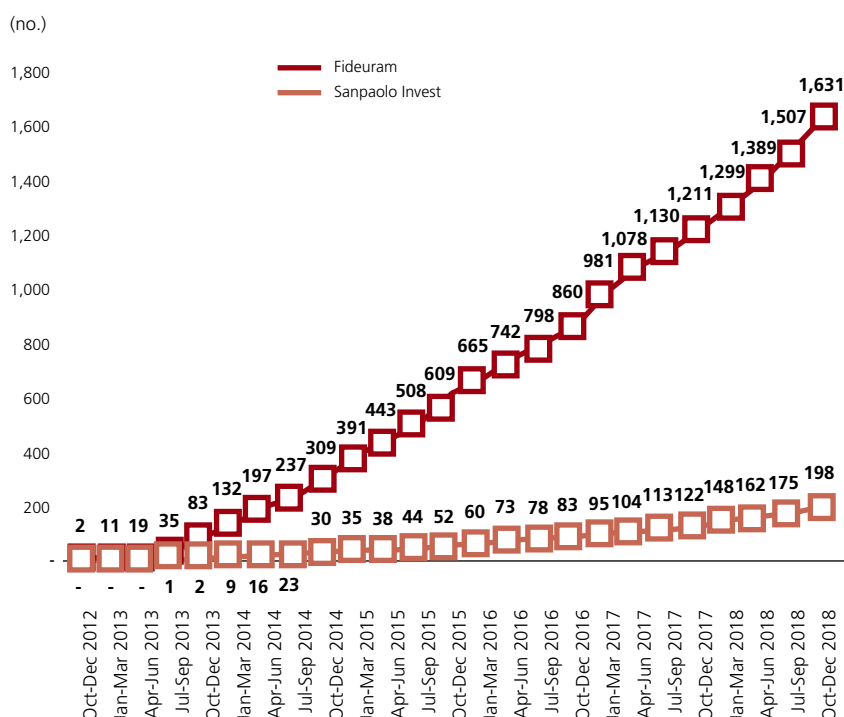
**1,829**  
agreements signed since the  
launch of the Team

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.

Six years on from its launch, 1,053 Personal Financial Advisers are working together in the Team (around 21% of the Personal Financial Advisers in the Fideuram and Sanpaolo Invest Networks), jointly managing a total of around €9.2bn assets for over 85 thousand customers.

This constant growth confirms that the Team responds to a real need in the Networks and that its teamwork approach is the new model for the Personal Financial Adviser profession.

## Number of agreements



**707**  
Team Leaders  
and

**801**  
Team Partners

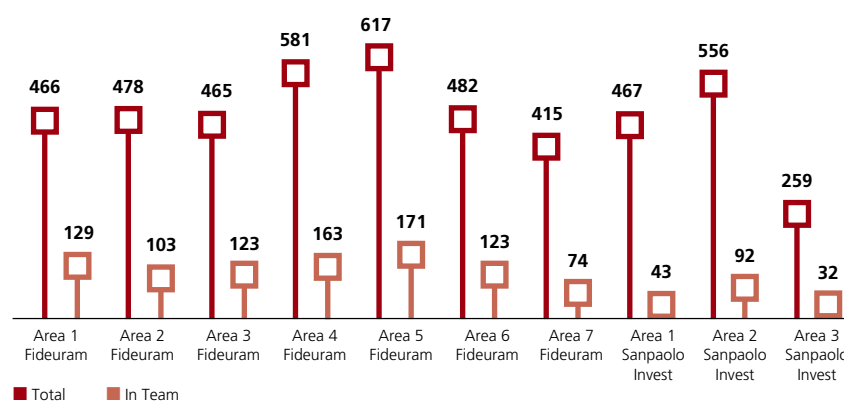
involving

**1,053**  
Personal Financial Advisers

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

## Team Fideuram

No. Personal Financial Advisers (\*)



(\*) Managers and Trainee Financial Advisers are not included in the totals.



## 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 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.

A new agency contract came into effect for both Networks as from 2 January 2018. This contract was submitted to all Personal Financial Advisers joining as from that date, whereas contracts signed between each Personal Financial Advisers and their respective Companies remained valid for whoever had already been hired up to 31 December 2017.

The new contract seeks to primarily address the following purposes:

- Standardise contracts linking Personal Financial Advisers to Fideuram and Sanpaolo Invest.

- Formally bring the wording of the contract into line with the current regulatory/legislative context that has changed over time, and with the current service model that oversees the activities of the sales Networks.
- Adopt a modular structure, making consultation more agile, and the updating of annexes to the contract that may become necessary over time, much simpler. In this regard, the structure of the new contract is subdivided as follows:
  - Main section: purely regulatory content, which governs the agency relationship between Fideuram/Sanpaolo Invest and each Personal Financial Adviser.
  - Annexes to the contract: technical-economic and organisational-commercial as well as regulatory specifications, which take the form of corporate rules and codes, commission schedules, incentive scheme schedules, Network organisational model, Network insurance covers. The latter are valid for Personal Financial Advisers joining the Network with effect from 2 January 2018, as well as those already hired at 31 December 2017.

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, however, are agents (42 at 31 December 2018) with agency contracts.



Fideuram - Siena 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 into 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 under supervision;
- 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.

During their entry period, the "non-recurring" component of newly appointed Personal Financial Advisers is specifically set at the time of appointment to acknowledge the work needed to gain a customer base, on condition that this refers to a stable collection. There is no gender disparity regarding "non-recurring" remuneration, on a like-for-like basis in terms of role and results achieved.

### Intesa Sanpaolo Private Banking

In order to enhance the contribution of employees and in line with the objectives of the Group's Business Plan, Intesa Sanpaolo Private Banking has activated an incentive scheme for Network staff dedicated to the management of Private Banking customers, which involves the provision of bonuses subject to the achievement of specific performance objectives, regarding sales, quality, sustainability and customer satisfaction. The overall objectives relate to size growth, profitability, service quality and the growth of financial assets. In this context, the amount of the bonus is based on measurable indicators defined for each objective and for which reference targets have been specified. The economic treatment of newly appointed Personal Financial Advisers is based firstly on recognising the professional standing they already gained in the external market, from the perspective of utilising their skills to provide excellent service to Private Banking customers, and allow for the sustainable development of the financial assets managed. Focus remains on internal balance.

## NETWORK EVENTS IN 2018

The organisation of events outside the usual working environment is an essential moment in the development of a unified culture within the Fideuram Group, with the simultaneous engagement of the greatest possible number of Personal Financial Advisers, with a view to meeting and sharing some time together but also for closer examination and study, in a relaxed and pleasant setting.

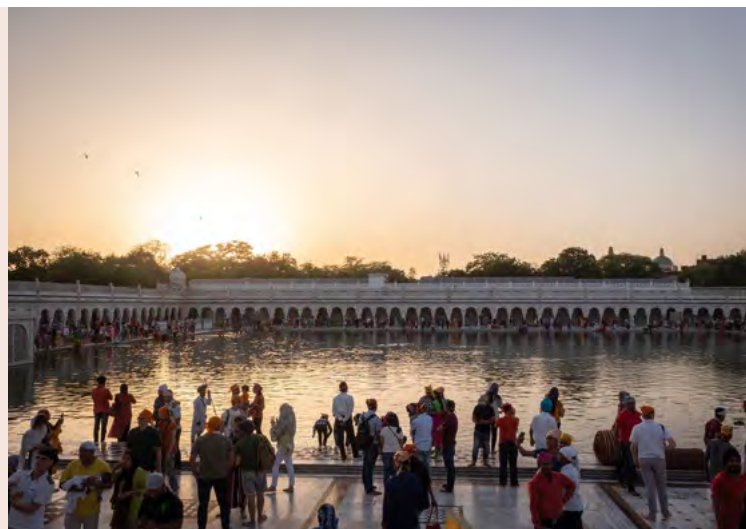
## SUPERVIAGGIO - INDIA AND THE MALDIVES



"A superb, unforgettable and fascinating trip; harmony and balance between exploring the culture and holistic relaxing; a magnificent experience": these are just a few of the comments and positive opinions from the best consultants in the two Fideuram and Sanpaolo Invest Networks, who won the main incentive contest for 2018. The trip was especially formulated for them and took in the

golden Indian triangle with a stopover in the paradise of the Maldives. Two destinations with very different characteristics, where the contrasts mark the common thread running through the trip, ranging across the many Indian identities: privilege and poverty, traditions and technologies, rural and industrial, opulence and unfathomable misery for Western sensibilities. The unique nature of a country told through the marvels of its UNESCO World Heritage Sites: Delhi, the capital garden city; Agra and the Taj Mahal, moving on to Fatehpur Sikri, the legendary imperial capital, through to Jaipur, the pink city of Rajasthan with its Amber Fort and bazaars.

From the cultural wonders of the past to focusing on the present to make up a complete journey, which also included material support to the non-profit I-India organisation. For many years, this organisation has worked to provide opportunities for the less fortunate and youth in a country where nutrition, healthcare and education are only accessible to the elite. Our group specifically made a contribution towards the Ladli Project, a programme supporting young girls in Jaipur, which is a centre for jewellery manufacturing and other small handicraft items, giving them the opportunity to undertake vocational training and lay the foundations for their future.



## 50 TIMES US! & CONVENTION AT PLAYA DEL CARMEN IN MEXICO



Half a century! An outstanding milestone for a pioneering managed assets company that has successfully innovated and written its history as a financial professional! "A Big Bang story" announces the banner for the 50th anniversary celebrations. A great gathering that brought together more than 4,000 Personal Financial Advisers and office colleagues to talk about us, with contributions from top management, narration by Neri Marcorè who ran through the firmament of company successes on a timeline of events running parallel to those happening in Italy, a show by Fiorello and the heartfelt participation of everyone that for 50 years has contributed to building the Group's success and reputation. The celebrations had already begun earlier in the year with the launch of the event's logo, during an excellence Convention: Playa

del Carmen along the Yucatan peninsula in Mexico was the special destination chosen for a year to remember. The winners from the Indian Superviaggio, together with their colleagues awarded the trip to the location chosen for the Convention, toured the grandeur of the Mayan culture at the archaeological sites of Chichen Itza, Coba, Tulum, which were within easy reach of the Caribbean resort of Barcelò where the Convention day of this edition was held. Once again this year, sport re-ignited the competition between the different sales area, with tennis tournaments and the Fideuram, while the workshops provided an opportunity for the usual in-depth discussions and to capitalise on certain professional training credits, which was a first during this edition.



## SPORTS EVENTS: FIDEURAM CUP TRIESTE & 5<sup>TH</sup> TENNIS MEETING FLORENCE



With its unique charm, Trieste is the city that hosted the Fideuram and Sanpaolo Invest yachtsmen, at one of the most well-known international regattas, the setting for the world famous Barcolana. The XVIII edition saw the agile J70 boats take to the sea, which have a growing following in the sailing world.

The gennakers added excitement to the playful but fierce challenge, that saw the host crew of "A tutta Trieste" as winners and new defenders at the next edition: the farewell at the Yacht Club Adriaco launched next year's event.

The 5<sup>th</sup> Fideuram and Sanpaolo Invest tennis meeting was held this year at the beautiful grounds of the 1898 Florence Tennis Club. There were once again eight teams participating, representing all the Sales Areas of the two Networks for a total of around 80 players. This edition proved to be much more competitive than previous years, and most matches were only decided in the closing doubles. The final result was a surprise, with the elimination of the multiple winners Fideuram Area 5 by Sanpaolo Invest Area 2, which won the tournament after an intense final played against Fideuram Area 6.

The consolation tournament was won by Fideuram Area 6. The sports and organisational aspects of the Meeting once again received very positive feedback from the players and their many supporters, who are all looking forward to seeing each other next year for another engaging encounter.





## FESTA DELLA NEVE - BORMIO



Bormio confirmed its ranking as queen of slopes once again in 2018: the XIX edition of the competition took place on the ideal ski runs in the centre of the upper Valtellina Valley, nestled in the Stelvio Park. The ski area in Bormio has played host to many international competitions, as well as

five editions of the winners of the incentive contest, representing financial professionals and others that have excelled in corporate contests and on the snow clad ski runs with record descent times. Top, Pioneers, Amateurs, Family members: skiing performance at any level could participate according to their category and compete on the Stella Alpina run. The team parallel slalom brought the event to a close, with the sales area declared the winners and corporate champion, taking home the trophy for this edition. The last night was celebrated as usual at the Pentagono, the sports arena in Bormio.



## MEETING WITH INTESA SANPAOLO PRIVATE BANKING NETWORK

The traditional meeting with the Intesa Sanpaolo Private Banking Network was held at the end of September, with around 500 employees taking part. The meeting was organised at the Forte Village in Sardinia, and the 2018 edition differed from the past in terms of the significant work done on creating and providing training content to all participants. This was also made possible thanks to the contribution from the initiative's partners, representing some of the major investment companies that the Bank works with. The metaphor of the city was chosen as the theme for the event, imagining the meeting as a virtual city where we come and work together to deal with changes in financial markets, discuss how to confront the challenges of the immediate future, talk about transformation in language and behavioural models, and share results and future strategies. The ultimate objective is always to provide our customers with increasingly targeted and excellent service. The banner for the meeting: "protagonists together".



## FINER MARKET RESEARCHES 2018

The **FINER CF EXPLORER 2018** market research survey confirmed that the Fideuram Network continued to lead the sector in terms of its standing among Italian financial advisers.

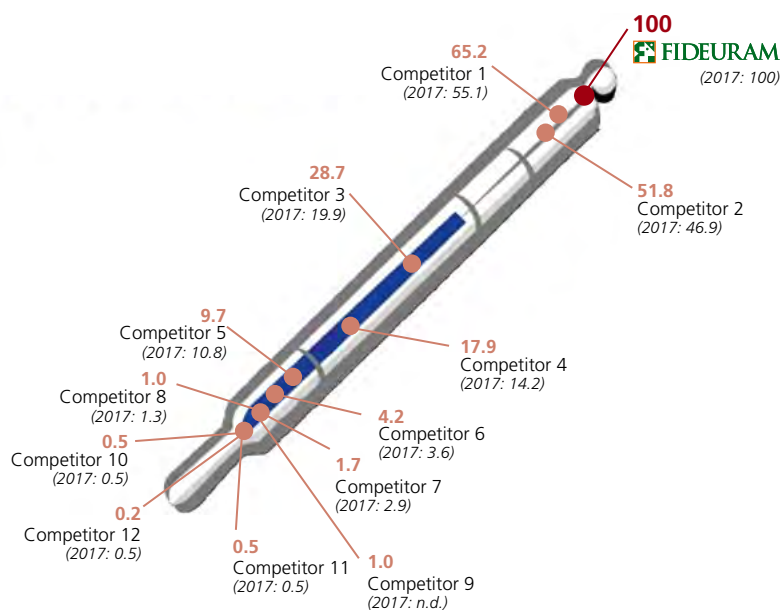
The survey showed that Fideuram:

- 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 the outright leader for brand awareness and image.**

In addition, Fideuram was also ranked number one for:

- professionalism and dependability;
- growth potential of the Bank in its reference market;
- management excellence;
- helpfulness and competence of head office staff;
- placing the financial advisers at the centre of strategic decisions;
- its focus on Network training and financial advisory services;
- customer attention.

### Synthetic index of Brand Equity 2018



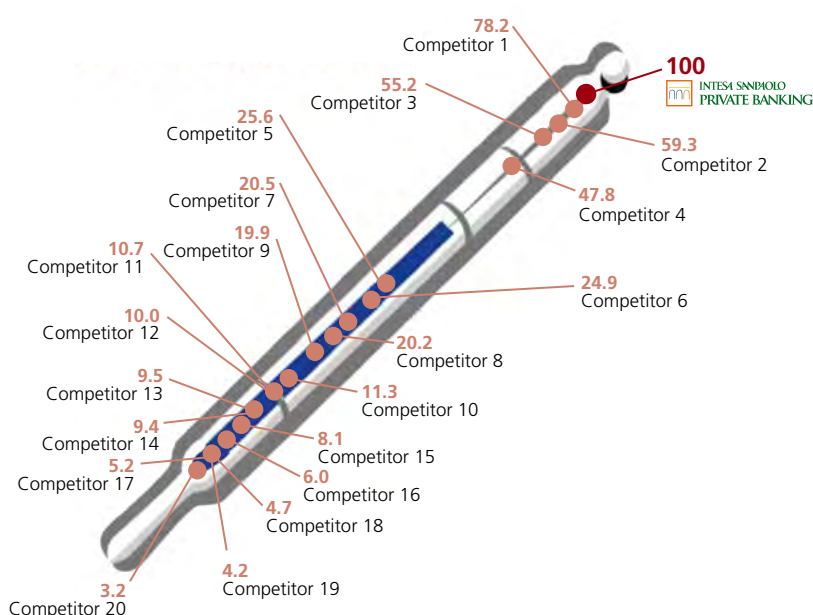
In a market scenario that continues to be challenging for Italy's banks and financial institutions, recognition such as this is especially significant and a source of great satisfaction.

The findings of the **FINER PB EXPLORER 2018** survey also showed that Intesa Sanpaolo Private Banking was the best Equity brand in terms of know-how and appreciation from Private Banking professionals.

The study was conducted on the basis of interviews with managers and bankers from the segment, where the Bank was represented as being "serious and reliable", "dynamic and modern", belonging to a "solid and prestigious group"; it was recognised for its management skills and the central role that Personal Financial Advisers have in defining strategies, as well as the competitive nature of the sales network's remuneration categories.

A strong sense of belonging and company loyalty emerged from the results regarding the sales network, together with high levels of satisfaction at their involvement in corporate decisions, remuneration levels and support provided to back and middle offices.

### Synthetic index of Brand Equity 2018





## MAIN IMPROVEMENT OBJECTIVES FOR 2019

Attention towards high-profile recruitment remains one of the elements that will enable the Group to make progress in offering excellent levels of professionalism that can focus on customer needs, by expanding the services provided, especially in terms of quality, effectiveness and competence, in order to respond to even the most complex needs.

In addition, the Group also plans to continue to develop Alfabeto with:

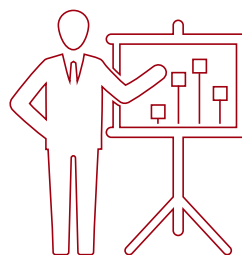
- an improved user experience in navigating the website, especially when using the digital interaction tools;
- extending the service offering referring to Fogli Fideuram.

With regard to the Advisory Platform, we envisage:

- increased usage by Personal Financial Advisers;
- completing the scope of customers managed;
- developments and improvements in the sales proposal phase;
- extending functions and content supporting Personal Financial Advisers' advisory activities;
- simplification in browsing through the platform;
- continuing to bring operations in line with MiFID 2 regulations.

## NETWORK TRAINING

470,731  
Training hours



MAIN OBJECTIVES FOR 2018	ACTIONS AND RESULTS ACHIEVED
<b>Fideuram and Sanpaolo Invest Networks</b>	
MiFID 2: Competence and knowledge assessment.	<p>MiFID 2 requires that a system is implemented to measure and assess competencies. Consequently in 2018, a process was introduced that on an annual basis, designs courses, measures and assesses the level of professional competence in accordance with the criteria set out in the Regulation and detailed by the Supervisory Authority. The Project was implemented over three stages:</p> <ol style="list-style-type: none"> <li>1) Identification and classification of Courses that are valid for MiFID certification purposes;</li> <li>2) Provision of Courses;</li> <li>3) Competence assessment testing on the Platform.</li> </ol> <p>The project involved the entire Personal Financial Advisers Network.</p>
Certification for Executive and Top Personal Financial Advisers in collaboration with Cattolica University.	<p>On completion of the educational format of the courses for obtaining the "Wealth Management Adviser" certification, developed in partnership with the Università Cattolica del Sacro Cuore and involving leading professional firms and celebrity endorsements, the first 94 Top Fideuram and Sanpaolo Invest Personal Financial Advisers were awarded their certificates during 2018. The examination sessions were held at the Emmanuel College in Boston (Massachusetts - USA) and Regent's University in London (UK), both prestigious Academic universities twinned with the Cattolica University in Milan. The other two certification sessions involving another 94 Personal Financial Advisers that had already successfully qualified for the exam, will be taking place in London in January 2019.</p> <p>The "Wealth Management Adviser" certification is in addition to complying with MiFID 2 provisions, reflect the evolution of the regulatory framework, allowing the customer to also choose their Adviser on the basis of objective parameters regarding certified professional expertise.</p>
Training and supporting the repositioning of the role of personal financial adviser as wealth management adviser.	<p>The second edition of the course "Verso la Consulenza Patrimoniale" (Towards Wealth Management) was held in 2018. The specialist course is in a modular format, and aims to support the repositioning of the role of Personal Financial Adviser as Wealth Management Adviser.</p> <p>Around 650 Personal Financial Advisers took part in this second edition, and will complete the course in 2019 with an internal certificate issued on completion. The course falls within the scope of the broader MiFID Competence certification project and awards a series of training credits for the "Wealth Management Adviser" certification course, offered in conjunction with the Cattolica University in Milan.</p>

Continued overleaf >>

**MAIN OBJECTIVES FOR 2018****ACTIONS AND RESULTS ACHIEVED****Intesa Sanpaolo Private Banking Network**

Development of actions aimed at achieving full use of technological opportunities and adopting increasingly top-rate business approaches.

A change management strategic initiative was organised during 2018, which aimed to provide the professional skills required in line with the increasing levels of digital innovation and the changes in investment service related regulations.

Increase in the level of sensitivity and knowledge on themes relating to lending.

Specific material on Credit was prepared and made available during 2018, with the creation of specific supports for Private Banking customers (available on the "Apprendo" learning platform).

Implementation of initiatives of a relational and specialist nature for professionals working in the field of High Net Worth Individuals.

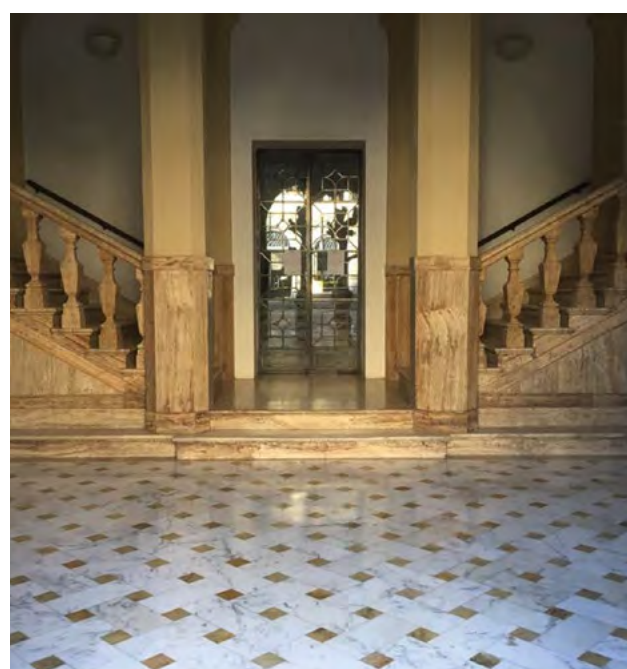
The "Convivium HNWI" was launched in 2018, for the Network positions dedicated to the High Net Worth Individuals segment, aiming to further develop sales relations expertise in respect of high standing individuals.

Continued high focus on corporate compliance as a distinctive characteristic of the Group's business approach.

During the year, the three-year Anti-money laundering plan got underway with the systematic dissemination of information on the sector regulations that would have the most impact on our business (Consob and Ivass), with a specific initiative aimed at promoting a complete understanding among the Network regarding the operational risks related to sales activities.



Fideuram - Florence Office



Fideuram and Sanpaolo Invest - Arezzo Office

## FIDEURAM CAMPUS: FROM CORPORATE BUSINESS SCHOOL TO ACADEMY



After five years of training provided in the same format as the best Corporate Business Schools, the launch of the Certification project, developed with the Cattolica University in Milan, saw the Fideuram Group Training school adopt the title of Academy.

The Campus is and will remain fundamental to the higher learning and specialisation courses that the Group intends rolling out over the next 3 years to the majority of Personal Financial Advisers. It will also develop further synergies and collaboration with other prestigious Italian and international learning centres and the primary Government Institutions involved in the segment.

### TRAINING PROGRAMMES AND INITIATIVES FOCUS FOR 2018

2018 was a determining year for Training, due to the launch of the Certification project, which in terms of its form and content involved a significant commitment from the Unit in previous years, and then with the advent of MiFID 2 saw a cross-section project, bringing in different corporate functions to implement the training project by which to analyse, measure and assess the competencies of Personal Financial Advisers.

The main courses that were updated were:

#### 1) MiFID II Course

Formulation and provision of the MiFID course to recognise the knowledge and skills requirements of Personal Financial Advisers, focusing on complying with the legislation provisions envisaged in the New Consob Intermediary Regulation, and in accordance with the Guidelines issued by the European Securities and Market Authority (ESMA).

The following activities were undertaken in this regard during the year:

- Analysis, classification and assessment of scheduled Courses to assign valid training credits for MiFID purposes;
- Design and implementation of a competencies assessment platform. This was done in conjunction with a

third party ISO 9001:2008 certified company, and under the technical supervision of the Cattolica University in Milan;

- Provision and assessment of skills based on on-line testing, with time constraints and strict checking systems.

The project involved the Personal Financial Advisers Network within the deadlines set by the regulation.

#### 2) Top Personal Financial Advisers Certification

After some 5 years of Top Personal Financial Advisers participation in training courses, the Certification course developed in conjunction with the Cattolica University in Milan was completed during 2018. The first 200 Personal Financial Advisers who had obtained the credits needed to register for the qualification exam, were invited to take the test during sessions held at the prestigious overseas academic centres. There were 5 exam sessions scheduled: the first was organised at the Emmanuel College in Boston (Massachusetts - USA) and the other 4 at Regent's University in London (UK).

Participants undertook two written tests, which were corrected during the session and then discussed during an oral session.

The "Wealth Management Adviser" certification is in addition to complying with MiFID 2 provisions, reflect the evolution of the regulatory framework, allowing the customer to also choose their Adviser on the basis of objective parameters regarding certified professional expertise.

#### 3) Training and Supporting the repositioning of the role of personal financial advisers as wealth management advisers

These two courses detailed above were added to the courses that have become set sessions in the schedule and Fideuram training courses:

- New appointees' course;
- "Verso la Consulenza Patrimoniale" (Towards Wealth Management) course;
- Executive Personal Financial Adviser course;

#### New appointees' course

The course structured over two teaching modules (Welcome Day and Service Model) was extended and expanded with an additional two-day session on "Sales Methods". The course provides participants with a methodology for planning and organising their work, based on the implementation logic of the sales plan.

A specific section of the course is dedicated to presenting the Action Plan, namely a tool for planning and developing sales activities.

The three modules are delivered on an alternate monthly basis and enrolment of the personal financial advisers is the responsibility of the Network management structure which assesses effective needs and workloads. Around 200 newly appointed Personal Financial Advisers were involved during the year.

#### "Verso la Consulenza Patrimoniale" (Towards Wealth Management)

The First edition of the training course closed off in 2018 with the delivery of IV step Trends and Technology: From Networking to Social Selling: dedicated to knowledge of new technologies, social networks and new languages for developing relations and business. The launch of the second edition was slightly different in terms of content, based on the feedback that had been received from first edition participants.

The format of the new edition nonetheless pursues the same objectives:

- Interpreting the evolving Fideuram Business Model.
- Integrating the evolution of the role from Personal Financial Adviser to Wealth Management Adviser.
- Making use of the Network management structures in joint teaching initiatives.
- Encouraging inter-departmental collaboration.

The second edition of the course was similarly divided into a Kick off session to launch the initiative, and four Training Modules (Starting from needs, Financial Advisory, Wealth Management Advisory and Trends and Technology: from Networking to Social Selling), each extending over two days at the Fideuram Campus, interspersed with 12 Seminars and 4 Workshops locally run by the management structures, independently or with the support of Training. The whole course involves 25 training days spread over about 18 months.

The modules, designed in collaboration with the Head Office departments, were provided in partnership with leading companies specialised in the field of vocational training.

Participants (about 700) were selected according to quantitative and qualitative parameters, in agreement with the Network management structure. The Training Modules delivered at the Campus were designed according to a logic of increasing complexity, with a strong leaning towards active experimentation.



(Technical) Seminars and Workshops were created and shared through intensive cooperation, the former with the Network management structure and the second with IT Support. The Seminars were mainly provided by managers who had specific handouts and materials prepared to facilitate their training activities. On the other hand, the Workshops had the aim of increasing knowledge of the various IT tools designed for the Network.

#### Executive Personal Financial Adviser course

Specific two-day sessions were organised dedicated to Executive and Top Personal Financial Advisers in collaboration with the Cattolica University in Milan and a leading company specialising in wealth management training courses. The initiative falls within the scope of the certification courses provided in conjunction with the Cattolica University and recognises credits for MiFID and Ivass Certifications. In addition to socio-macroeconomic issues, many aspects pertinent to the main asset protection principles were analysed based on customer clusters. The course involved about 1,250 Executive Personal Financial Advisers.

#### IN-AREA TRAINING INITIATIVES

In addition to local Seminars and Workshops connected to the "Verso la Consulenza Patrimoniale" course, three other important initiatives were organised in the Areas:

- **Anti-money laundering course:** to complement the training given in the previous two-year period, the course continued with 4 hours designed in cooperation with the Anti-money Laundering function, in accordance with the three-year Plan prepared by Intesa Sanpaolo. A total of 1,969 Personal Financial Advisers took part in the initiative.

#### ON-LINE TRAINING

2018 was an extremely complex year for on-line training.

In addition to the close-off of the two-year IVASS period (2017/2018), which impacted on the professional refresher training of over 4,000 Personal Financial Advisers, courses were also released to complete the MiFID Certification process, based on the regulatory changes introduced.

The following courses were released in 2018:

- Asset protection.
- The GDPR Regulation.
- Donations: characteristics, risks in the event of succession.
- FAI: Mercati Privati Globali.
- Savings Investment Plans.
- Fintech: opportunities and risks for the financial system.

Credits obtained in some of these courses, which were useful for maintaining the EFA and EFP certifications, were released for about 600 certified Personal Financial Advisers.

#### NEW EDITION OF "NEW TALENT"

The ninth of "Essere Fideuram Essere Consulente" (renamed "New Talent") ended in 2018 and was dedicated to 24 young professionals who want to start a career as Personal Financial Advisers. The course also allows participants to prepare for the qualifying examination to be enrolled in the Single Italian Register of Financial Advisers (OCF). At the same time, participants are introduced into the Fideuram world and entrusted to a Tutor who completes their sales preparation through direct experience in the field.

#### INITIATIVES FOR NETWORK MANAGERS

Various synergies were developed during the course of 2018 with the managerial structure aimed at supporting the different training projects, where in the capacity of Tutor or Trainer, constant input was required especially in determining content and monitoring the results of the individual training initiatives.

An analysis was done on the training requirement for the various managerial roles, with a view to rationalising the 2019 training offering for managers, so as to consolidate the Fideuram managerial methodology, while at the same time, developing and expanding the skills set, with interventions focusing primarily on sales guidelines, business development and digitalisation.

#### PROJECTS AND INITIATIVES FOR THE INTESA SANPAOLO PRIVATE BANKING NETWORK

2018 saw a strong commitment intended to pursue the Division's growth objectives. To provide impetus to this objective, the Network became involved in significant initiatives, the main guidelines of which are detailed below:

- **Technological innovation to improve business,** a strategic change management initiative realised jointly with the Marketing and Network Department, Parent company training structures and with the support of leading consulting firms and third parties. For the first time, in confirmation of the intervention's value, Managers, Bankers and Assistants were all involved simultaneously to promote both the skills needed to best manage the digital and regulatory changes underway in the Private Banking business, as well as the ability to operate in a more cohesive and integrated manner on a professional level between the different Network roles.
- **Management training to support sales activities,** as a continuation to the interventions launched last year for the Heads of Private Banking Areas and Branch Managers, aimed at establishing a more standard management style, directed at achieving budget targets.



- **"Convivium"**, initiative to consolidate sales, aimed at Network roles specialising in the HNWI segment, implemented in conjunction with the HNWI structure and in partnership with third parties. The format is based on meetings in which a restricted group of Executive Personal Financial Advisers interacts with a representative from the business and finance world, who outlines the values, projects, experiences and "vision" making it possible to achieve success. Subsequent to the meeting, these aspects form the basis for discussion among participants to share relations and sales strategies aimed at attracting customers of similar standing.

- **Actions to develop relational and specialist competencies**, conducted through info-training sessions with third parties on product aspects, the progressive implementation of the "The emotional dynamics of the Private Banking customer relationship", intended specifically for recently-appointed Personal Financial Advisers. The objective is to train them to deal with the new professional context, with the necessary level of knowledge and confidence, with technical support interventions on the subjects of Private Advisory and foreign booking.

- **Welcome to ISPB**, an initiative designed to familiarise new appointees with their new corporate context and promote a swift and thorough understanding of the Bank's key operating mechanisms and organisational aspects.

- **Coaching courses**, introduced in collaboration with the Parent company School of Managers with the support of specialised consulting firms, which provide an empowering opportunity with regard to the duties of Manager and on leadership styles to a select group of managers. The courses are based on several meetings, and adjusted according to participants' practical managerial requirements. They were implemented in a one to many format, adopting the following methodologies:

- **Group Coaching**, directed at managers with inter-functional experience, grouped together by the requirement of consolidating certain common competency areas.

- **Team Coaching**, formula intended for individual leaders and their team, with the aim of strengthening their common identity to face complex challenges, by improving individual and team performance.

All courses included classroom teaching and practical work and are funded by the relevant segment.

- **Corporate compliance**, based on an intense training course provided through "personal attendance" and "distance learning" on the following subjects:

- **"Consob"**, training focusing on an annual refresher course required for anyone providing customer advisory services related to MiFID 2 regulations.

- **"IVASS"** (the Italian Insurance Regulator: Istituto per la Vigilanza sulle Assicurazioni), basic and refresher training in line with the requirements of the Italian Uni-

fied Register of Insurance Brokers (RUI).

- **"Anti-money laundering"**, based on the Group Apprendo platform and classroom teaching, focusing particularly on the adequate verification questionnaire and issues related to fiduciaries and trusts.

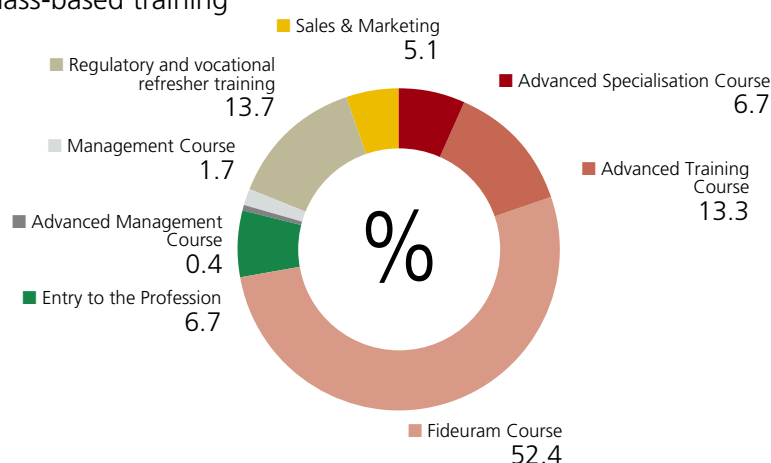
- **"Awareness of ISPB Risks"**, on operational risks management for the Private Banking Branches and control monitoring activities, the main risk areas and reference regulations and the main tools and processes to manage this issue.

- Finally, **language training** was introduced for whoever has specific requirements in this respect.

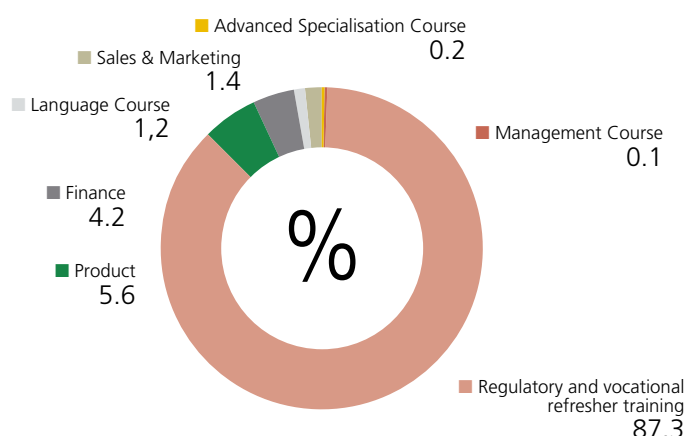
Personal Financial Adviser training is analysed in the graphs below, both with regard to on-line training and class-based training.

### Group training hours in 2018, analysed by Training Area (%)

#### Class-based training



#### On-line training



## MAIN IMPROVEMENT OBJECTIVES FOR 2019

Our main improvement objectives include the following:

### Fideuram and Sanpaolo Invest Networks Training

- **MIFID II: Consolidation of training framework**

During 2019, Network Training will be committed to consolidating the framework for analysing, assessing and measuring competencies in the scope of MiFID. Current regulations stipulate that a test is required at the end of each training event. The structural activities and processes implemented during the year will aim to:

- Define the teaching framework for Courses, which in accordance with Consob/Esma stipulated criteria, will be delivered to the entire Network in relation and in accordance with the individual teaching clusters (New appointees; Senior; Executive; Top).

- Measure the level of competence of individual Personal Financial Advisers with the administration and correction of a test both in respect of courses attended personally and distance learning activities.

- Design and implement customised actions to bridge the educational gap seen in the test results.

- **Certification for Executive Personal Financial Advisers and retaining certifications as Top Personal Financial Advisers in collaboration with Cattolica University**

2019 will see the introduction of the Certification course developed in conjunction with the Cattolica University in Milan for the Executive segment, which currently numbers some 1,300 Personal Financial Advisers. It is expected that 350 Personal Financial Advisers will receive certificates.

Initially, Personal Financial Advisers will need to obtain the requisite number of hours to register for the examination, and then take the actual exam at the Fideuram Campus with the teaching staff from the Cattolica University.

The Top segment that already received certification during 2018 on the other hand, will attend specific workshops to keep up the certified competencies.

- Continue developing **in-area training**, to increase and promote the use of digital applications and apps, to eliminate hard-copy content and simplify processes. Workshops and specific seminars will therefore be organised, focusing on new technologies and operations, specific to Personal Financial Advisers and organised in agreement with Network Training.

### Intesa Sanpaolo Private Banking Network Training

The main objectives for 2019 aim to:

- Fully exploit the technological opportunities provided by the Group in the area of sales, and nurture interaction with customers based increasingly on excellence, with the completion of the "Technological innovation to improve business" project.
- With regard to staff operating in the High Net Worth Individual segment, foster an approach that remains in line with the standards required by the target customer base, both in terms of relations and specialisation, with the implementation of specific interventions.
- Increase knowledge and culture levels pertaining to compliance as a distinctive feature of relating with the customer.
- Promote managerial styles characterised by authoritative, transparent and motivating leadership, enhancing a coaching approach to correspond with the changes that the Group is undergoing with regard to developing resources.

## 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 scope of consolidation of the Fideuram Group, as well as atypical staff, went from 3,233 at 31 December 2017 to 3,335 at 31 December 2018, an increase of 102.

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 91% of total employees, while those working outside Italy accounted for 9%.

	31.12.2018	31.12.2017 (*)	31.12.2016 (*)
Fideuram - Intesa Sanpaolo Private Banking	1,356	1,362	1,323
Intesa Sanpaolo Private Banking	1,426	1,363	1,314
Sanpaolo Invest SIM	46	49	49
Siref Fiduciaria	81	84	80
FIGE	4	3	3
Morval Vonwiller Group	104	104	103
Intesa Sanpaolo Private Bank (Suisse)	77	33	25
DJ Inversiones	5	-	-
Financière Fideuram	4	4	4
<b>Asset management</b>	<b>232</b>	<b>231</b>	<b>215</b>
Fideuram Asset Management (Ireland)	63	66	58
Fideuram Bank (Luxembourg)	66	66	65
Fideuram Investimenti SGR	103	99	92
<b>Total</b>	<b>3,335</b>	<b>3,233</b>	<b>3,116</b>

(\*) Restated where necessary to reflect the contribution made by the Morval Vonwiller Group so that straight comparisons can be made after acquisition in the second quarter of 2018 and the merger of Fideuram Fiduciaria with Siref Fiduciaria effective 1 January 2018.

## Fideuram Group employees

	2018	2017 (*)	2016 (*)
Directors	94	95	87
Executive Management	2,014	1,976	1,884
Professional Areas	1,197	1,145	1,114
Temporary work agency and project work contracts	30	17	31
<b>Total</b>	<b>3,335</b>	<b>3,233</b>	<b>3,116</b>

## Men

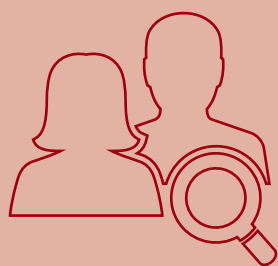
	2018		2017 (*)		2016 (*)	
	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY
Directors	66	20	65	20	60	17
Executive Management	1,181	96	1,149	98	1,100	89
Professional Areas	383	97	399	65	405	60
Temporary work agency and project work contracts	11	-	7	-	11	-
<b>Total</b>	<b>1,641</b>	<b>213</b>	<b>1,620</b>	<b>183</b>	<b>1,576</b>	<b>166</b>

## Women

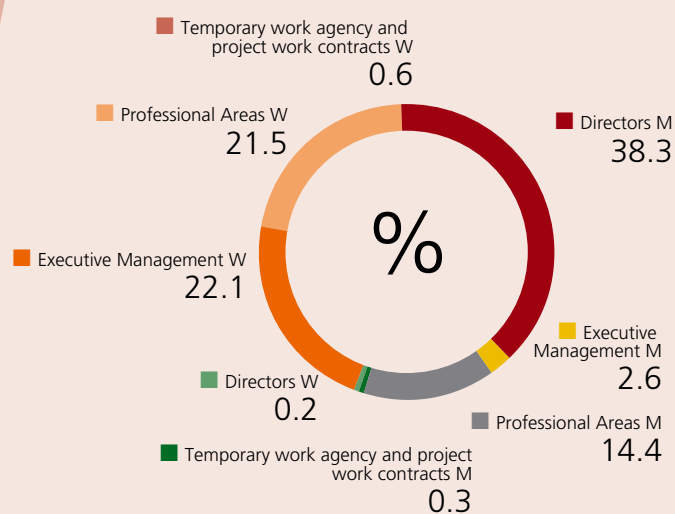
	2018		2017 (*)		2016 (*)	
	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY
Directors	8	-	10	-	10	-
Executive Management	703	34	688	41	653	42
Professional Areas	650	67	636	45	609	40
Temporary work agency and project work contracts	19	-	10	-	19	1
<b>Total</b>	<b>1,380</b>	<b>101</b>	<b>1,344</b>	<b>86</b>	<b>1,291</b>	<b>83</b>

(\*) Restated where necessary to take into account the contribution of the Morval Vonwiller Group acquired during the second quarter of 2018.

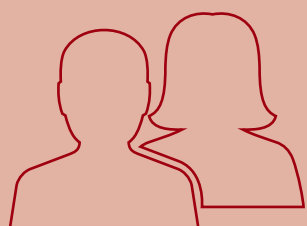
## EMPLOYEES BY CATEGORY AND GENDER (%)



**3,335**  
employees

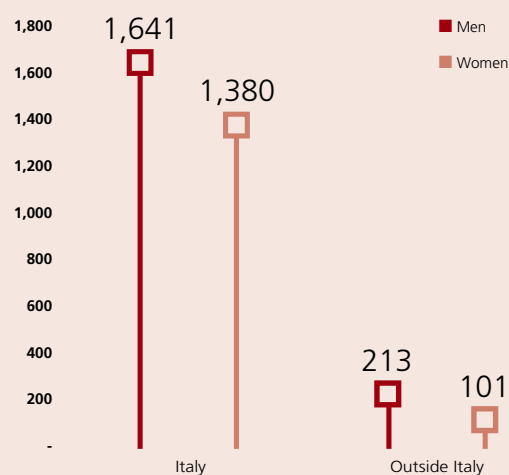


## EMPLOYEES BY GEOGRAPHICAL AREA AND GENDER

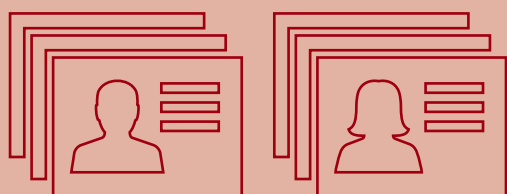


**56%**  
Men

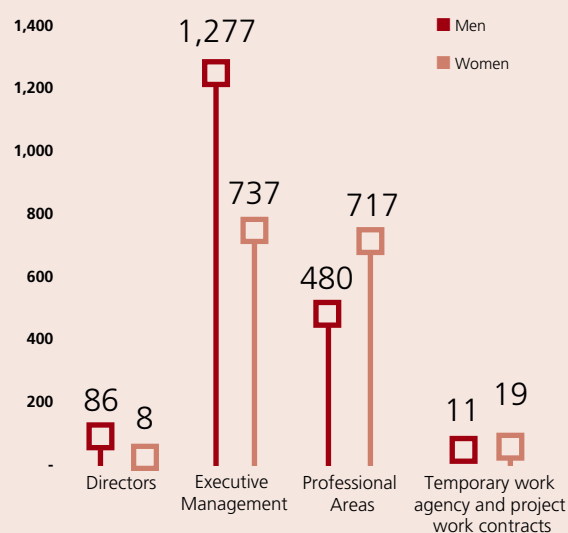
**44%**  
Women



## EMPLOYEES BY CATEGORY AND GENDER



**3%** Directors  
**60%** Executive Management  
**37%** Professional Areas



## Staff contracts

98.8% of Group staff were employed on open-ended contracts (98.5% in 2017).

	MEN			WOMEN			TOTAL		
	2018	2017 (*)	2016 (*)	2018	2017 (*)	2016 (*)	2018	2017 (*)	2016 (*)
Open-ended	1,837	1,784	1,730	1,459	1,402	1,352	3,296	3,186	3,082
Fixed-term	6	12	1	3	18	2	9	30	3
Temporary work agency and project work contracts	11	7	11	19	10	20	30	17	31
<b>Total</b>	<b>1,854</b>	<b>1,803</b>	<b>1,742</b>	<b>1,481</b>	<b>1,430</b>	<b>1,374</b>	<b>3,335</b>	<b>3,233</b>	<b>3,116</b>

	ITALY			OUTSIDE ITALY			TOTAL		
	2018	2017 (*)	2016 (*)	2018	2017 (*)	2016 (*)	2018	2017 (*)	2016 (*)
Open-ended	2,982	2,920	2,835	314	266	247	3,296	3,186	3,082
Fixed-term	9	27	2	-	3	1	9	30	3
Temporary work agency and project work contracts	30	17	30	-	-	1	30	17	31
<b>Total</b>	<b>3,021</b>	<b>2,964</b>	<b>2,867</b>	<b>314</b>	<b>269</b>	<b>249</b>	<b>3,335</b>	<b>3,233</b>	<b>3,116</b>

(\*) Restated where necessary to take into account the contribution of the Morval Vonwiller Group acquired during the second quarter of 2018.

## Full Time/Part Time Split

A total of 258 people, amounting to approximately 7.7% of all staff, were on part-time contracts. Women accounted for 96.1% of them, as this type of contract appeals to them due to the flexibility it offers them in organising their work and meeting family commitments.

	MEN			WOMEN			TOTAL		
	2018	2017 (*)	2016 (*)	2018	2017 (*)	2016 (*)	2018	2017 (*)	2016 (*)
Full-time staff	1,844	1,792	1,731	1,233	1,177	1,122	3,077	2,969	2,853
Part-time staff	10	11	11	248	253	252	258	264	263
<b>Total</b>	<b>1,854</b>	<b>1,803</b>	<b>1,742</b>	<b>1,481</b>	<b>1,430</b>	<b>1,374</b>	<b>3,335</b>	<b>3,233</b>	<b>3,116</b>

(\*) Restated where necessary to take into account the contribution of the Morval Vonwiller Group acquired during the second quarter of 2018.

## Personnel by age group

Personnel aged under 50 accounted for 54.7% of all staff at the end of 2018. 51.5% of employees were in the 30 to 50-year-old age group.

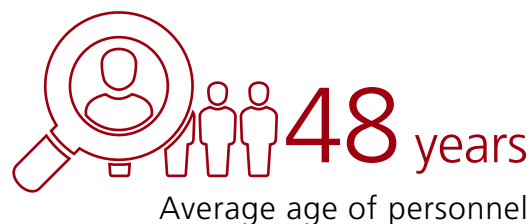
	DIRECTORS			EXECUTIVE MANAGEMENT			PROFESSIONAL AREAS			TEMPORARY WORK AGENCY AND PROJECT WORK CONTRACTS			TOTAL		
	2018	2017 (*)	2016 (*)	2018	2017 (*)	2016 (*)	2018	2017 (*)	2016 (*)	2018	2017 (*)	2016 (*)	2018	2017 (*)	2016 (*)
Under 30	-	-	-	5	4	2	91	106	76	11	4	11	107	114	89
30 to 50	23	27	31	882	905	900	794	745	748	18	13	18	1,717	1,690	1,697
over 50	71	68	56	1,127	1,067	982	312	294	290	1	-	2	1,511	1,429	1,330
<b>Total</b>	<b>94</b>	<b>95</b>	<b>87</b>	<b>2,014</b>	<b>1,976</b>	<b>1,884</b>	<b>1,197</b>	<b>1,145</b>	<b>1,114</b>	<b>30</b>	<b>17</b>	<b>31</b>	<b>3,335</b>	<b>3,233</b>	<b>3,116</b>

(\*) Restated where necessary to take into account the contribution of the Morval Vonwiller Group acquired during the second quarter of 2018.



## Average age of personnel

	2018	2017 (*)	2016 (*)
Men	49	48	48
Women	47	46	46
Directors	53	53	52
Executive Management	51	50	50
Professional Areas	43	43	43



(\*) Restated where necessary to take into account the contribution of the Morval Vonwiller Group acquired during the second quarter of 2018.

## Personnel by length of service

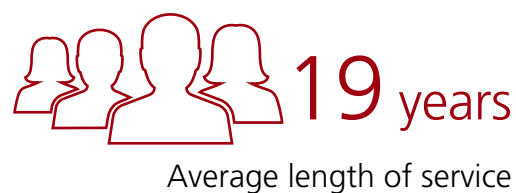
The largest length of service group was general staff with more than 20 years of service, who accounted for 43.8% of all employees. 32.4% of employees had between 10 and 20 years' service, while the remaining 23.8% had under 10 years' service.

	DIRECTORS			EXECUTIVE MANAGEMENT			PROFESSIONAL AREAS			TEMPORARY WORK AGENCY AND PROJECT WORK CONTRACTS			TOTAL		
	2018	2017 (*)	2016 (*)	2018	2017 (*)	2016 (*)	2018	2017 (*)	2016 (*)	2018	2017 (*)	2016 (*)	2018	2017 (*)	2016 (*)
up to 5 years	11	11	8	211	175	107	327	241	164	30	17	31	579	444	310
5 to 10 years	8	10	11	57	95	121	149	227	274	-	-	-	214	332	406
10 to 15 years	14	22	24	247	233	224	258	198	186	-	-	-	519	453	434
15 to 20 years	26	22	19	366	354	331	170	178	171	-	-	-	562	554	521
20 to 25 years	10	9	5	190	184	216	50	52	71	-	-	-	250	245	292
over 25	25	21	20	943	935	885	243	249	248	-	-	-	1,211	1,205	1,153
<b>Total</b>	<b>94</b>	<b>95</b>	<b>87</b>	<b>2,014</b>	<b>1,976</b>	<b>1,884</b>	<b>1,197</b>	<b>1,145</b>	<b>1,114</b>	<b>30</b>	<b>17</b>	<b>31</b>	<b>3,335</b>	<b>3,233</b>	<b>3,116</b>

(\*) Restated where necessary to take into account the contribution of the Morval Vonwiller Group acquired during the second quarter of 2018.

## Average length of service of personnel

	2018	2017 (*)	2016 (*)
Men	19	19	20
Women	19	19	19
Directors	18	17	16
Executive Management	22	22	22
Professional Areas	14	15	15



(\*) Restated where necessary to take into account the contribution of the Morval Vonwiller Group acquired during the second quarter of 2018.

## Education

49.4% of staff have a university degree and/or postgraduate qualification.

	MEN			WOMEN			TOTAL		
	2018	2017 (*)	2016 (*)	2018	2017 (*)	2016 (*)	2018	2017 (*)	2016 (*)
Degree, Masters or Diploma	925	863	778	724	684	626	1,649	1,547	1,404
Secondary School	841	845	864	700	687	678	1,541	1,532	1,542
Other	88	95	100	57	59	70	145	154	170
<b>Total</b>	<b>1,854</b>	<b>1,803</b>	<b>1,742</b>	<b>1,481</b>	<b>1,430</b>	<b>1,374</b>	<b>3,335</b>	<b>3,233</b>	<b>3,116</b>

(\*) Restated where necessary to take into account the contribution of the Morval Vonwiller Group acquired during the second quarter of 2018.

## TURNOVER

In 2018, there were 299 people joining the company and of these 219 refer to appointments of resources hired in the market: 151 in Italy (69%) and 68 outside of Italy (31%).

The remaining 80 appointments refer to transfers from companies within the Intesa Sanpaolo Group.

54.8% of these new employees were men and 45.2% were women.

17% of new employees are young professionals under the age of 30.

A total of 197 employees left their posts, 58 as a result of transfers within the Intesa Sanpaolo Group and 139 due to termination of service, of which 113 were in Italy (81%) and 26 outside of Italy (19%).

57.4% of these employees were men and 42.6% women.

# 299

new employees

### Turnover by geographical area

	2018				2017 (*)				2016 (*)			
	JOINING		LEAVING		JOINING		LEAVING		JOINING		LEAVING	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
Italy	225	7.6%	168	5.7%	191	6.7%	94	3.3%	160	5.7%	90	3.2%
Outside Italy	74	27.5%	29	10.8%	32	12.9%	12	4.8%	36	25.0%	11	7.6%
<b>Total</b>	<b>299</b>	<b>9.2%</b>	<b>197</b>	<b>6.1%</b>	<b>223</b>	<b>7.2%</b>	<b>106</b>	<b>3.4%</b>	<b>196</b>	<b>6.7%</b>	<b>101</b>	<b>3.4%</b>

### Turnover by age and gender

	2018				2017 (*)				2016 (*)			
	JOINING		LEAVING		JOINING		LEAVING		JOINING		LEAVING	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
<b>GENDER</b>												
Men	164	9.1%	113	6.3%	122	7.0%	61	3.5%	117	7.2%	66	4.0%
Women	135	9.4%	84	5.9%	101	7.4%	45	3.3%	79	6.1%	35	2.7%
<b>Total</b>	<b>299</b>	<b>9.2%</b>	<b>197</b>	<b>6.1%</b>	<b>223</b>	<b>7.2%</b>	<b>106</b>	<b>3.4%</b>	<b>196</b>	<b>6.7%</b>	<b>101</b>	<b>3.4%</b>

	2018				2017 (*)				2016 (*)			
	JOINING		LEAVING		JOINING		LEAVING		JOINING		LEAVING	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
<b>AGE</b>												
Under 30	51	44.7%	16	14.0%	58	65.2%	8	9.0%	41	57.7%	17	23.9%
30 to 50	190	11.2%	76	4.5%	126	7.4%	29	1.7%	116	6.8%	50	2.9%
over 50	58	4.1%	105	7.3%	39	2.9%	69	5.2%	39	3.4%	34	3.0%
<b>Total</b>	<b>299</b>	<b>9.2%</b>	<b>197</b>	<b>6.1%</b>	<b>223</b>	<b>7.2%</b>	<b>106</b>	<b>3.4%</b>	<b>196</b>	<b>6.7%</b>	<b>101</b>	<b>3.4%</b>

(\*) Restated where necessary to take into account the contribution of the Morval Vonwiller Group acquired during the second quarter of 2018.

Positive turnover (joined 2018/staff at beginning of year) was 9.2%, while negative turnover (left 2018/staff at beginning of year) was 6.1%.

Total staff turnover rate (joined+left/average staff) was 15.1% in 2018.

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

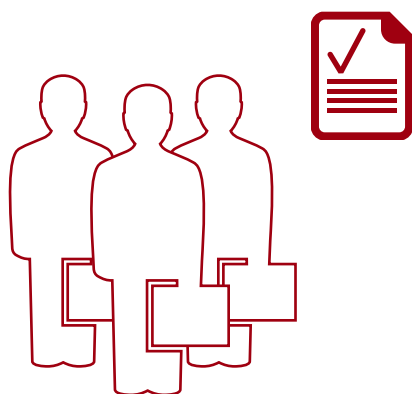
## CAREER DEVELOPMENT

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

	2018					2017					2016				
	MEN	%	WOMEN	%	TOTAL	MEN	%	WOMEN	%	TOTAL	MEN	%	WOMEN	%	TOTAL
Promotions to Director	1	1.2	-	-	1	2	2.4	2	2.4	4	-	-	-	-	-
Promotions within Executive Management	42	51.9	18	24.3	60	34	41.5	21	25.3	55	7	28.0	4	12.1	11
Promotions to Executive Management	14	17.3	11	14.9	25	22	26.8	11	13.3	33	1	4.0	7	21.2	8
Promotions within Professional Areas	24	29.6	45	60.8	69	24	29.3	49	59.0	73	17	68.0	22	66.7	39
<b>Total</b>	<b>81</b>	<b>100.0</b>	<b>74</b>	<b>100.0</b>	<b>155</b>	<b>82</b>	<b>100.0</b>	<b>83</b>	<b>100.0</b>	<b>165</b>	<b>25</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>58</b>

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 90.6% of total Group staff.

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

- Agreement for senior managers 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 women provided for by the National Collective Bargaining Agreement does not differ from that paid to men 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 2018, 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 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 personnel 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 49.1% of staff are members of a trade union.

Employees spent the equivalent of 1,004 working days on trade union activities in 2018.

The Group's regulations - in line with those of the Intesa Sanpaolo Group - improve on the provisions of Italy's national collective bargaining agreements. In particular, there are special provisions regarding flexible working hours, reduced lunch breaks, area mobility, leave for family, personal or study reasons, part-time employment, pensions and insurance cover.

### Disciplinary actions

	2018	2017	2016
Written warning and verbal or written reprimand	2	4	6
Reduction in pay	-	-	-
Suspension from service without pay (from 1 to 10 days)	4	3	3
Dismissal for cause or justified reason	3	-	1
Disciplinary penalties for corruption of colleagues	-	-	-
Dismissals for corruption	-	-	-

## VULNERABLE EMPLOYEES

Staff belonging to categories of vulnerable persons as defined by Italian law No. 68/1999 totalled 190, broken down as follows:

	2018	2017	2016
Disabled	147	140	127
Other	43	49	51
<b>Total</b>	<b>190</b>	<b>189</b>	<b>178</b>

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

Approximately 3,823 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

Division personnel's training during 2018 was developed with the aim of providing practical and incisive actions, referring to some of the main key words included in the Business Plan.

The concepts of Persons, Digitalisation and Internationalisation represented the fundamental points of reference for the design and sustainable implementation of interventions directed at promoting a distinctive identity and managerial style, strengthen professional leadership and business management, and offer educational solutions based on the most modern and advanced technologies, which can support learning in a dynamic and interactive context.

In accordance with these guidelines, training courses always aimed to ensure the pursuit of consolidating professional knowledge and competencies, as well as provide the most appropriate context and methodologies to stimulate ideas and recommendations directed towards process innovation and organisational development.

An outline of the more significant interventions conducted during the year is provided below.

### MANAGEMENT TRAINING PROGRAMMES

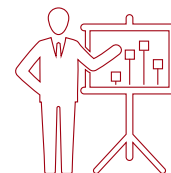
- **Programme of meetings with Division Heads**, during which Top Management ensured that trends in results were fully aligned with the Business Plan and specific Bank projects, and that management worked towards attaining and standardised management styles and shared "team" logic.
- **Involvement of recently-appointed managers**, in specific workshops based on a Phigital (physical + digital) format, on the issues of Diversity and Organisational Wellbeing, promoted on a cross-sectional basis by the Parent company to enhance the distinctive characteristics of each individual, promote resilient behaviour and develop the team's emotional intelligence, so as to better serve the wellbeing of the organisation.
- **Individual internal Coaching courses**, for executives and managers, activated for the seventh consecutive year, overseen by internal certified coaches in compliance with the International Coach Federation standards of excellence. The Division's coaches, as members of the Group's Coaching Academy established in 2017, extended their services to managers within the entire Intesa Sanpaolo perimeter.
- **Professional development actions for Fideuram Branch Managers**, based on targeted meetings aimed at enhancing the role profile with in-depth discussion on issues that are especially relevant for the business. The subjects dealt with include asset protection, succession planning and tax issues.

- **Extension of the School of Managers services to foreign company managers**, focusing especially on the most advanced technologies, with content that can be personalised and is available in English, with the objective of also promoting standardised managerial development in the more distant areas away from the "centre", which is fully consistent with the Group's corporate identity.

### INITIATIVES INTENDED FOR SPECIFIC ORGANISATIONAL/PROFESSIONAL PROFILES, including:

- **"Le società fiduciarie nella Divisione Private Banking" (Private Banking Division fiduciary companies)**, intervention intended to create a single organisational entity referred to as Siref Fiduciaria, introduced over two stages: the first involving the managers and key personnel of the companies they respectively originate from and the second, involving all staff. Both cases involved in-depth discussion between staff and dynamic interaction, with contributions from representatives of the sporting world and professionals from corporate advisory services.
- **"L'informazione Technology tra presente e futuro" (Information Technology between now and the future)**, meeting dedicated to the IT area, aimed at specifically focusing structures in this segment on the "hot topics", so as to extend knowledge levels and create awareness regarding the main technology-business link-ups.
- **"Insieme...in Private" e "Insieme...a Campus"**, specific initiatives intended for the Private Wealth

131,862  
Training hours



Management and Performance and Commercial Incentives structures, implemented partly at the Institute for the Blind ("Dialogue in the dark"), and partly in a classroom format by external professionals. The format adopted in both instances made it possible for participants to practically experience the importance of cooperation, mutual support and sharing of information and know-how to achieve common objectives. The format also includes activities with high level of emotional content.

- **"Music hall"**, introduced for the Sanpaolo Invest Marketing and Sales structure to consolidate internal cohesion, following changes to the corporate organisational structure. Participants led by an orchestra conductor, composed a text and gave a musical performance, supported by smaller percussion instruments, providing tangible proof of how the contribution by each individual can allow the team to reach objectives that may seem impossible.
- **"Teambuilding per l'innovazione" (Teambuilding for innovation)**, intended for Fideuram Network Coordination, which had previously undergone restructuring, where the people were involved in both relationship development and group dynamics aimed at identifying innovative solutions in the scope of their work processes.
- **"Prospettive, idee e...gioco di squadra" (Prospects, ideas and ...teamwork)**, initiative for Product Development focusing on sharing knowledge related to internal projects and on simplifying and developing the activities they are re-



sponsible for, based on interactive methods with a view to enhancing team contributions.

- **"Diamo voce...a nuove idee" (Let's give voice...to new ideas)**, for the Network and Customer Support structure, two stages introduced one after the other, alternating between team building (based on the musical metaphor referred to previously) and producing proposals aimed at rethinking and improving operational processes and organisational dynamics.

As in previous years, some of these initiatives allowed the participants to pursue social values and objectives by collaborating with institutions engaged in humanitarian and solidarity projects, which they were able to help effectively through the use of suitable spaces made available by these institutions for holding their course activities.

- **"Progetto Lean Banking"**, based on the "Six Sigma" method applied in classroom learning to especially complex corporate processes, contributing to identifying and adopting more effective and innovative solutions. These included those in favour of sustainable development, which were also highlighted in corporate communications. Towards the end of 2018, a new programme of activities was launched that will be fully implemented during 2019, which will benefit a greater range of participants as a result of the increasing involvement by different business areas. This approach and the Lean competencies have also provided a solid basis for other significant organisational restructuring projects: "Hackathon" (an interactive "marathon" to develop IT ideas) and "Re-engineering processes in the Chief Financial Officer Area".
- **Class-based behavioural training**, focusing primarily on relations and communication issues. Given the strategic focus at Group level of prioritising interventions in a digital format, the initiative made it possible to effectively and specifically

meet the requirements of a group of resources that had previously been jointly identified with corporate structures.

- **Interventions for SAP-HR management**, conducted "in attendance" and "remote" formats, involving over 200 people, including managers and delegated parties, whose role has been most affected by the changes related to the introduction of a new Human Resources management and administration system.
- **Strengthening computer competencies**, with actions focusing on developing specialist know-how on the new generation applications adopted by the Company (QLIK, IRION), as well as consolidating knowledge related to digital technologies (Alfabeto, Welcome), database management (SAS, Access) and Office tools (Excel, PowerPoint).
- **IT security**, initiative implemented in compliance with applicable legislation, aimed at developing know-how on the subject for people involved in business innovation, increasing their assessment capabilities regarding information risk and its potential impact on commercial products.
- **Banking operations**, improving Branch personnel's knowledge base to guarantee the high quality service offered, which for Fideuram translates into ongoing mentoring by Branch Deputy Managers regarding branch operators and becoming familiar with the innovative methods for opening current accounts (App Welcome), whereas in the case of Intesa Sanpaolo Private Banking Network Assistants, this translates into interventions on credit issues, monitoring stock market and fund instructions (Praesidium Web), the new Group Master File (NAG) and education on the organisational structure (Welcome to ISPB for new appointees).
- **Dissemination of a compliance culture**, based on systematic interventions at basic and advanced levels on the main sector regulations. The main initiatives referred to:

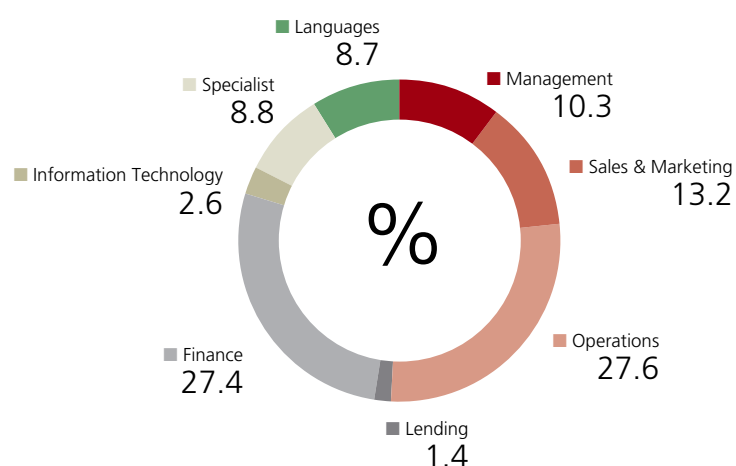
Consob training for whoever oversees activities falling in the scope of MiFID regulations, refresher courses on security and measures supporting the introduction of the new privacy and data regulation (GDPR). Also worthy of mention: a session on Anti-money laundering and Italian Legislative Decree 231/01 for top management and members of Corporate Bodies, with the participation of an Assistant State Prosecutor and expert lawyer on financial crimes, and specific initiative for Fideuram Investimenti staff on the GDPR and Anti-money laundering, conducted by an outsourcer, focusing on the specific nature and distinctive features of the asset management company's business.

- **Language training**, partly funded by sector funds, which involved about 250 people provided through attendance, telephonically and the on-line platform.
- **Inter-functional internships**, which provided about 25 colleagues an opportunity of "hands-on" experience through short internships with Division and Group Structures/Companies, so as to better understand the operational mechanisms and professional characteristics of similar or operational activities to those related to their role.

The Division also took part in the training programmes provided by the Parent company for staff falling under the vulnerable categories.

Lastly, within the scope of the provisions of Italian Legislative Decree no. 254/2016 (respect for human rights, sensitivity to social and environmental issues and prevention of risks of corruption) and in addition to the abovementioned initiatives in cooperation with organisations working in the field of solidarity, once again during 2018, an info-training session was held on voluntary blood donation, which was a run-up to the collection initiative hosted over the next few days at the premises made available at the Fideuram office in Rome (Piazzale Giulio Douhet 31).

## Training by subject matter



## Training by type of delivery

	2018	2017	2016
Class-based training	54,102	46,152	56,335
Distance learning	77,760	36,489	66,660
<b>Total hours of training delivered</b>	<b>131,862</b>	<b>82,641</b>	<b>122,995</b>
No. of participants	2,976	2,366	2,784
Average hours per participant (No.)	44	35	44

## Training by category and type

(average hours per person)

	2018	2017	2016
<b>Directors</b>			
Men	45	33	37
Women	57	33	33
<b>Executive Management</b>			
Men	51	40	51
Women	49	39	48
<b>Professional Areas</b>			
Men	33	27	40
Women	33	25	32

## Health and safety training

	2018	2017	2016
Training hours (No.)	1,123	2,277	5,810
No. of participants	118	387	1,014

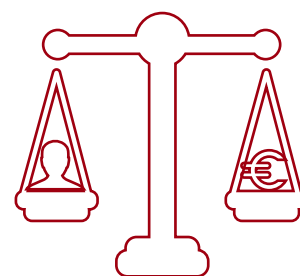
Dedicated induction training programmes are provided for new staff, and targeted refresher training programmes are provided for staff who are changing positions.

Special attention is given to training aimed at preventing corruption and during 2018, training events focused on actions for maintaining and completing the online initiatives activated in previous years.

### Dedicated corruption prevention training

(%)

	2018	2017	2016
Directors	0.6	2.2	1.1
Executive Management	70.0	63.7	58.9
Professional Areas	29.4	34.1	40.0
Training hours (No.)	1,800	2,201	8,465
No. of participants	1,006	651	1,832



### Training on Italian Legislative Decree No. 231/2001

	2018	2017	2016
Training hours (No.)	99	316	1,926
No. of participants	59	185	1,153

## 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

	2018	2017	2016
<b>Italy</b>			
Number of employees who took parental leave	148	183	181
Men	17	35	28
Women	131	148	153
Number of employees who returned at end of leave	125	155	156
Men	15	34	28
Women	110	121	128
Number of employees who returned and were still employees of the bank for the next 12 months	144	163	195
Men	34	28	30
Women	110	135	165
Parental leave return rate <sup>1</sup>	84%	85%	86%
Men	88%	97%	100%
Women	84%	82%	84%
Retention rate of returned employees who were still employees <sup>2</sup>	81%	90%	90%
Men	100%	100%	97%
Women	91%	88%	89%

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 2017, returned to work in the following 12 months and were still employed on 31.12.2018 over the number of employees who took parental leave in 2017.

## SUPPLEMENTARY PENSION FUNDS

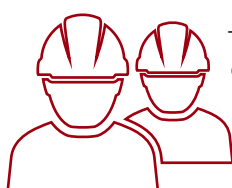


Almost all the employees of Fideuram and the Italian companies in the Group pay voluntary contributions to Supplementary Pension Funds.

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 125 occupational health and safety inspections were carried out across the Group in 2018.

During the year, 968 working days were lost due to work-related accidents involving 48 employees. Only 19 of these accidents happened in the workplace, while the remaining 29 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 2018.

### Health and Safety: Rates (\*)

	2018				2017				2016			
	ITALY		OUTSIDE ITALY		ITALY		OUTSIDE ITALY		ITALY		OUTSIDE ITALY	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Accident rate	1.70	1.67	1.14	4.80	0.38	2.36	-	4.57	1.78	2.27	-	4.75
- at work	0.66	0.79	-	1.20	0.08	1.09	-	-	0.31	0.76	-	-
- travelling	1.03	0.88	1.14	3.60	0.30	1.27	-	4.57	1.47	1.51	-	4.75
Occupational illness rate	-	-	-	-	-	-	-	-	-	-	-	-
Accident severity rate	39.52	34.69	1.14	43.20	8.35	55.34	-	84.62	41.07	28.06	-	14.85
Absentee rate	4.13%	5.05%	2.42%	3.51%	3.76%	5.61%	1.72%	4.54%	3.71%	5.30%	2.18%	3.55%

(\*) 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 claims divided by 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 (to accidents at work and 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 adopted standardisation factor of 200,000 is as provided for by the Global Reporting Initiative (GRI) and is derived from 50 working weeks at 40 hours per 100 employees.

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

## Accidents by type

(No.)

	2018		2017		2016	
	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY
Accidents driving vehicles	19	2	10	1	25	1
Falling/Slipping	4	4	16	1	15	1
Raids	-	-	-	-	-	-
Other	19	-	5	-	7	-

## Absence rate according to reason (out of theoretical working days) (\*)

(% )

	2018		2017		2016	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Illness	2.75	3.39	2.69	3.86	2.69	3.71
Accidents	0.13	0.13	0.03	0.21	0.14	0.10
Personal and family reasons	0.44	0.65	0.31	0.77	0.26	0.68
Public service leave	0.05	-	-	-	-	-
Blood donor leave	0.08	0.03	0.07	0.03	0.07	0.02
Leave pursuant to Italian Law No. 104	0.44	0.62	0.49	0.68	0.42	0.70
Other	0.04	0.11	0.02	0.03	0.01	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.

### 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 includes environmental offences, including those which entail administrative responsibility if committed by an employee, and supplemented with a memorandum 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 Code of Ethical Conduct and the Group Internal Code of Conduct of Intesa Sanpaolo S.p.A., 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 non-financial 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.



## 50 YEARS OF FIDEURAM

On 20 October, we celebrated the “50 years of Fideuram”, at the Milan Rho Trade Fair grounds, with over 4,500 guests taking part, including Personal Financial Advisers, managers and employees of the company. It was an event with a strong emotional impact marking a very special anniversary in a magnificent setting. Top management took to the stage to run through the successes that have resulted in Fideuram becoming a point of reference for managed assets in Italy.

After the welcome by Carlo Messina, Managing Director and CEO of Intesa Sanpaolo, the Managing Director and General Manager Paolo Molesini, who was visibly moved in front of the 4,500 guests, provided a summarised overview of the steps in the development of financial advisory services, which Fideuram has steered as a lead player. He underlined with pride that the history of Fideuram is the history of a profession.

Gian Maria Gros Pietro, Chairman of Intesa Sanpaolo, took the floor to explain the history of saving in Italy, from the economic boom years to today, emphasising that saving does not tran-

slate into wellbeing if it does not create economic growth, and highlighting the importance of financial education and socially responsible investments. He praised Fideuram, defining it as a pillar in Italy's economic history.

Fabio Cubelli, Joint General Manager, then engaged the audience in a highly emotional speech. For Fabio Cubelli, the distinctive feature of Fideuram is its ability to always develop synergies from elements that are seemingly contradictory, like bank and network, innovation and tradition, dreams and reality, the individual's worth and strength of the Group.

The day also included participation by personalities from the world of entertainment, creating a day that was marked by pride in the results achieved and a sense of belonging to the company. The Italian actor Neri Marcorè hosted the entire day of festivities, tracing the history of Fideuram from 1968 till 2018, using the metaphor of a Big Bang, which unleashed incredible energy, spearheading the road the company has travelled.



The afternoon session came to life with a performance by Fiorello to the enjoyment of all, uniting them in fellowship up until the close of a day, which will remain in the heart of every single guest.

Also of great interest were the experiences and cameos provided by some "special" Personal Financial Advisers, projected in a video: the Personal Financial Adviser that has been with Fideuram for 50 years, the first in the rankings, the most senior manager in his role, the Personal Financial Adviser working in the furthest

point in the North and South of Italy, one of the most recent new appointees, a "Top" Personal Financial Adviser that has just joined the Network and two members of a Team.

At a certain point during the proceedings, speakers and guests attending all used their mobile phones to recreate a firmament together, which was immortalised in a symbolic photo. The message was that there is now one star shining brighter among all the others in the sky: the Fideuram star, at 643 light-years from the Earth, shining up there to celebrate the Company's 50 years.





### 4.7.5 Relational Capital

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

	2018	2017	2016
Fideuram and Sanpaolo Invest Networks - The average length of customer relationship (years)	13.0	13.0	13.0
Intesa Sanpaolo Private Banking Network - The average length of customer relationship (years)	11.8	11.5	11.1
Complaints (No.)	1,525	1,260	1,214
New Fonditalia Ethical Fund customers (No.)	361	891	1,026
New customer net inflows into Fonditalia Ethical Fund (€m)	2.3	5.3	4.8

MATERIAL TOPICS	WHY TOPICS ARE MATERIAL	CORPORATE POLICIES
<p><b>Security and management of customer portfolios</b> Monitoring of Personal Financial Adviser-customer relationships Reinforcement of customer retention measures</p> <p><b>Customer satisfaction</b> Effective management of customer reports and complaints to improve service</p> <p><b>Development of sales Networks and quality of service offered</b> Accessibility of services for customers with physical disabilities Financial literacy and promotion of responsible investment management culture Consolidation of the sales network</p>	<p>One of the principal aims of the Group is to nurture its customer relationships and their satisfaction. In this context, monitoring complaints assumes strategic importance to the extent that it permits determination of the reasons for their dissatisfaction and the actions to be taken to protect customer relationships.</p> <p>Greater awareness of customers' financial expertise also strengthens the dialogue between Personal Financial Advisers and the customers themselves. The Group believes it is important to disseminate a financial culture among its existing and potential customers. It pursues that goal both through institutional events and through personalised meeting events where specific financial facts and concepts are presented.</p>	<p>The Group believes that proper relations with customers must be based on shared corporate values and on respect of human rights across the entire range of products and services provided to customers. The Group bases its customer relationships on the principles of fairness and transparency, placing them at the centre of its own approach to maintaining a constant dialogue to grasp their real expectations, dedicating special attention to including more vulnerable social classes in financial transactions. The right to privacy of personal and sensitive data, non-discrimination on the basis of gender, age, ethnicity, religion, political and trade union affiliation, sexual orientation and gender identity, language or different abilities, and the right to health and safety of customers chosen according to their importance and interpreted within the corporate context, are integrated in the Code of Ethical Conduct and applicable corporate regulations.</p> <p>In compliance with Bank of Italy regulations governing complaint management, customers may contact the Complaints Office with any complaints that they might have.</p>



## CUSTOMERS

## MAIN OBJECTIVES FOR 2018

Strengthen the distinctiveness of investment solutions and services within the already-started customer segmentation process.

## ACTIONS AND RESULTS ACHIEVED

The changes introduced in 2018 were heavily focused on the ongoing change in the macroeconomic and financial scenario, with the aim of supporting customers with the changes in their needs. In particular:

- the range of current accounts was revised by simplifying the products offered into four different types broken down according to the target customer category (Conto Fideuram One, Conto Fideuram Prime, Conto Fideuram Private Banking and Conto Fideuram Private Wealth Management);
- the new Fogli Fideuram platform of Fideuram Investimenti SGR was presented. This is a distinctive service created so that customers can invest in funds, ETF and securities in a personalised way according to their available funds, risk appetite, asset protection, investment, or extra-earnings goals, while being able to count on a team of specialists for selection and monitoring of the underlying securities and the possibility of accessing numerous optional services that are typical of non-managed assets;
- finally, Fideuram Alternative Investments - Mercati Privati Globali was offered. This is the first fund for investment on private markets, reserved not only to professional customers but also to retail customers, with an access threshold reduced to €100k, with underlying private equity - private debt - infrastructure and real estate.

The accessibility of long-term investment themes so as to combine the search for value with environmental and social sustainability criteria.

Development continued on solutions focused on sustainable investment issues aiming to create value over the medium-long term.

In particular, Fonditalia Millennials Equity was offered as part of the range of à la carte funds proposed by Fideuram. This is a global equity fund that invests in the companies that are best positioned to benefit from the social changes being made by the Millennials generation in society.

The new Ego Sustainable line of the Omnia "management package" was offered in the discretionary account segment. This is a flexible investment line whose underlying securities are selected with the aid of a specialised advisory firm and on the basis of meticulous screening of social responsibility, sustainability, environmental and good governance indicators.

Continued support activities regarding the Alfabeto platform by providing specifically-prepared informative content for the public, by internal departments and acquired through new agreements with suppliers (newspapers), with the availability of detailed statistics to better define the scope of the interventions.

The production and populating of information content for Alfabeto continued during 2018, with production rationalised so as to focus resources more efficiently on the interests expressed by users. In detail, 11 editions of the "4D" newsletter were produced for existing and potential customer; 125 items were produced with financial content, articles, videos on the markets, periodic reports and comments on topics of the week, of which 69 in video format. 60 product information sheets were also generated during the Fideuram Folios launch phase.

Increase in the level of information provided to customers in the pre-contractual and subsequent phases, paying particular attention to the costs and adequacy of the portfolios.

During 2018, the Group consolidated its own service model in accordance with MiFID2 regulations and in terms of enhancing investors' trust, transparency, and protection:

- raising the level of information to be provided to customers;
- improving transparency in relation to the characteristics of provided products and services and the costs charged for them;
- the implementation of product governance processes assuring product appropriateness in terms of their characteristics and target customers over their entire life cycle;
- continuous and certified updating of the expertise and knowledge of staff assigned to providing customer advice and contact;
- increasing the level of transparency and efficiency of financial markets.

Development of further advancements in the Advisory Platform to support provision of the advisory service to customers.

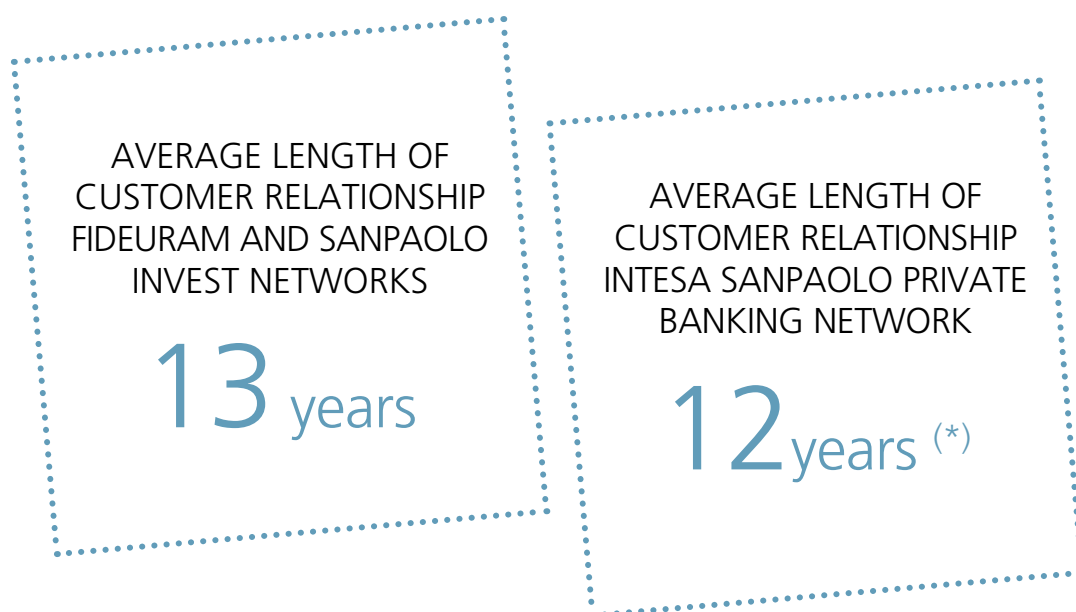
During 2018, the level of information provided to customers grew in relation to the characteristics of the products and services provided, with the aim of expanding the scope of information made available to customers.

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

A number of customer events were organised during 2018 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.

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 enable the Group to extend and develop its services in line with its customers' evolving needs.



(\*) Intesa Sanpaolo Private Banking was formed 13 years ago.



## CUSTOMER PROFILE

## Fideuram and Sanpaolo Invest Networks

	2018	2017	2016
No. of Customers (thousands)	718	695	669
Client Assets (€m)	106,388	108,037	100,037

## Intesa Sanpaolo Private Banking Network

	2018	2017	2016
No. of households (thousands)	37	36	36
Client Assets (€m)	99,074	101,244	92,880

## 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 27% with the Intesa Sanpaolo Private Banking Network) and in the over 67 age group (30% of customers with the Fideuram and Sanpaolo Invest Networks and 51% 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)

	2018	%	2017	%	2016	%
up to 32 years	60	9	55	8	49	7
33-42 years	72	10	71	11	71	11
43-52 years	135	19	137	20	139	21
53-67 years	227	32	218	32	208	32
over 67 years	207	30	198	29	188	29
<b>Total (*)</b>	<b>701</b>	<b>100</b>	<b>679</b>	<b>100</b>	<b>655</b>	<b>100</b>

(\*) Excluding legal persons.

## Intesa Sanpaolo Private Banking Network

No. of households (thousands)

	2018	%	2017	%	2016	%
up to 32 years	5	14	4	11	4	11
33-42 years	1	3	1	3	1	3
43-52 years	2	5	2	5	3	8
53-67 years	10	27	10	28	10	28
over 67 years	19	51	19	53	18	50
<b>Total (*)</b>	<b>37</b>	<b>100</b>	<b>36</b>	<b>100</b>	<b>36</b>	<b>100</b>

### DISTRIBUTION OF CUSTOMERS BY LENGTH OF RELATIONSHIP

The average length of relationship in 2018 was 13 years for the Fideuram and Sanpaolo Invest Networks and 12 years for Intesa Sanpaolo Private Banking. These statistics testify 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)

	2018	%	2017	%	2016	%
0-1 years	89	13	84	12	78	12
2-4 years	116	16	112	16	109	16
5-7 years	93	13	88	13	80	12
8-10 years	67	9	64	9	61	9
11-20 years	193	27	201	29	202	30
over 20 years	160	22	146	21	139	21
<b>Total</b>	<b>718</b>	<b>100</b>	<b>695</b>	<b>100</b>	<b>669</b>	<b>100</b>

### Intesa Sanpaolo Private Banking Network

No. of households (thousands)

	2018	%	2017	%	2016	%
0-1 years	2	5	2	5	2	5
2-4 years	6	16	5	14	6	17
5-7 years	5	14	5	14	5	14
8-10 years	4	11	5	14	5	14
11-20 years	14	38	14	39	14	39
over 20 years	6	16	5	14	4	11
<b>Total</b>	<b>37</b>	<b>100</b>	<b>36</b>	<b>100</b>	<b>36</b>	<b>100</b>

### DISTRIBUTION OF CUSTOMERS BY GEOGRAPHICAL AREA

As in prior years, the majority of our customers in 2018 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)

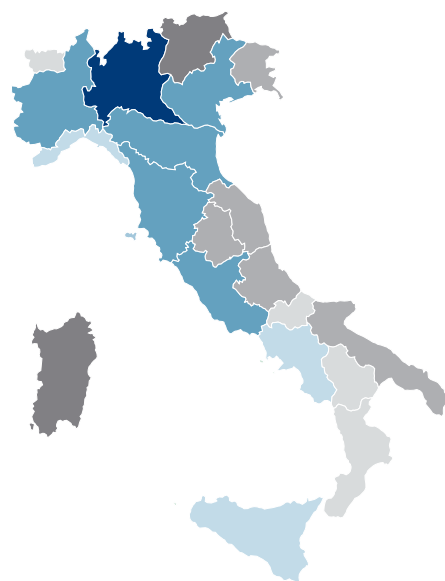
	2018	%	2017	%	2016	%
North-East	153	21	148	21	141	21
North-West	273	38	264	38	253	38
Central	200	28	194	28	188	28
South	60	8	58	8	56	8
Islands	32	5	31	5	31	5
<b>Total</b>	<b>718</b>	<b>100</b>	<b>695</b>	<b>100</b>	<b>669</b>	<b>100</b>

### Intesa Sanpaolo Private Banking Network

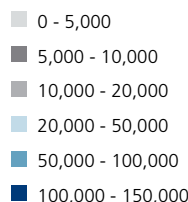
No. of households (thousands)

	2018	%	2017	%	2016	%
North-East	9	24	8	22	8	22
North-West	19	52	19	52	19	52
Central	6	16	6	17	6	17
South	2	5	2	6	2	6
Islands	1	3	1	3	1	3
<b>Total</b>	<b>37</b>	<b>100</b>	<b>36</b>	<b>100</b>	<b>36</b>	<b>100</b>

## Geographical distribution of Fideuram and Sanpaolo Invest customers in 2018



### Number of customers



## Geographical distribution of Intesa Sanpaolo Private Banking customers in 2018



## EXTERNAL COMMUNICATIONS

Media relations have always played a prime role in Fideuram's external communications.

Our community of stakeholders was again kept informed of the most important developments regarding the Bank, its Networks and its subsidiaries in 2018 through dedicated 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, as well as in the technological support we provide our sales Networks.

The main subjects reported on during the year included:

- the Fiftieth Anniversary of Fideuram;
- our quarterly, half-year and annual financial results, which demonstrated the strength of a winning model in

terms of assets and profitability, even in complex market conditions;

- the business of foreign activities and new expansion projects;
- the steady growth of our SEI, Active and View advanced advisory services, with client assets that exceeded €36bn;
- the continued success of the Alfabeto platform with benefits for Personal Financial Advisers and customers;
- innovation and technology as facilitating tools for our business, with the aim of helping define new logics for the financial advisory service;
- our recruitment results and articles on our Personal Financial Advisers;
- local editorial content;
- the new products, including "Fogli - La nuova soluzione per i tuoi investimenti" ("Fogli - The new solution for your investments"), a platform available since 14 May 2018, and the third alternative investment fund of Fideuram, FAI Mercati Privati Globali;
- local events;
- the opening of new offices.

In 2018, 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 fund managers gave numerous interviews to the specialist press and specialist TV, and took part in surveys, commenting on market performance and the main financial industry trends.

For Intesa Sanpaolo Private Banking, the excellent income and growth results achieved in 2018 and interest shown by industry operators towards the Intesa Sanpaolo service model allowed further consolidation of the Bank's visibility in leading economic and financial newspapers including online versions, and on television channels specializing in economic and financial issues. The topics of greatest interest were:

- the private banking market, business model and customer segmentation, sales and income results confirming the leadership of the Bank and its Network; with a focus also on the strategies adopted in relation to major expected regulatory changes (MiFID 2);

- the View and Private Advisory services, the distinctive service offered relating to asset management and private insurance;
- wealth management, with dedicated branches in Italy, featuring products and services designed for HNWI customers and all-round wealth management. An important focus on succession management, high sustainability social and environmental investments, real estate advisory and art advisory services, and services targeting business owners, made possible

both by the dedicated management departments and synergy with Intesa Sanpaolo Group departments;

- investment strategies and diversification of the various asset classes, our open architecture services platform and a distinctive market offering that also includes managed asset and insurance solutions, supported by our synergies with major players on the Italian and international markets and with companies in the Intesa Sanpaolo Group. Fund investment solutions were presented. These consisted of a

selection of the best investment strategies to be applied in different asset classes to respond to the needs of customers having diversified allocations.

The top management of the Bank also continued to participate at press conferences and meetings. The Bank also participated at important events in the worlds of art, shipping, and real estate. High targeted use of the Bank's institutional page and of the advertising pages dedicated to the View and Art Advisory service also continued.

## FINANCIAL STATEMENT OSCARS

Fideuram - Intesa Sanpaolo Private Banking was awarded the Special Prize for the "Non-listed Companies" category during the 54<sup>th</sup> Edition of the Financial Statements Oscars, held on 28 November 2018. This is the prestigious and historic prize awarded by FERPI (Italian Federation of Public Relations) for financial and non-financial reporting.

The Special Prize, exclusively for non-listed companies with a turnover of more than €100m, was awarded to the Fideuram Group, for the following reason: "The report is easy to read

and comprehensive, with a wealth of information and transparency. It includes extensive analysis of economic and financial indicators, social indicators, the Group's strategy, and a disclosure of relations with stakeholders and an in-depth discussion of the materiality analysis process. Extensive space is dedicated to the topic of human capital management and organisation, innovation (including digital activity), and governance is adequately discussed. It contains a clear presentation of the business model, excellent graphics and the use of infographics".





## PROMOTING A FINANCIAL CULTURE

Fideuram 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 2018. First of all, the organisation of events and financial workshops, designed to provide information on topics of particular relevance and importance for customers. These events were organised throughout the country and dealt with issues such as behavioural finance, the new normal, MiFID 2, asset protection and succession management, with the aim of bringing the world of management closer to that of distribution. All the above involved the contribution of professionals from both inside and outside the Group, including academics, Fideuram managers and the Group's most prestigious regular partners.

Fideuram continued its efforts to improve its customers' financial culture, by identifying and discussing topics of general interest in its in-house magazine, Private News.



Fideuram - Turin, Cairoli Office



The tenth issue focused on one of the key topics of financial investment: diversification. This subject is often underestimated but actually features numerous points of interest that, more than others, demands financial knowledge to be applied effectively. Not only with strictly financial subjects, it also deals with big issues impacting social demographics, such as globalisation. The reason is that Private News aims to stimulate, offer opportunities for in-depth analysis and raise awareness about continually evolving issues.

Intesa Sanpaolo Private Banking continued to publish **Private Top**, a monthly global asset management newsletter for customers subscribed to the Private Top platform, with contributions from the Intesa Sanpaolo Research Department and quarterly reports on the property market from **Nomisma** and on the art market from **Eikonos Art**. A quarterly basis extract on the property market is published on the Bank's website.

Lastly, the reporting and mailing service was improved, affecting the layout and management of alerts and messages of personalised statements for Intesa Sanpaolo Private Banking, which can also be viewed online by those who signed up to the internet banking service, and the preparation of specific mailing on major regulatory changes in 2018.



Fideuram - Milan Branch

## GROUP AWARDS

### CITYWIRE ITALY FUND MANAGER AND GROUP AWARDS

The Citywire Italy Fund Manager and Group Awards reward excellence in asset management. They are an important international mark of recognition, awarded to the top management companies and most talented asset management professionals worldwide.

#### CITYWIRE BEST FUND MANAGER AWARDS 2018



The Citywire Best Fund Manager Awards in recognition of outstanding fund managers able to consistently generate alpha extra return. Luigi Degrada of Fideuram Investimenti received this award in the Italian Equities category.

#### CITYWIRE BEST GROUP AWARDS 2018



The Citywire Best Group Awards in recognition of asset management company expertise and fund management team talent at creating value. Fideuram Investimenti received this award in the Italian Equities category.

### MORNINGSTAR AWARDS ITALY 2018



The twelfth edition of the Morningstar Awards Italy was held at the end of the second day of the Salone del Risparmio at the historic Palazzo Castiglioni in Milan. The designation of Best Large Cap Stock Fund Italy was awarded to Fideuram Italia in the Italian Equities category. Luigi Degrada, who has been the manager of the Fideuram Italia fund for 15 years (four stars) was awarded for the second year in a row in the Italian Equities category.



#### THE 300 BEST FUNDS 2018

Fideuram Italia is one of the best funds of the last 10 years on the basis of the CFS Rating.

### ITALIAN CERTIFICATE AWARDS 2018



For the sixth year in a row, Intesa Sanpaolo Private Banking won the "Special Award for Best Private Banking Distribution Network". Once again, Intesa Sanpaolo Private Banking has confirmed its position at the top of certificate distribution networks. During the evaluation period, it distributed 14 certificates, for eight different underlying securities and four different types, taking in over 15% of the total value on the entire primary market.

### EUROMONEY 2018

The "Euromoney 2018" survey once again ranked Intesa Sanpaolo Private Banking among the outright leaders in Italy and first in the Italian Private Banks category.



## CUSTOMER EVENTS

### STRENGTH OF THE FIDEURAM MODEL - NEW NORMAL

Fideuram proposed a series of meetings on the topic "Investing in the era of high volatility and negative interest rates: practical advice for laymen". During the meetings held throughout the country with the assistance of Fabrizio Crespi, Professor at the Cattolica University in Milan and at the University of Cagliari, we wanted to make the changes in the economic and financial environment clear to our customers, highlighting the benefits of planning and the role of a Personal Financial Adviser. We suggested how best to exploit the volatility in the markets with managed asset instruments and the diversification of investments, illustrating the main errors made in investing and the basic rules for investing effectively. The meetings also focused on the values of excellence and reliability which distinguish the Fideuram brand and on the financial and pensions advisory services offered. 12 such events were organised in Italy's major cities, attracting over 700 participants.



### SUCCESSION MANAGEMENT AND HOUSEHOLD ASSET MANAGEMENT



We held a series of meetings called "Protecting assets when transferring wealth", where we discussed the important topic of succession management and household asset management, focusing on protecting and transferring

assets under the new tax rules. During the meetings, we explained the key importance of knowing that many of the customary measures taken to transfer wealth are ineffective in protecting assets. By analysing the principal emotional, social, legal, and tax constraints, we illustrated the most efficient solutions for protecting assets, consistently with the needs of Italian households. These meetings were organised locally in cooperation with Alessandro Gallo, a strategic consultant and trainer at Value & Strategies. Thirteen major events were held, attended by about 850 guests, including customers, professionals and Personal Financial Advisers from the Fideuram and Sanpaolo Invest Networks.



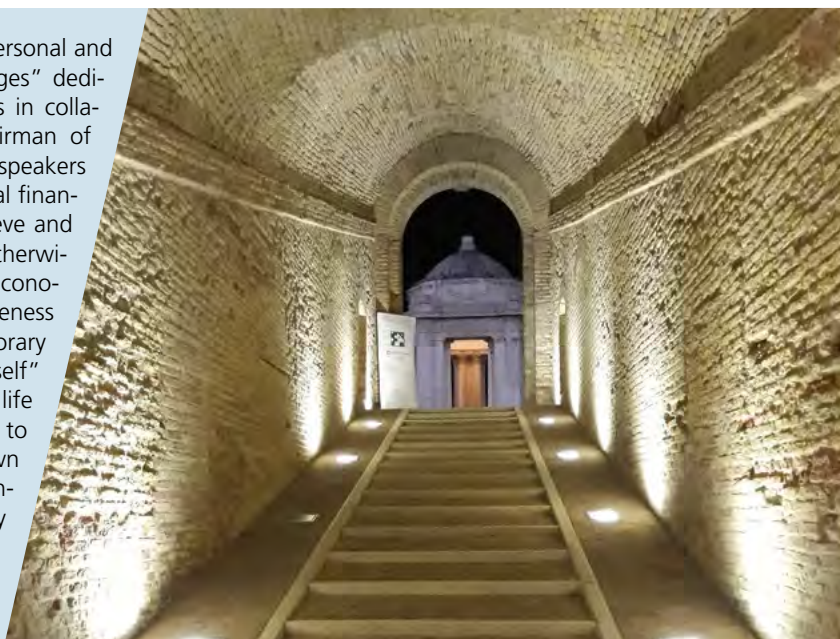
## BEHAVIOURAL FINANCE

This involved a series of meetings on Behavioural Finance organised for existing and potential customers. Their purpose was to show how behavioural finance can be of help in supporting investment choices in a context full of uncertainty. The new variables that render the reference context ever-more complex and uncertain and the role of emotions in the decision-making process are analysed, highlighting the process of having an investment method. It has been demonstrated that behavioural finance can help in the management of emotions, to avoid the systematic errors typical of this new context, while pointing out the benefits of financial planning and the role of the personal financial adviser. The subject was explored by financial experts including Ruggero Bertelli, lecturer at the University of Siena, and other speakers from the main third-party partners of Fideuram. 9 such events were organised in all Italy's major cities, attracting over 1,000 existing and potential customers and Personal Financial Advisers.



## PERSONAL AND FAMILY ECONOMY IN THE ERA OF GREAT CHANGES

A series of meetings was organised on "Personal and family economy in the era of great changes" dedicated to existing and potential customers in collaboration with Sergio Sorgi, Deputy Chairman of PROGeTICA. During the meetings, the speakers emphasised the importance of the personal financial adviser in assisting customers to achieve and maintain well-being, both economic and otherwise. Demographic, sociological, and macroeconomic topics were discussed to create awareness about the complexity of the contemporary world and discourage naïve or "do-it-yourself" approaches. The continuous challenges of life were discussed, leading the participants to reconsider targets appropriate to their own status, to reflect on the need for comprehensive and integrated planning as offered by an experienced adviser. Twenty-one such events were organised in all of Italy's major cities, attracting about 2,300 participants.





## FIND THE DIFFERENCES

These meetings were held with existing and potential customers and featured the participation of Marco Falagusta, an Italian actor, comedian and director. How do you distinguish purely commercial proposals from solid and concrete ones? Marco Falagusta responded to this and other questions with irony and sarcasm, but with a great sense of reality, subtly but unequivocally depicting personal financial advisers as indispensable professionals. 15 such events were organised in Italy's major cities, attracting over 1,550 participants.



## WINE & FINANCE

These meetings with existing and potential customers, organised in collaboration with Giuseppe Riccardi, Chief Executive Officer of Fondi&Sicav, pursued the dual aim of rendering the fundamental principles of financial decision-making comprehensible in a light and convivial way, emphasising the importance of having a personal financial adviser at your side, and reinforcing personal relations and 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. These consisted of three types of meetings: "The value of time. The time of value", on the time horizon of investments, the time/return ratio, and the importance of the personal financial adviser's role; "Knowing how to choose makes the difference", on the complexity and vast number of choices in the financial world, the importance of having rules and a steady personal financial adviser; "Between Tradition and Innovation - Finding your way through the changes awaiting us", on the ever-increasing complexity of the context in which investment choices are made, the importance of choosing the right point of balance between tradition and innovation, recalling the importance of having a financial adviser to make balanced decisions. 43 such events were organised in Italy's major cities, attracting over 2,750 participants.





## WEALTH MANAGEMENT ADVISORY

Fifteen meetings were organised in 2018 by the Private Wealth Management (PWM) unit of Fideuram.

The first type of meetings, entitled “The Advanced Private Wealth Management Advisory Model - Support for Business Owners: Corporate Services and Value Protection for the Family and the Firm”, was dedicated to business owners, existing and potential customers. The themes discussed included the PWM services offered in the corporate context during the different phases of the business life cycle (development of business plan, search for investors and strategic partners, internationalisation, sales to industrial partners and private equity funds) and in the Value Protection context for households (use of asset protection tools such as trusts and restrictions on use, capital funds, insurance policies, and trust mandates) and for the generational transfer of the firm (corporate reorganisations, family contracts, M&A and L.B.O. transactions).

Another series of meetings, entitled “The Advanced Private Wealth Management Advisory Model: Family Planning”, addressed family planning, with a focus on the characteristics and use of the principal tools of asset protection and generational transfer, such as trusts, holding companies, family contracts, foundations, insurance policies, trust mandates and capital funds.

A third type, “The Advanced Advisory Model of Fideuram - Intesa Sanpaolo Private Banking: Private Wealth Management”, illustrated the characteristics of the PWM model as a whole, with an in-depth look at the logics of the model, rules, and operating and commercial supports; the services offered in different contexts, such as Financial Assets, Corporate Assets, Value Protection, Value Creation, Real Estate and Art&Luxury, with an illustration of several real success stories discussed by way of example.

Over 1,100 existing and potential customers attended these events.

The unit then participated in the “First Forum of the Construction Industry”, organised by the Associazione Nazionale Costruttori Edili (Italian National Association of Builders) and Assilmpredil of Assolombarda, where the critical and success factors of the first public offer for sale of a minibond by a firm in this industry were illustrated as common factors and in which Fideuram was a co-participant of the transaction. The unit then represented Fideuram at the “Digital Youths and the Business of the Future” conference, organised by Unione Industriali.



## FINANCIAL WORKSHOPS

A series of events were organised 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. Roundtables were organised at some of the meetings, moderated by independent players in the funds market, where customers assumed an active role with questions about current market scenarios. More than 25 of these events were organised, attracting about 1,200 participants.

## CONFERENCES ON "INVESTING IN THE REAL ECONOMY THROUGH PRIVATE MARKETS" - FAI

Seventeen meetings were held in various Italian cities, dedicated to high standing customers of the Fideuram and Sanpaolo Invest Networks who may potentially be interested in Fideuram Alternative Investments - Mercati Privati Globali. The events were organised in partnership with Fideuram Investimenti and the Partners Group. Guests were offered a cocktail dinner at the end of each meeting. The guests taking part were 500. The cycle of conferences continued to the beginning of 2019 with three other events.



## ROLEX CUP VELA (NAPOLI-CAPRI)

The most important sailing event in southern Italy, the Rolex Capri Sailing Week, was held from 11 to 19 May and run between Naples and Capri. It saw the participation of the most famous personalities in the sailing world, in Italy and internationally. A total of 121 boats were registered to compete in one of the most beautiful gulfs in the world, used as the stage for this sailing spectacle. The programme began with the historic Tre Golfi regatta and ended with the awards ceremony in the Piazzetta of Capri. The Personal Financial Advisers of the Fideuram Network supported this unforgettable 2018 edition. They took the opportunity to invite their own customers to the historic Circolo del Remo e della Vela Italia di Napoli (Italian Rowing and Sailing Club of Naples) to celebrate the start of the 64th Three Gulfs Regatta at an exclusive cocktail party on 5 May, and to another exclusive Night Dance Party at the famous "Anema e core" restaurant in Capri on 19 May.





## ITALIAN OPEN

For the second year in a row, Fideuram was partner of the Italian Golf Open, the biggest Italian golfing event that celebrated its 75th edition in 2018, being held from 31 May to 3 June at the prestigious Gardagolf Country Club in Soiano del Lago (BS). In addition to being the Official Bank of the Italian Open Italia 2018, Fideuram welcomed its guests during the four days of the tourney in a hospitality area on the green at hole 18, and participated in the Pro-Am meet with two teams. Fideuram attended the awards ceremony, where the Danish golfer Thorbjorn Olesen beat out the Italian golfer Francesco Molinari by one point. The Italian Golf Open is one of the eight prestigious tournaments in the Rolex Series, events of major global importance on the European Tour. According to the figures provided by the Feder-golf Federation, 9,600 spectators were present on the awards day, bringing the total number of persons who attended the four days of the tournament to 24,770. Internationalism, the quest for excellence, and determination in taking on new challenges are the values that link Fideuram to the biggest golf championship in Italy.



## TEDxVICENZA

The fourth edition of the international level cultural event TEDxVenezia was held at the Teatro Comunale theatre in Venezia on 9 June. Fideuram was a “visionary” partner with its contribution to making the event an important day for the whole city. TED (acronym of Technology, Entertainment, Design) is a non-profit organisation whose aim is to bring together the most amazing and innovative minds in global thinking. Its mission is summed up by the motto “ideas worth spreading”, because ideas have the power to change the world, but an idea is worth nothing if it is not shared. The leading characters during the day where stories and life experiences capable of stimulating and giving the public a new vision of the future.



## VILLEGGENDO (VICENZA)

The fourth Villeggendo festival was held in Vicenza from 21 May to 2 July. This festival was created to combine the joys of reading with the architectural splendour of the local villas in the Berici Hills. Fideuram was the main sponsor once again this year, with high visibility for all of our Personal Financial Advisers based in Vicenza, Schio, Thiene, Valdagno and Bassano del Grappa, being featured in all communications materials at all of the 20 special evening events. Once again, Villeggendo 2018 involved prominent figures from the world of literature and the arts and was a great public success.



## MEETINGS AT THE PREMISES OF OTHER COMPANIES

Seventeen 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 1,600 customers in the cities of: Caserta, Vicenza, Ferrara, Varese, Venice, Milan, Turin, Bologna, Genoa, Padua, Catania, Rome, Reggio Calabria, Bergamo and Stresa.

## WORKING DINNERS

A series of 10 working dinners were organised for existing and potential customers to examine market scenarios and provide some food for thought on investment opportunities, with the contribution from the Intesa Sanpaolo Research Department and third parties: Pictet, Morgan Stanley, NN, DNCA, M&G, BlackRock, Fidelity, Amundi, Pimco, and the Intesa Sanpaolo Private Banking Department. These dinners were held in exclusive locations, such as: Palazzo Capponi in Florence, Palazzo Sanvitale in Parma, Villa d'Este in Cernobbio, La Magione del Tenimento - San Giuseppe in Foggia, Castello di Rossino in Calolziocorte, Villa Alliata in Palermo, Pinacoteca del Tesoriere in Rome, Terme di Montecatini in Montecatini, Villa Sparina in Gavi, and the Intesa Sanpaolo Tower in Turin. About 300 existing and potential customers attended these dinners.



## INTESA SANPAOLO PRIVATE BANKING EXPO INVITATIONAL GOLF TOUR

The “Intesa Sanpaolo Private Banking Golf Tour” was played from May to November, and involved four invitational tournaments plus the Top Pro-Am. The tournaments were held at the Circolo Golf Torino La Mandria, the Bogogno Golf Resort, the Golf Des Iles Borromées, the Franciacorta Golf Club, and the San Domenico. Around 300 existing and potential golfer customers took part.



## SPORTS

Intesa Sanpaolo Private Banking reserved a sky box for the Milan, Inter and Juventus championship, Champions League, and cup matches, as well as a number of seats for the Torino, Parma, and Bologna matches.





## BANK AND ART TOGETHER

Many exclusive evening gatherings were held at leading artistic and cultural events throughout Italy.

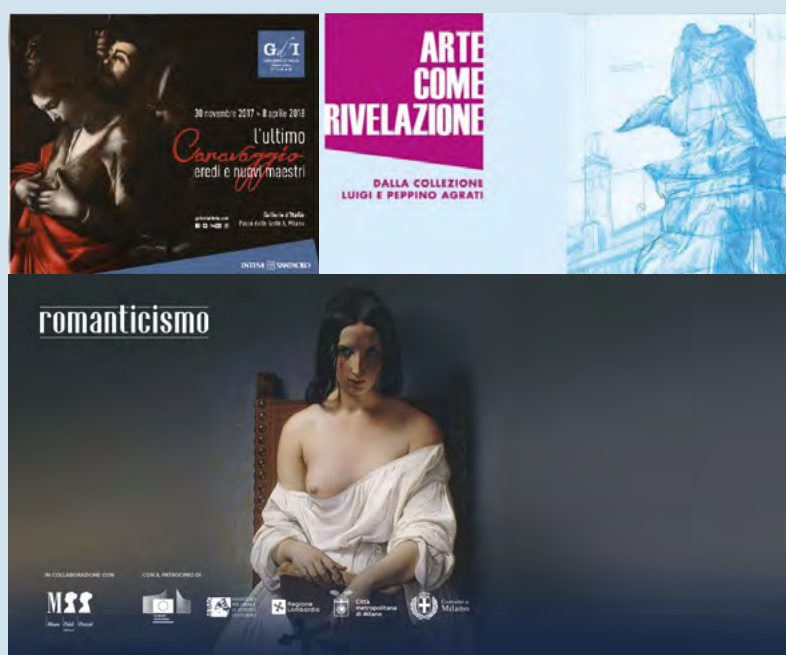
### MILAN - GALLERIE D'ITALIA EXHIBITIONS: "ARTE COME RIVELAZIONE. OPERE DALLA COLLEZIONE LUIGI E PEPPINO AGRATI" "L'ULTIMO CARAVAGGIO. EREDI E NUOVI MAESTRI" AND "ROMANTICISMO. VOLTI, LUOGHI E STORIE DELL'ITALIA MODERNA"

Fideuram dedicated several exclusive events to its own customers and prospects at important exhibitions organised by Le Gallerie di Piazza Scala in Milan.

On 6 February, 100 existing and potential customers were invited to the exhibition "L'ultimo Caravaggio. Eredi e nuovi maestri", with a cocktail dinner afterwards in the Anguissola Cloister. The exhibition presented an exceptional in-depth look at the artistic developments in Naples, Genoa and Milan after the death of Michelangelo Merisi, during a historic and artistic period divided between the naturalistic revolution of Caravaggio and the new, colourful and festive Baroque era.

Other exclusive events were held on 6 and 13 June, with the participation of 200 existing and potential customers invited to the guided tour of the exhibition "Arte come Rivelazione. Opere dalla Collezione Luigi e Peppino Agrati" with a cocktail dinner afterwards in the cloister of Palazzo Anguissola. The collection featured in the exhibition was first created at the end of the 1960's, as the expression of Peppino Agrati's passion for art. Together with Luigi, he approached art collecting as a personal vision, unfettered by fashion and market trends. The collection created by the two industrialists constitutes a particularly important moment in the history of Italian art collecting in the second half of the 20<sup>th</sup> century.

Finally, 100 existing and potential customers of Fideuram attended the exclusive event "Romanticismo" (Romanticism) held on 5 December, with a guided tour of the exhibition and a cocktail dinner afterwards in the new spaces of the Gallerie restaurant. This was the first exhibition dedicated to the contribution made by Italy to the movement that changed the sensibility and imagination of the Western world during the first half of the 19<sup>th</sup> century. The exhibition celebrated the identity and value of Italian Romanticism, in relation to what was occurring in the rest of Europe, and included 42 works that had never been exhibited before.



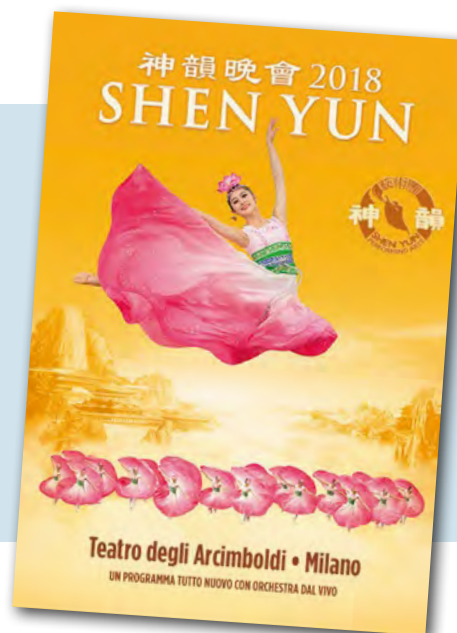
### MILAN - EXHIBITION "MILANO ATTRAVERSO LE STAMPE, I DISEGNI E I GRAFFITI DI UN ARCHITETTO DEL NOVECENTO"

On 15 May, 130 existing and potential customers of Fideuram were invited to the preview of the exhibition "Milano attraverso le stampe, i disegni e i graffiti di un Architetto del Novecento" in the Basilica of San Celso. This was the first exhibition to be held after the restoration of the Basilica, in the Spazio San Celso, a new venue dedicated to art and culture in Milan. The exhibition, staged with the contribution of Fideuram, is one of the events organised by the Novecento Italiano, sponsored by the City of Milan and City Ward 1 (Municipio 1). It honours the architect Paolo Mezzanotte, an emblematic citizen of Milan, famous for having built the seat of the Milan Stock Exchange. The exhibition presented various less familiar and, in certain cases, previously unpublished aspects of this famous artist's oeuvre: the graphic work that reveals Mezzanotte's close ties with the city of Milan.



## MILAN - TEATRO ARCIMBOLDI, SHEN YUN 2018

After the completely sold-out performances given last season, the world tour by Shen Yun Performing Arts returned to the Arcimboldi Theatre in Milan on 21 and 22 April 2018 with a completely new production. Founded in New York in 2006 by an élite of Chinese artists, the Shen Yun Group has become a global phenomenon, distinguishing itself as the best company of classical Chinese music and dance in the world. Through the Il Ponte Cultural Association, which manages the Italian performances of the Shen Yun Tour, Fideuram was able to invite 50 guests, including Personal Financial Advisers, existing and potential customers to the Milan première of the spectacular show. During the intermission and at the end of the performance, Fideuram offered its guests a convivial cocktail dinner where they could get to know each other.



## LEGNANO - PERFORMANCE "DOBBIAMO TUTTO AGLI HIPPIE. ALLE RADICI DELLE NEW ECONOMY"

On 15 November, 200 existing and potential customers of Fideuram were invited to the performance "Dobbiamo tutto agli Hippie. Alle radici delle New Economy" (We Owe Everything to the Hippies. At the Roots of the New Economy). This was a storytelling monologue by and with Roberto Bonzio, consisting of a multimedia performance presenting the contribution made by members of the 1968 student movement to the innovative culture that flowered in United States, from Steve Jobs to Ettore Sottsass, without forgetting Olivetti. Before the theatre performance, the guests were offered a guided tour of the Fratelli Cozzi Alfa Romeo Museum and, afterwards, a cocktail dinner.





## TURIN - TEATRO REGIO PREVIEW PERFORMANCE OF "LA TRAVIATA"

On 13 December, 700 Fideuram and Sanpaolo Invest customers had the privilege of attending the preview of Verdi's opera "La Traviata" at the Teatro Regio in Turin. A three-act melodrama with music by Giuseppe Verdi, it was premiered at Teatro La Fenice of Venice in 1853. It was a successful evening thanks to the unmistakable atmosphere of one of the most legendary operas of all time.



Teatro Regio Torino - Stagione d'Opera 2018-2019. *La traviata* di Giuseppe Verdi  
Foto Edoardo Piva © Teatro Regio Torino

## TURIN - PALAZZO MADAMA, PREVIEW OF THE EXHIBITION "UNA RITROVATA MADONNA DELLA FABBRICA DI SAN PIETRO"

From May to September 2018, the Camera delle Guardie in Palazzo Madama, Turin, hosted the exhibition "Una ritrovata Madonna della Fabbrica di San Pietro. Dalla chiesa di San Giacomo Scossacavalli alla basilica vaticana". This important exhibition was organised with the Sponsorship of the Fabbrica di San Pietro in Vaticano and presented at the prestigious museum of the Fondazione Torino Musei (Turin Museums Foundation) in Palazzo Madama. This was a unique and unrepeatable opportunity to admire the rediscovered beauty of the painting, restored with the support of Fideuram. For this occasion, Fideuram, proud to have always been a sponsor of art, invited about 150 existing and potential customers to the exclusive preview of the exhibition, which was followed by a gala dinner, offering a unique opportunity to its guests.



## THE VENARIA REALE, EXHIBITION "RESTITUZIONI 2018. LA FRAGILITÀ DELLA BELLEZZA"

Three events were held in May and September, for Fideuram and Sanpaolo Invest, at the Venaria Reale royal hunting lodge, with exclusive guided tours of the exhibition "La fragilità della bellezza. Tiziano, Van Dyck, Twombly e altri 200 capolavori restaurati". The exhibition was the concluding event of the 18th annual Exhibitions series, an Italian artistic heritage and development programme that Intesa Sanpaolo has sponsored for about 30 years. The exhibition presented 80 groups of works, for a total of 212 pieces restored with funds provided by Intesa Sanpaolo during the two-year period 2016-2017 and originating in 17 regions of Italy. At the end of the guided tours dedicated to the guests, about 150 per event, between existing and potential customers and Personal Financial Advisers from the two Networks, a cocktail dinner was held in the splendid Sala di Diana and on the Terrace overlooking the gardens. This offered a chance to make professional contacts in a refined and at the same time convivial atmosphere.



## TURIN - PALAZZO REALE, GUIDED TOUR OF THE GUARINI CHAPEL, AND PALAZZO MADAMA, AND THE EXHIBITION "LA SINDONE E LA SUA IMMAGINE. STORIA, ARTE E DEVOZIONE"

This event was organised by Fideuram with the participation of 180 customers, personal financial advisers and potential customers. The evening programme began at Palazzo Reale with a tour of the Sindone Chapel, the splendid jewel of architecture designed by Guarino Guarini, which reopened to the public after a long restoration. The guests were then accompanied to Palazzo Madama, to the exhibition "La Sindone e la sua immagine", on the history of the Sindone and the different functions of the images that have reproduced it over five centuries, with various purposes and different techniques, from the time of its arrival in Piedmont in the 16th century until the beginning of 1900. The event concluded with a gala dinner in the Hall of the Senate in Palazzo Madama.





## ROME - AUDITORIUM DELLA CONCILIAZIONE, PERFORMANCE “GIUDIZIO UNIVERSALE. MICHELANGELO E IL SEGRETO DELLA CAPPELLA SISTINA”

In June, Fideuram invited about 200 guests, including existing and potential customers, to attend the magical show “Giudizio Universale. Michelangelo e il Segreto della Cappella Sistina” at the Auditorium della Conciliazione in Rome. The show, organised with the scientific assistance of the Vatican Museums, was an extraordinary journey that allowed guests to immerse themselves completely in the wonders of the Sistine Chapel, discover its history and secrets, and live a unique experience, partly thanks to the innovative way of enjoying Michelangelo’s masterpiece. The show lasted 60 minutes, during which the guests were taken back to the Rome of 1508, being led through the creation of a masterpiece, the protagonists stories, the genius’s torments, the fresco of Genesis, the secret place where the Pope is elected. It offered a full immersion in the absolute beauty of Michelangelo’s immortal work. At the end of the performance, the guests were treated to a cocktail dinner at a restaurant inside the Auditorium.



## ROME - GALLERIA BORGHESE, EXHIBITION DEDICATED TO GIAN LORENZO BERNINI

In February, Sanpaolo Invest organised an exclusive private opening of the Galleria Borghese for existing and potential customers, with a guided tour of the sublimely beautiful works of the artist Gian Lorenzo Bernini. The tour was followed by a cocktail dinner.



## BRESCIA - SANTA GIULIA MUSEUM, EXHIBITION “TIZIANO E LA PITTURA DEL CINQUECENTO TRA VENEZIA E BRESCIA”

The Santa Giulia Museum in Brescia hosted three events in May, two by Fideuram and one by Sanpaolo Invest, dedicated to about 300 invited guests, comprised of existing and potential customers. An exclusive guided tour allowed the guests to admire the beautiful works on show in the exhibit “Tiziano e la pittura del cinquecento tra Venezia e Brescia”. The exhibition, composed of over five hundred masterpieces from Italian and foreign museums, focused on the personality of the great Veneto painter Tiziano and his priceless works. At the end of the performance, the guests were treated to a convivial cocktail dinner where they could get to know each other.



## BRESCIA - PINACOTECA TOSIO MARTINENGO, GUIDED TOUR

Fideuram held two events at the Pinacoteca Tosio Martinengo in Brescia in October, reserved to about 200 invited guests comprised of existing and potential customers. Through guided tours, the guests were able to admire the important collection of works shown at the Pinacoteca Tosio Martinengo, which was reopened to the city of Brescia after nine years of closure. The art gallery was reorganised with a new presentation of works in 21 rooms conceived to give visitors a sense of the complexity of the Museum and its collections through reflection on their history and the critical approaches that determined the shape of late Gothic art in the early 19<sup>th</sup> century. After enjoying the exhibited works, the invited guests were hosted at a cocktail dinner.



## GENOA - PALAZZO DUCALE, EXHIBITION "PAGANINI ROCKSTAR"

The exclusive event "PAGANINI ROCKSTAR" was held at the Palazzo Ducale in Genoa on 8 November. About 130 persons were invited to this event, including existing and potential customers of Fideuram. The guests were able to experience this interesting exhibition that told the story of the art of the great Genoese violinist as seen from the musical perspective of today, where contemporary music was forged in part by the sounds and genius of an Afro-American guitarist from Seattle, Jimi Hendrix. Two musical geniuses, Paganini and Hendrix, two virtuosi far from each other in time, one a passionate violinist, the other a passionate electric guitar player, and yet so similar to each other today.





## REGGIO EMILIA - RUOTE DA SOGNO, EMOTIONAL TOUR

In March, Fideuram invited existing and potential customers to the exclusive "Tour emozionale Ruote da Sogno". This was a guided tour along a route full of memories of motors, a plunge into the engineering marvels of the past, in a unique location, Ruote da Sogno, which is found in the heart of Motor Valley, in Reggio Emilia. Ruote da Sogno houses a selection of over 1,200 motorcycles of every brand and period, all of which have been perfectly restored, and an important selection of classic cars. The emotion felt by visitors to the space dedicated to the motorcycles is a trip back into the past of motorcycles that they wanted or, for the more fortunate, that they already owned. The tour was followed by a light lunch for the guests in the spaces dedicated to the showroom.



## ART AND THEATRE

Intesa Sanpaolo Private Banking organised a number of particularly interesting and important artistic events for its customers. At the Gallerie d'Italia in Milan, an exclusive visit to the exhibitions "TRUE PERFECTION. La cassetta Farnese di Capodimonte" and "Arte come rivelazione". At the Reggia di Venaria of Turin: "La Fragilità della bellezza" and at the Royal Palace of Milan, "Picasso Metamorfosi". The visits always concluded with a social event that reinforced relationships between our Personal Financial Advisers and their customers. Around 350 existing and prospective customers attended these evenings, which included a buffet or dinner. Moreover, seats were reserved in the leading theatres of Italy for the opening nights of every opera and ballet: at Teatro alla Scala in Milan, at Teatro San Carlo in Naples, at Teatro La Fenice in Venice and at Teatro Petruzzelli in Bari. In addition to several seats at the following events: Festival di Spoleto "Giovanna D'Arco al rogo", Palazzo della Musica in Rome: "Ben Harper". A total of 650 customers were invited.



## NEW OFFICES OPENED

Events connected with the opening of new offices continued in 2018.

Specifically in regard to Fideuram, the new offices in Naples were opened on 20 February. These offices will allow 25 Personal Financial Advisers to receive and assist their over 3,600 customers in larger and more functional spaces. The offices will also be a site for exhibitions, conferences and initiatives that will animate the hilltop neighbourhood of the Vomero. On occasion of the opening event, the new spaces hosted the exhibition "Persistenze e Metamorfosi". The protagonists of this project are the Egyptian artist Moataz Nasr and the Neapolitan photographer Aniello Barone, engaged for a double one-man show conceived to tell the story of contemporary cities and the complex relations with their inhabitants. After the ribbon cutting with a welcome cocktail party, the guests were invited to the Teatro Diana for an exclusive theatrical performance of the play "Il pomo della discordia", written, directed and performed by Carlo Buccirosso, with the participation of Maria Nazionale. The new Fideuram office was opened in Monza on 27 September. On occasion of the opening event, guests were invited to the preview of the show "Pop Revolution", created in collaboration with International Broker Art, with works by Mimmo

Rotella, Andy Warhol, Paolo De Cuarto and Alina Ditot. The performance was followed by a cocktail with musical entertainment. The new Fideuram and Sanpaolo Invest office was opened in Foggia on 26 November. On that occasion, the invited guests could admire a painting exhibition set up in the new spaces of the bank, enjoy a relaxing moment at the welcome cocktail party and, afterwards, at the nearby Teatro Giordano theatre, watch the exclusive performance of "Appunti di Viaggio" by the Neapolitan actress and singer Lina Sastri. All of these activities rendered the opening of the new offices of Fideuram and Sanpaolo Invest an evening rich in emotions and culture for their guests. The new offices of Sanpaolo Invest in Pinerolo (29 May) and Parma (31 May) were opened in May. The offices in Faenza (12 June) and Monza (28 June) were opened in June. The new Sanpaolo Invest office in Ravenna was opened on 5 July.

New Fideuram offices were also opened in 2018 in Acqui Terme, Saluzzo, Portoferraio, Forlì and Siena. New Fideuram and Sanpaolo Invest offices were opened in Rome (Via Salaria), Viterbo, Arezzo and Terni. New Sanpaolo Invest offices were opened in Cassino and Catania. The Fideuram office in Moncalieri was remodelled.



Fideuram - Monza Office



Fideuram and Sanpaolo Invest - Foggia Office



Fideuram - Forlì Office



## CUSTOMER ASSISTANCE SERVICE

Our Customer Assistance Service provides information on the Group's products and services, and on each customer's overall financial position, which can also be viewed on the Fideuram Online website.

The volume of contacts with customers rose from the previous year in 2018, thanks to the support provided to customers who decided to replace their physical device (O-Key) with the new Smart O-Key App. This change has been made partly in view of the changes to be introduced by the PSD2 regulations that call for complete replacement of the physical device with virtual ones (app or text message).

The quality of service, defined as the percentage of calls processed out of the total received, remained high, albeit slightly lower than in the previous year. Therefore, staff of the operators dedicated to the staff were reinforced at the end of the year with the addition of new resources. This was done after an adequate training period. The percentage of authenticated calls increased progressively during 2018, reaching levels slightly below 60% of the total number of calls, while the transactions executed by customers alone on the code management page rose to 85%.

# 270<sub>k</sub>

contacts with customers

## CUSTOMER FEEDBACK

The Group's Italian companies received a total of 1,525 customer complaints in 2018, up from 2017 (+21%).

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 35 days (60 days legal maximum) for investment service complaints.

At 31 December 2018, there had also been 56 complaints for misconduct by Personal Financial Advisers.

Complaints to the Banking and Financial Services Ombudsman (Arbitro Bancario Finanziario) increased slightly compared with the previous financial year, rising from 24 to 27. Instead, complaints submitted to the Financial Disputes Ombudsman (Arbitro per le Controversie Finanziarie) fell slightly, totalling 11 compared with 18 in the previous year.

# 35<sub>days</sub>

Average processing time  
for investment service  
complaints (\*)

(\*) Compared with 60 days maximum legal requirement.

## Complaints by type

(No.)

	2018	2017	2016
Complaints regarding investment services	416	283	311
- of which securities in default	22	14	16
- of which structured securities	6	22	15
Cheques and bills	36	52	57
Transfers, wages and pensions	55	59	46
Cards	242	203	169
Loans	9	7	8
Current and deposit accounts	387	386	283
Mortgages and special loans	1	-	2
Insurance products	30	38	3
Remote banking	141	74	91
Other	208	158	244
<b>Total</b>	<b>1,525</b>	<b>1,260</b>	<b>1,214</b>

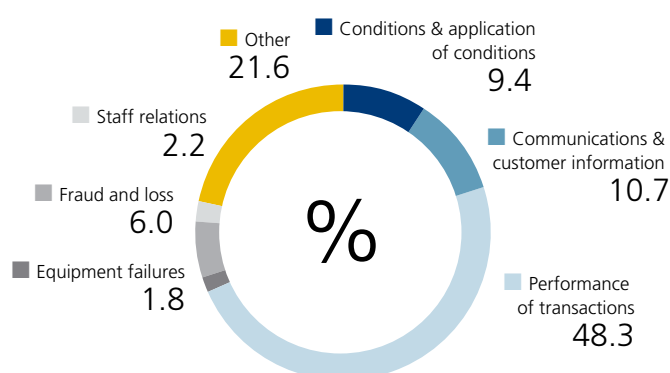
"Other" includes, for the most part, customer complaints regarding service efficiency and organisational aspects. These include customer complaints regarding privacy, listed in the table below:

## Other complaints

(No.)

	2018	2017	2016
For Privacy	12	22	5
For Capitalisation of interest due	3	14	-

## Complaints by reason 2018



## 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.

The principles of language simplicity and transparency of information represent the guiding principle for a timely update of the transparency documents available to the customer, in accordance with the constantly changing legislation, with the aim of analysing all the products in the catalogue and improving their readability.

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 2019

### Customers

Our main improvement objectives include the following:

- Design of controlled risk solutions for the investment of liquidity capable of satisfying the need to protect capital.
- Reinforcement of the products and services platforms with upgraded investment solutions and contractual options to address long-term issues and short-term opportunities across the various customer segments, with a special focus on HNWI.
- Constant growth in the level of disclosures to customers in relation to the characteristics of the products and services provided, with special focus on aspects related to effectively applied costs and received benefits.
- Continuation of the Alfabeto developments with an improved user experience in navigating the website, especially when using the digital interaction tools.

### Advisory platform

The following actions on the advisory platform are scheduled for 2019 to facilitate relationships with customers even further:

- Increased usage by Personal Financial Advisers.
- Completion of the scope of customers managed.
- Developments and improvements in the sales proposal phase.
- Extension of functions and content supporting Personal Financial Advisers' advisory activities.
- Simplification in browsing through the platform.
- Modification of operations to comply with MiFID 2 regulations.

### Events

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

## SUPPLIERS

### MAIN OBJECTIVES FOR 2018

Ability to access the new Intesa Sanpaolo Supplier Gate with its additional information related to the promotion of social and environmental responsibility practices among the suppliers, who will have to provide further guarantees on their respect of commitments declared in this area during the registration process.

Periodic checks through the filling in of vendor rating questionnaires.

Expanding the pool of suppliers by joining a larger number of Intesa Sanpaolo Framework Agreements resulting in achieving economies of scale and greater cost savings.

### ACTIONS AND RESULTS ACHIEVED

The process of centralising the purchasing department continued with the extension at the end of December of authorisation to use the new Supplier Gate of Intesa Sanpaolo with consequent modification of the Fideuram information systems. During the year, the Group used the services offered by the qualified suppliers of Intesa Sanpaolo with the consequent guarantee that they would comply with the social and environmental obligations in force when they are entered in the suppliers register.

It was possible to use the results obtained from the compiled vendor rating questionnaires of the Suppliers included in the Intesa Sanpaolo Gate.

During the year, even the Fideuram Group companies were able to accept a higher number of purchases with agreements signed by Intesa Sanpaolo for different services with a consequent reduction in extemporaneous purchases, and thus realising economies of scale.

## PROFILE OF SUPPLIERS

The work of rationalising the phases in our goods and services procurement procedures was completed in 2018 in line with our internal spending regulations. The Group had business dealings with about 1,584 suppliers during the year, for a total value of approximately €233m. The territorial distribution of suppliers is concentrated almost entirely in Italy.

	2018	2017	2016
Suppliers' revenue (€m)	233	240	232
Number of suppliers	1,584	1,703	1,785

The figures refer to the Italian companies recorded on the corporate information system INTESAP.

## SUPPLY CHAIN MANAGEMENT

The Fideuram Group pursues economic growth to safeguard the environment and respect human rights and workers' rights. This improves the quality of our relationships with suppliers and our procurement policies, on the basis of the principles of fairness and transparency imposed by and envisaged in the Code of Ethical Conduct.

The Intesa Sanpaolo procurement centralisation process allowed us to unify rules and processes, by Purchasing Rules and Guidelines applied by all Fideuram Group companies. This process, which was completed during the year, allowed us to apply a uniform model to all Group companies and raising awareness of aspects related to social and environmental responsibility. This saw the Fideuram Group 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.

This made the process of identifying suppliers more consistent through the signing of contracts and agreements with Intesa Sanpaolo's suppliers. The second phase of the Purchasing centralisation process was completed at the end of 2018, with the extension of authorisations to the new e-sourcing application Supplier Gate of Intesa Sanpaolo. This system allows Fideuram Group companies to use the suppliers selected by Intesa Sanpaolo beginning with their registration in the application, while considering not only the suppliers' technical, economic and financial characteristics, but also verification of their business ethics, their workers' human rights, and the environment. The Fideuram Group has raised the awareness of its suppliers to perform the necessary activities for accreditation on the new portal.

Therefore, the purchasing management policies are based on sustainable models according to the minimum sustainability requirements set by Group environmental policy.

To guarantee objectivity and transparency during the supply



contract award phase, following the same Intesa Sanpaolo Guidelines and drawing from the list of suppliers confirmed as qualified by the relevant control office of Intesa Sanpaolo, the Fideuram Group continued to make impartial comparisons of a number of bids during 2018, while considering the technical and administrative evaluation separately from the purely economic one. Goods and services were consequently purchased through a negotiating system capable of satisfying functionality, quality, security, and environmental protection requirements in compliance with applicable environmental sustainability laws and regulations, and giving due consideration to ethical, social, and environmental effects on the entire supply chain.

## 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.

From the time they register in the Supplier Gate, the suppliers fill out a mandatory questionnaire dedicated to environmental sustainability issues, with simultaneous or deferred uploading of the documentation and certificates of satisfaction of the commitments previously declared during this phase.

This procedure makes it possible to monitor the entire supply chain and obtain a comprehensive evaluation of the supplier's ratings on all social, economic, financial, and environmental aspects.

Suppliers are selected by comparing bids submitted by multiple tenderers.

The award criteria used are the following: Request for Proposal, Request for Information and, if it is impossible to make a comparison, Direct Negotiations.

Market comparisons are not required for non-recurring purchases that are not connected with other initiatives and have a value of less than €75k or which are covered by framework agreements or contracts.

The list of suppliers to be involved in a purchase process when making a market comparison or choosing the supplier with which to start direct negotiations is prepared by taking into account the various needs of the Group. The list of suppliers for a Request for Proposal must be authorised in

advance by the Office for Supplier Qualification, Coordination and Monitoring of Intesa Sanpaolo, established at the end of 2017.

Prior authorisation of the supplier by that Office is required for all types and categories of merchandise, regardless of their amount. At least three suppliers are required in market comparisons (five in the event of comparisons with an estimated value exceeding €50k). In certain cases (e.g. lack of availability of alternative suppliers, existence of corporate links between suppliers invited), exceptions can be made regarding the number of suppliers involved. In addition, sealed bids are required for contracts exceeding €25k, and for certain product categories, those under €183k, in the event of a Request for Proposal.

The Request for Proposal assumes a technical assessment, a subsequent economic assessment and a joint analysis of the two assessment components (best proposal that meets the combination of technical assessment and price).

The technical assessment must always be completed and formally documented prior to opening the economic proposals; where provided, it will also have to include social and/or environmental responsibility aspects. Unless different criteria are formally set out at the launch phase, that assessment is expressed through an opinion of appropriateness or inappropriateness of the solution.

Conversely, the strategy with Request for Information enables the purchaser to obtain information, solutions and pricing in the form of approximate quotations and define 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 2018, 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.

The new purchasing management process was published by Intesa Sanpaolo on 28 December 2018. It is applicable to all Group companies. In addition to revision of their guidelines, this has entailed a review of the contents of those guides, by combining all phases composing the new process in a single document. This new process requires the abrogation and replacement of the Guidelines for the Request For Proposal, Request For Information, Request for Quotation and Direct Negotiations. The effects of the new process will make themselves felt in 2019.

## SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Fideuram Group performs:

- comprehensive evaluations of its suppliers, analysing their compliance with international and local environmental regulations and their commitment to activities designed to protect the environment (such as certifications and adoption of environmentally friendly technologies);
- the environmental assessments of the products and furnishings used in daily work activities (such as energy efficiency criteria, IT product criteria, recyclability and toxicity levels of office furniture components and of cleaning products, while preferring electric power from renewable or similar sources, when possible);
- the implementation of 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;
- compliance during the supplier selection process with the minimum sustainability requirements and according to the standards of the International Labour Organization covering fundamental human rights, child labour, freedom of association, health and safety, and business ethics.

### MAIN IMPROVEMENT OBJECTIVES FOR 2019

#### Suppliers

Our main improvement objectives for 2019 include the following:

- Greater use of the new Supplier Gate of Intesa Sanpaolo for a wider range of purchases.
- Periodic checks through the filling in of vendor rating questionnaires.
- Possibility of online management of tenders on the new Supplier Gate for greater standardisation of suppliers and rendering relationships with them more transparent and fair.

## THE COMMUNITY

Charitable initiatives (or donations) mean exclusively cash donations without the expectation of receiving any compensation or benefit of any kind in return. Therefore, all those activities - in whatever form the conditions are agreed - which directly or indirectly promote and enhance the image of the Bank, do not represent donations.

In defining the principles of conduct in relations with the community, the Code of Ethical Conduct of Intesa Sanpaolo S.p.A., implemented by the Fideuram Group, specifies the need to identify "the requirements and needs of the community and not only in a material sense" and to support them, amongst other things, "through charitable donations".

Generally, recipients of donations can be:

- legally recognised entities, which do not pursue profit, established and organised according to the rules governing the so-called non-profit sector;
- social enterprises, established pursuant to Italian Legislative Decree 155/2006, as long as the donation, within the sphere of the social enterprise, is destined to support particularly significant social or cultural initiatives;
- third parties (e.g. local entities or bodies including public ones, such as regional, provincial or municipal authorities, community cultural associations, schools, tourism promotion boards, etc.) provided that the project meets the above definition for charitable initiative and has the sole objective to pursue one or more of the aims set out below.

Potential beneficiaries of donations are classified according to the aims they pursue and in relation to the area in which they operate, i.e. by way of example:

- social area (e.g. health and research, education and training, voluntary service, protection of rights, solidarity, protection of minors);
- religious area;
- cultural, artistic, historical and archaeological heritage promotion;
- environmental protection.

Conversely, the following institutions are excluded as potential beneficiaries of donations:

- political parties and movements and related organisation;
- trade union organisations and assistance agencies;
- service clubs, such as Lions, Rotary, etc.;
- associations with profit aims and recreational groups, private schools and legally-recognised schools, except for specific initiatives with particular, social, cultural or scientific importance.

In order for a donation to be made, the ethical values of the beneficiaries must be consistent with those specified in the Code of Ethical Conducts, directed towards people, the respect for human rights, economic and social solidarity, sustainable development, conservation of the environment and artistic heritage and support for culture.

As a further constraint regarding the provision of donations, they:

- may be given to organisations whose procedures, including accounting procedures, make it extremely easy to verify the consistency between the declared objectives and the ones they pursue i.e. they prepare financial statements (without prejudice to the requirement for these entities to comply with the primary and secondary rules and the principles of correctness, rigour, integrity, honesty, fairness and good faith);
- cannot be for initiatives with a commercial and promotional value, e.g. for initiatives of promotion, enhancement and reinforcement of the Group's image, which are realised by entering into contracts or agreements;
- cannot be used for projects that already receive some form of sponsorship;
- must be granted using a form of rotation, so as to ensure as broad, varied and flexible use of resources as possible;
- cannot be given to the same applicant more than once within the same calendar year;
- cannot be granted for more than four consecutive years to the same applicant, except for those projects that have an obvious long-term duration;
- cannot be granted to bodies involved in litigation, known to the Group, on issues relating to the non-respect of human rights, peaceful coexistence, environmental protection and vivisection;
- cannot be granted to natural persons.

A central role in the process of managing donations is covered by the Legal and Corporate Affairs Department, which can draw on various relevant offices/departments whenever necessary during the assessment of the applications received.

The Group's charitable and other donations totalled over €200k in 2018 and were distributed to a number of respected bodies operating in the health care, scientific research, arts, sports and humanitarian/aid fields.

## INITIATIVES TO SUPPORT HEALTH CARE, SCIENTIFIC RESEARCH, ARTS AND SPORTS ORGANISATIONS



The Group supported the following health service and scientific research organisations:

- **Associazione di Riferimento e Sostegno alle Malattie Infantili Onlus** with the aim of supporting the Respiratory Medicine Division of the Regina Margherita Children Hospital in Turin, in providing care to children afflicted by serious pulmonary diseases;
- **Associazione Italiana Sclerosi Multipla Onlus** in order to support, assist and promote research on multiple sclerosis;
- **Fondazione Città della Speranza** in Padua, which is the founder of the Paediatric Oncohematology Clinic in Padua; an organisation connected with the most important centres in Italy and around the world, and the Specialised National Centre for the diagnosis of acute leukaemia and the molecular profiling of lymphomas and sarcomas. The specific contribution was made to finance transcriptomic and proteomic studies in liquid biopsies;
- **Fondazione Giovanni Celeghin**, to organise the annual edition of the "Da Santo a Santo" non-competitive cycling marathon, the proceeds of which are allocated to finance brain tumour research projects.



Recognising the considerable human and social value of the arts and sport, the Group supported the following:

- the football club **S.S.D. Città di Messina**, to promote youth football and schools;
- the amateur sports association **Associazione sportiva dilettantistica Gim-**

sport, to assist with its organisation of the 18<sup>th</sup> **GimondiBike** International mountain bike race;

- the **A.S.D. Pallavolo Pinerolo - Unionvolley** volleyball club to support volleyball in different youth categories;
- the amateur sports activities organised by the Cerignola sports club **U.S.D. Audace Cerignola**, in particular for the creation, training and management of football teams;
- the 22<sup>nd</sup> **Giovanni Nasi** golf tournament, the proceeds of which supported the athletes in the Federazione Italiana Sport Invernali Paralimpici - FISIP (Italian Paralympic Winter Sports Federation);
- realisation of the exhibition sponsored and organised by the **Fondazione Giancarlo Ligabue**. The exhibition featured stone, metal, and terracotta relics from the late Neolithic period to the early Bronze Age;
- **Associazione Letteraria Giovanni Boccaccio**, supporting the Giovanni Boccaccio literary prize;
- **Fondazione della Comunità Bergamasca Onlus** for the organisation of an exhibition included in the "Open" project, an itinerant initiative throughout Lombardy where selected art works are featured;
- **Fondazione Comunitaria della Provincia di Lodi Onlus**, to offer the Lodi area a chance to admire valuable works, and thus opening up culture to many people;
- **Fondazione Vittoriano Bitossi** for the organisation of technical and professional courses for ceramic making;
- **Associazione Socio - Culturale per l'Istituto di Studi Economici Onlus** to help foreign students earn a diploma so that they can then teach what they learned when they return to their own country;
- **Associazione Sportiva Dilettantistica Special Olympic** in support of the opening ceremonies of the Special Olympics Lombardy 2018 regional games;
- the **A.S.D. Taggia** club to support youth football from a very young age;
- **A.S.D. Atletica Villafranca VR** to support participation in light track and field athletics by young people;
- **Fondazione Comunità Mantovana Onlus** to support local art and culture;
- **Lega Navale Italiana - Sezione di Milano** to introduce disabled persons to sailing;
- **Associazione Sportiva Dilettantistica Golf Club San Michele** for spreading the sport of golfing among young people;
- **Procuratoria di San Marco-Venezia** for the organisation of a concerto in St. Mark's Basilica in Venice to commemorate the fortieth anniversary of the death of Vittorio Cini, who was the First Procurator of St. Mark's;
- **Associazione Amici del Rossini Opera Festival** for the promotion of Rossini culture;
- **Associazione Francesca Duchini** for the study of economic thought in the dissemination of economic culture;
- **Casa Secolare delle Dimesse di Padova** for the creation of a magazine illustrating the educational initiatives of the Collegio Dimesse;
- **Associazione Culturale EmmeCi** for the construction of playrooms for children, where they have the opportunity to become familiar with marionettes, puppets, and dolls dating from the second half of the 19<sup>th</sup> century and all of the 20<sup>th</sup> century.





## HUMANITARIAN AND AID INITIATIVES

The Fideuram Group provided support for the following humanitarian and aid initiatives and organisations:

- **Associazione CAF Onlus**, with the aim of supporting the association's principles involving the accommodation and care of victims of child abuse and serious maltreatment, providing qualified psycho-pedagogical support;
- **Comunità di Sant'Egidio**, which is dedicated to supporting indigent persons;
- **Fondazione Bellotti Maria Rosa - Stefani Giuseppe**, which is engaged in providing care to the sick and destitute;
- **ABIO - Associazione per il bambino in ospedale**, which supports parents with assistance provided by volunteer nurses in hospitals;
- the non-governmental organisation **Ai.Bi.; Amici dei Bambini**, supporting its projects for abandoned children;
- **Christina Noble Children's Foundation** dedicated to supporting needy children in Vietnam and Mongolia through the provision of medical care, scholastic education programmes, and work opportunities.

## SPONSORSHIP INITIATIVES



The Fideuram Group continued to sponsor high-profile meetings, theatrical, art, musical and sports events and initiatives involving customers in 2018.

During the year, Fideuram sponsored events tied to art, culture and sports, while supporting numerous initiatives including: restoration of the work "Madonna con il Bambino" from the Fabric of St. Peter's in the Vatican on exhibit at Palazzo Madama in Turin, the cultural review Villeggiando, the exhibition "Milano attraverso le stampe, i disegni e i graffiti di un Architetto del Novecento", and the cultural programming of the "Musica per Roma" Foundation. In the financial sector, it sponsored the institutional events Efp Italia Meeting 2018 and Consulenti in Rome and Naples. Fideuram was then a partner in the "La Vita è Meravigliosa" fund-raising campaign organised by the "Cuore Domani" foundation. The "Cuore Domani" foundation was created by the Società Italiana di Chirurgia Cardiaca (Italian Society of Heart Surgery - SICCH) to promote scientific research and prevention programmes, health education, and dissemination of scientific knowledge in the cardiovascular disease field. The "La Vita è Meravigliosa" campaign was organised by the foundation to finance several important research projects on Italian territory and to support the work of its researchers. Fideuram contributed to the financing of 10 scholarships for research on the biological mechanisms at the basis of cardiovascular diseases and mini-invasive therapies. The opening event of the campaign was the broadcast "La Vita è Meravigliosa: mettici il cuore" on the Italian television channel RAI1. Its aim was to promote public awareness of the risks and steady increase of cardiovascular diseases. Stéphane Vacher, the head of Network Communication of Events and Incentives participated in the broadcast. He acted as spokesperson for the spirit that has always animated Fideuram in supporting initiatives that leave a mark and do good for the community. The campaign will continue throughout 2019 with events and activities across all of Italy.

Moreover, Intesa Sanpaolo Private Banking contributed to organisation of the 32nd annual Maratona Des Dolomites (Dolomites Marathon), a cycling race that attracts athletes and cycle-racing enthusiasts from all over the world. Fifty customers took part in the race and in the first annual "Vicenza Opera Festival" held at the Teatro Olimpico in Vicenza. Moreover, Intesa Sanpaolo Private Banking participated at the International Modern and Contemporary Art Fair miart 2018. The Bank has always had close ties with the art world, and it hosted its own guests at its stand, where a work by the artist Alessandro Papetti was on display. Customers were able to participate in in-depth discussions about art as an investment and its tax impact.

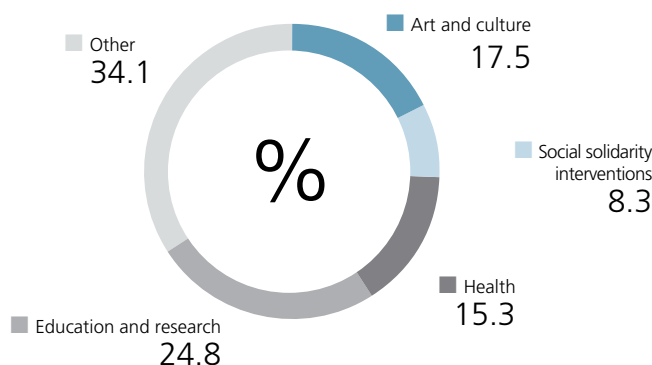
In 2018, the Group's total donations to local charities (€252k) and sponsorship (€159k) were made almost entirely in cash. The graph shows the Group's donations to the community by field of activity.

Our donations, calculated following the guidelines of the London Benchmarking Group (LBG), are classified by objective as follows:

- 24.1% "local investments", which include long-term strategic partnerships;
- 29.9% "donations", which meet specific needs and requests;
- 38.7% "marketing initiatives", which support events that simultaneously promote our brand and business;
- 7.3% "membership subscriptions" to community organisations.

### Group donations by sector supported, 2018

100% = €0.4 m



## SUSTAINABLE FINANCE

Ethical finance and Corporate Social Responsibility (CSR) have assumed a more prominent role in recent years thanks to improved sensitivity towards the effects of investment on the social fabric.

According to this new idea, yield, capital and interest are no longer the only assessment criteria considered by investors, but leave some room for people, the environment and society. In order to attract their interest, the key principles governing operations were explained in a Manifesto drafted in 1998, according to which ethically oriented finance:

- believes that credit, in all its forms, is a human right;
- considers efficiency as a component of ethical responsibility;
- does not consider enrichment based solely on the possession and exchange of money as legitimate;
- is transparent;
- provides for the participation not only of the shareholders but also of the savers in important choices made by the company;
- includes social and environmental responsibility among its benchmarks for investments;
- requires comprehensive and consistent compliance by the manager who directs all the activities.

Ethical Finance tools are similar to those at the disposal of traditional finance; the difference lies mainly in the objectives pursued and in the use of capital. The most common are ethical funds and sustainable bonds, micro-finance funds and bonds linked to social issues.

### ETHICAL FUND: FONDITALIA ETHICAL INVESTMENT

Fonditalia Ethical Investment, the sub-fund of Fonditalia active since 1 October 2012, is the investment solution that combines economic objectives with characteristics of financial sustainability and social value, promoted by Fideuram - Intesa Sanpaolo Private Banking.

Initially established as a flexible bond sub-fund, it then enhanced its mandate by including equities and greater use of third-party funds. This product takes an approach that combines principles of social and environmental responsibility (ESG) at the comprehensive portfolio level, with clear and measurable impacts on individuals and the planet at the level of individual investments. In fact, issuers are selected according to financial and social and environmental performance criteria, which are both absolute and relative to the reference sectors or geographies. Moreover, bonds, stocks and funds that intentionally invest capital to solve some major social and environmental challenges are chosen. This last component has grown over time, especially in the bond sub-fund, ultimately becoming the largest part of the portfolio. This sub-fund invests mainly in green bonds, social bonds and sustainability bonds (whose capital is invested in renewable energy, education, vaccines, public housing, health, micro-finance, and similar areas), in theme funds (ecology, food and water) and in companies that provide access to financial services for more vulnerable social groups. Each element in the portfolio is important as a financial opportunity and also because of its positive impact on the community.

The sub-fund invests in:

<b>THEME BONDS</b>	These are bond issues intended to finance specific environmental projects (green bonds), or goals such as reducing poverty, education, natural food, access to medical care, and similar challenges.
<b>ESG GOVERNMENT BONDS</b>	Sovereign debt securities that are chosen with a negative exclusion filter and positive sustainability criteria.
<b>MICROCREDIT INSTITUTIONS</b>	Equity instruments issued by financial institutions that actively provide services to more vulnerable social groups.
<b>SUSTAINABLE STOCK FUNDS</b>	Stock funds that invest in firms which promote environmental and social sustainability.

The fund has undergone significant development in terms of the markets and instruments covered since it was launched. The positive externalities generated by the fund have increased through its providing access to financial instruments with new features and due to the effort in creating value for the customer 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 and other financial instruments with a positive social and/or environmental impact.

Within the Sustainable Development Goals (SDGs), promoted by the United Nations and signed by 193 member countries, Fonditalia Ethical Investment contributes to the following objectives:



End poverty in all its forms and everywhere.



End hunger, achieve food security, improve nutrition and promote sustainable agriculture.



Ensure healthy lives and promote well-being for all at all ages.



Achieve gender equality and empower all women.



Ensure access to water and sanitation for all.



Ensure access to affordable, reliable, sustainable and modern energy for all.



Promote inclusive and sustainable economic growth, employment and decent work for all.



Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.



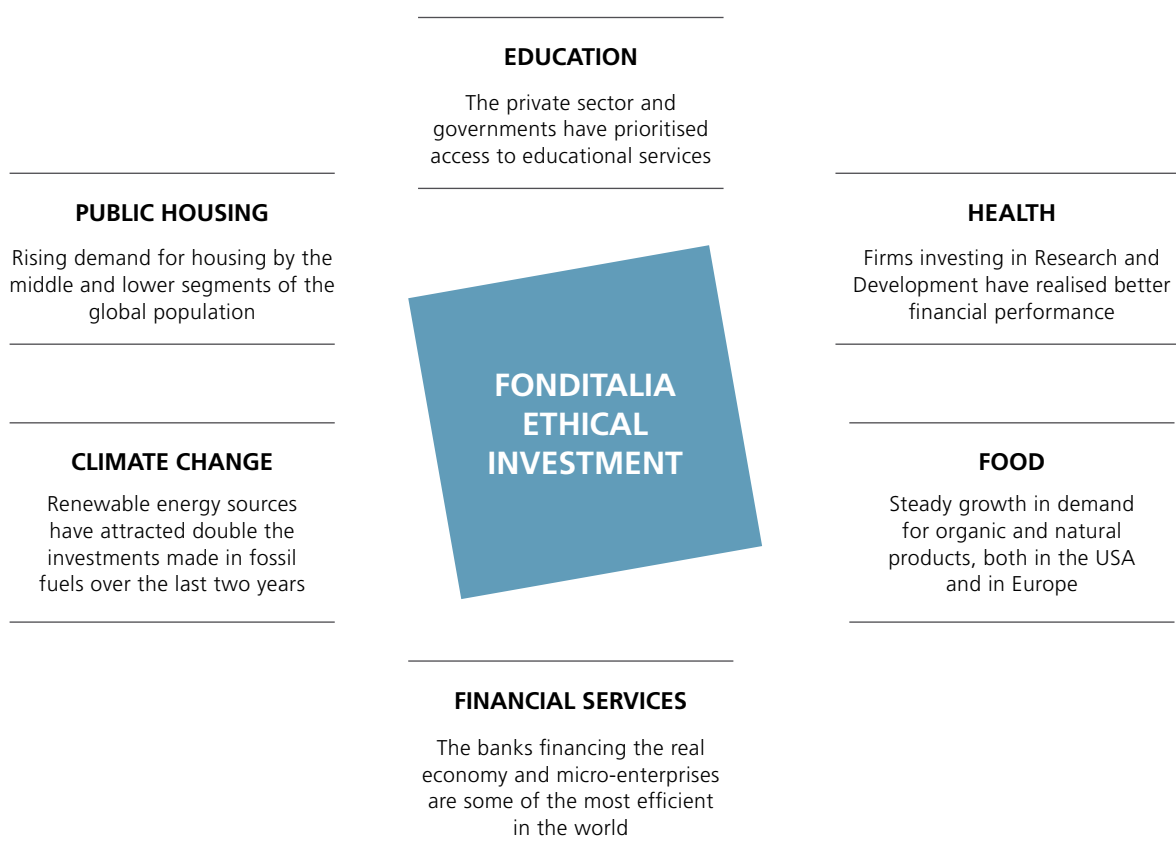
Make cities inclusive, safe, resilient and sustainable.



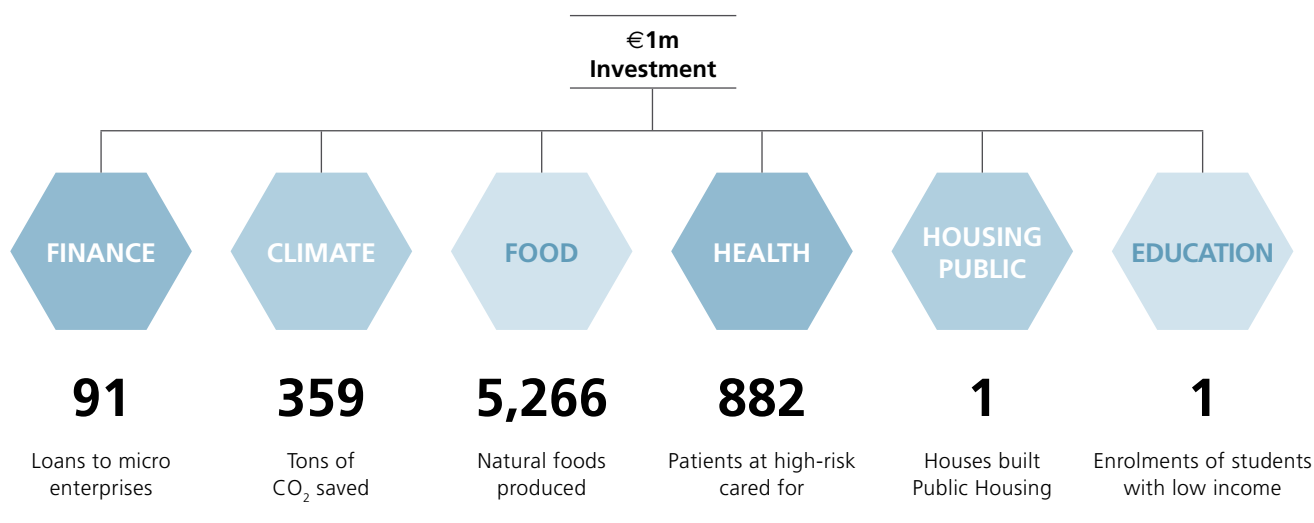
Take urgent action to combat climate change and its impacts.



The main areas of investment with an ethical impact are:



The following social and environmental results are realised for every €1m invested in Fonditalia Ethical Investment:

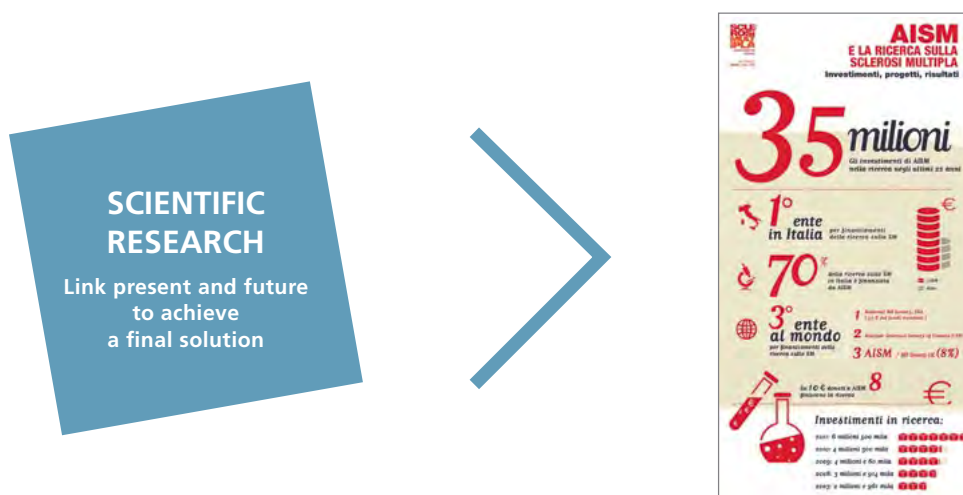


Thanks to diversification, achieved by investing in a wide range of markets and instruments, ethical investment has its own peculiarities in terms of risk.



In the first years of the sub-fund's existence the commitment was mainly aimed inwards in order to present its features and subsequent redesign to the personal financial advisers. This effort was achieved through direct meetings, actions via the company's internal channel and targeted insights in the form of newsletters. More recently, increasing emphasis has been placed on promotional activities directed towards the outside, with participation at the SRI Meeting in 2017 and in 2018.

An additional ethical characteristic is that it supports scientific research by donating a percentage of the performance commissions of the sub-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 sub-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.

During 2018, the sub-fund was particularly engaged in subscribing theme bonds, of which there has been a wide number of issues on the primary market offering good opportunities for diversification. Its performance results were negative, having been impacted by the fall in prices on both the stock and bond markets.

(euro)	31.12.2018		31.12.2017		31.12.2016	
	ASSETS	RETURN	ASSETS	RETURN	ASSETS	RETURN
Fonditalia Ethical Investment Class R	26,447,305	-5.0080%	30,165,223	0.8665%	28,894,554	0.4649%
Fonditalia Ethical Investment Class T	21,462,173	-4.5790%	21,474,906	1.2718%	10,146,325	0.8684%

## FONDITALIA MILLENNIALS EQUITY

Fonditalia Millennials Equity is the sub-fund of Fonditalia active since 14 June 2018. This is a global equity sub-fund that integrates financial analysis with the financial sustainability and social value criteria promoted by Fideuram - Intesa Sanpaolo Private Banking.

The sub-fund invests in equities that are mainly issued by companies whose business model is better positioned to exploit the effects in the economy and in society of the growing role played globally by the "Millennials" generation (classified as the part of the population born between 1980 and 2000). The investment decision-making process of the sub-fund integrates financial analysis with sustainability analysis (ESG).

The demand for ESG is very strong and is constantly growing. With the passage of time, it has become a requirement that is often found in institutional mandates and in customer requests.

This product naturally lends itself to being characterised as ESG, given that its focus on social impact is certainly a prerogative of the generation in question.

To handle this type of analysis, Fideuram relies on the collaboration of a firm with consolidated experience: Mainstreet Partner. During the investment process, the portfolio uses traditional financial analysis while enriching the investment process with sustainability analysis.

The ESG characterisation is implemented by:

- guaranteeing that a percentage of the minimum portfolio is covered by a detailed ESG analysis;
- creating a structure of maximum weights in the portfolio that grows according to the sustainability rating of the firms in which it invests;
- setting itself a minimum sustainability rating target for the portfolio (for the portion that is covered by rating).

During its first six month, the sub-fund had growing client assets currently totalling about €67.5m, with inflows that remain constant for now, demonstrating the interest in the product and its ESG focus.

## THE MIX SUSTAINABLE LINE OF INTESA SANPAOLO PRIVATE BANKING

Intesa Sanpaolo Private Banking flanks its Mix Sustainable line with the other navigable mix lines, leaving its pricing policy unchanged. The investment process is based on the fundamental and economic analyses of the instruments and on specific sustainability assessments that pursue social and environmental objectives in the same way as financial ones.

The line adviser is MainStreet Partners, which has developed a solid management method that is capable of realising a return commensurate with the risk while ensuring a positive impact on society and the environment. In particular, the assessment of the investments is a combination of:

- "Negative criteria", to exclude those that are harmful to people and/or the environment.
- "Positive criteria", in order to examine their ability to generate a positive impact.
- "Best in class", to select distinctive investments within a sector or geographical area.

The investments to which the resources are allocated can be divided into two main categories:

- Sustainable investments, which assess the way companies conduct their business;
- Impact investments, which consider also the aim underlying the offer of products and services designed to improve people's lives and protect the environment.

Within the scope of choosing financial instruments, the asset managers prefer, though not exclusively, Governments, companies and supranational organisations that are aligned with the guidelines and objectives set out in the Sustainable Development Goals promoted by United Nations.

## MAIN IMPROVEMENT OBJECTIVES FOR 2019

### **Ethical Fund**

The Ethical Fund management activities will continue to be aimed at seeking opportunities that feature the dual and complementary research principle of value for the customer and positive impact for the community. In particular, efforts will be made to further expand the scope of investment themes in the portfolio both in the bond and equity asset class, by increasing the positive contribution to the Sustainable Development Goals of the United Nations.

### **Fonditalia Millennials Equity**

Management of this sub-fund will continue to focus on seeking out investment opportunities aimed at fully capturing consumer habits of Millennials while generating value for customers in a sustainable way. Likewise, Fideuram Asset Management (Ireland) will be committed to promoting and spreading the message to our customers that sustainable investment improves and enriches the investment process in financial analysis.

### **Sustainable wealth management**

The Fideuram Mulibrand range of products is expanding with sustainable and socially responsible investment solutions realised by independent partners in continuation of the choice to operate with an open architecture by providing customers with a wider range of opportunities.

## 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 of Joint Stock Companies (Assonime), the Italian Private Banking Association (AIPB), the Italian Association of Fund Managers (Assogestioni) and the Italian Fiduciary Services Association (Assofiduciaria).

The Managing Director and General Manager of the Bank holds the position of Chairman of the Board of Directors of the Italian Association of Investment Advisory Companies (Assoreti) and Vice-Chairman of the Board of Directors of the Italian Private Banking (Associazione Italiana Private Banking - AIPB).



## CORPORATE EVENTS

### PF EXPO 2018

The 11<sup>th</sup> annual event PF EXPO “Alla scoperta del nuovo mondo della Consulenza” (Mission to Discover the New World of Advisory Services) was held on 24 January in the beautiful 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. Leading investment companies, corporate issuers, networks, banks and stockbrokers, associations, insurance companies and other entities providing financial advisory services were able to exchange ideas and experiences with each other at this high-profile event. The round table “La Consulenza alla prova della MiFID II. Cambiamenti strategici e nuovi modelli distributivi” (Advisory Services Meeting the Test of MiFID2. Strategic Changes and New Distribution Models”) was attended by Raffaele Levi - Head of the Fideuram Network Business Model, together with managers of other leading networks in the sector.



ALLA SCOPERTA DEL NUOVO MONDO DELLA CONSULENZA

MILANO 24 Gennaio 2018

Palazzo delle Stelline - 12.30/18.30



### CONSULENTIA 2018

The event “Consulentia 2018 - il valore del cambiamento” (Consulentia 2018 - the Value of Change), organised by the Italian National Association of Financial Advisers (Associazione Nazionale Promotori Finanziari - ANASF), was held in Rome at the Auditorium Parco della Musica from 6 to 8 February. More than 3,000 persons attended the event. Fideuram and Sanpaolo Invest were among the sponsors of the event once again in 2018. It was an important moment for sharing views on the profession and, as every year, a point of reference for the players in the sector. It was attended by the main financial adviser networks and some 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. Fabio Cubelli, Joint General Manager of Fideuram-Intesa Sanpaolo Private Banking, participated at the round table “Mifid II, quale impatto sulla catena del valore?” (MiFID 2, What Impact Will it Have on the Value Chain?).



## SALONE DEL RISPARMIO 2018

Fideuram was again a partner in the 9<sup>th</sup> annual “Salone del Risparmio - La sfida di una nuova globalizzazione” (Salone del Risparmio - The Challenge of New Globalisation) in 2018. Organised by Assogestioni, the Italian Association of Fund Managers, the conference was held in Milan from 10 to 12 April at MiCo Milano Congressi. The three-day conference for the financial services industry attracted more than 17,000 visitors and included discussions, cultural projects and opportunities for investors to further their knowledge. The Fideuram Group, which had a presence in the exhibition area with the Fideuram and Fideuram Investimenti brands, organised the discussion “Rischi e Opportunità per l'Italia al tempo dei PIR” (Risks and Opportunities for Italy in the Time of Savings Investment Plans) on the opening day of the Salone, where Italy, its strengths, and the investment opportunities offered by Italy were considered. The discussion, moderated by Gianluca La Calce, Managing Director and General Manager of Fideuram Investimenti, featured Giovanni Tamburi - Founder, Chairman and Managing Director of Tamburi Investments Partners, Giulio Ranzo - Managing Director and General Manager of AVIO S.p.A., and Luigi Degrada - CIO Mutual Funds of Fideuram Investimenti SGR.



## EFPA ITALIA MEETING 2018

Fideuram and Sanpaolo Invest were gold partners in the 11<sup>th</sup> annual National Convention of EFPA Italia 2018 (the Italian branch of the European Financial Planning Association), “Knowledge for a Changing Future”, held at the Riccione Conference Centre on 31 May and 1 June. The convention was attended by 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. Personal financial advisers from the most important networks and asset management companies attended.



## SALONE DELLO SRI 2018

Fideuram Asset Management (Ireland) attended the 3<sup>rd</sup> annual Salone dello SRI held on 8 November 2018 in Milan. With the scientific partnership of the Sustainability Lab of SDA Bocconi, the event was held this year in the Bocconi University, where an exhibition space was set up for Sustainable and Responsible Investment - SRI finance specialists (asset managers and asset management companies) and, in parallel, numerous training seminars were also held on this topic. Promoted by ETicaNews with Sustainability Lab of SDA Bocconi and various partners (Forum for sustainable finance, ANASF, Efpa and AIPB), the Salone dello SRI was attended by asset management companies, networks, retail investors, financial advisers, private bankers and family offices. At the end of the day, the Italian SRI Awards were handed out to the best (by category) SRI funds sold in Italy and to the best ETF SRI, with the technical support of MoneyMate and the ESG scores of MSCI.

## NOMISMA MEETING 2018

Intesa Sanpaolo Private Banking hosted the presentation of the third 2018 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 presentation on the following topics: MARKET & TOOLS - "ABITARE LA CITTÀ - Capovolgimenti dei consumi e nuovi utilizzi di spazi" (LIVING IN THE CITY - Radical Changes in Consumer Spending and New Uses of Spaces).



## 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



Following Intesa Sanpaolo's environmental guidelines, the Fideuram Group's environmental policy aims to contain and rationalise energy consumption and waste generation to reduce pollutant emissions and paper consumption, waste production and management, and water, electricity and gas consumption in order to make a positive contribution to sustainable development consistent with environmental protection and awareness of current climate changes. 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, Fideuram disposed of hazardous and non-hazardous waste properly during 2018, ensuring compliance with current legislation. The Group pays special attention to its paper consumption by rationalising its purchases and establishing paperless processes. Despite not having a significant impact on the environment, and given the nature of its business, the Group continues to pay close attention to environmental matters, undertaking initiatives to improve energy efficiency in its local offices, branches and buildings. During 2018, Fideuram moved out of several buildings and transferred several offices to Intesa Sanpaolo buildings, with consequent rationalisation of environmental resources, reduction of energy waste, and the possibility of using advanced technological tools.

### PAPER

MAIN OBJECTIVES FOR 2018	ACTIONS AND RESULTS ACHIEVED
Exclusive use of networked all-in-one devices, with consequent reductions in paper consumption, consumables and the emission of hazardous pollutants.	Paper consumption was further reduced during 2018. Moreover, the recovery of depleted components was increased and the possibility of direct procurement of consumables was eliminated in collaboration with the outsourcer of consumable office machine supplies.
Reduction of paper consumption through the digitalisation of customer contractual documents used by the offices and Personal Financial Advisers and introduction of the use of recycled paper in addition to that already used in certified paper.	Electronic filing with a greater quantity and type of documents has made it possible to reduce the quantity of paper used at offices.
More widespread use of digital signatures, online consultation of documents and information, and the creation of editable PDFs consequently reducing paper consumption and waste generation.	Paper consumption has been reduced through the introduction of new technological tools, such as the digital signature. Moreover, the creation of editable PDFs has increased for the sales network, with a consequent reduction in paper consumption and printing materials.

In 2018, the Italian companies in the Group consumed a total of 200 tonnes of paper, 99.8% of which was environmentally-friendly Forest Stewardship Council (FSC) certified paper from sustainably managed forests, with a pro capita consumption of 60 kg (63 kg in 2017). 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.

99.8 %

FSC-certified  
ecological paper



## ENERGY

### MAIN OBJECTIVES FOR 2018

Increase the installation of electrical systems and latest generation air conditioning systems permitting the containment of energy consumption and the reduction and replacement of existing systems in the branches and offices of Personal Financial Advisers.

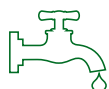
### ACTIONS AND RESULTS ACHIEVED

Activity continued in 2018 to achieve energy consumption containment targets. This objective was fully achieved in the agencies that were reallocated.

The Group continues to contain consumption through management optimisation and energy efficiency initiatives. 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. Electric power consumption totalled 70,657 GJ, natural gas (methane) consumption totalled 37,048 GJ, and fuel oil consumption totalled 2,328 GJ during 2018.

## OTHER ENVIRONMENTAL OBJECTIVES

### Water consumption



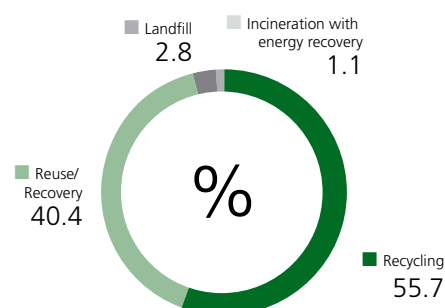
Water resources are mainly used by the Group for civil purposes. The water used came from the public water supply or other water supply companies. Water consumption totalled 114,093 m<sup>3</sup> in 2018, with pro-capita water consumption of 32 m<sup>3</sup>.

### Waste



The Group implements Italian waste disposal regulations 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. During 2018 the Group generated 111 tonnes of waste (32 kg per employee), including 109 tonnes of non-hazardous special waste and 2 tonnes of hazardous waste.

### Total weight of waste by disposal method



### Toner consumption



Used toner cartridges and hazardous and/or special 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 2019

Our main improvement objectives for 2019 include the following:

### Paper, Waste, Toner

- Introduction of the possibility of using recycled paper for certain types of documents in addition to the certified paper already in use.
- Raising the awareness of those corporate functions still accustomed to the use of paper.
- Completion of the process of replacing network multi-function printers with late generation equipment featuring reduced emissions of pollutants and greater recovery of consumable materials in compliance with applicable laws and regulations.
- Extended use of biometric signatures in a wider range of activities, guaranteeing lower consumption of toner and paper and reduced output of material to be disposed of.
- Expansion of the range of products to be digitalised for the creation of editable PDF documents, including specific contractual documents, with greater economies of scale and reduction in the consumption of paper, toner and waste.

### Energy

- Increase the installation of electrical systems and latest generation air conditioning systems permitting the containment of energy consumption and the reduction and replacement of existing systems in the branches and offices of Personal Financial Advisers.

## LEAN BANKING PROJECTS

Special attention was dedicated to employees and Personal Financial Advisers during 2018, in pursuit of the objective of involving all employees in improvement of the Group's position on environmental protection issues.

Two projects that began in 2017 - with the first targeting employees to limit the use of reams of paper, and the second targeting the Personal Financial Advisers to reduce the printing of contractual forms by favouring electronic versions - have produced their first results:

- the printing of paper documents has been totally eliminated in certain functions by implementing digital filing;
- the use of documents saved in digital format has limited the movement of large quantities of paper, with a direct impact on procurement and transport costs, while also contributing to a reduced air pollution;
- the weighted consumption of paper has made it possible to reduce printer use, with the consequent abatement of toner dust released into office environments, benefiting employee health;
- the replacement of fixed work stations with portable personal computers has made it possible to participate at work meetings without paper documents, while also streamlining the management of document changes shared at working tables;
- the development of new digital tools for the acquisition of contracts has reduced the use of contract documents by Personal Financial Advisers;
- the number of training classes for Personal Financial Advisers has been increased with the specific aim of guiding the Networks to the use of new digital tools;
- the spreading use of biometric signatures has further contributed to reducing the cost of forms;
- finally, use of the online current account has been incentivised.

## 4.8 Events after the reporting period and outlook

After the reporting period, as part of the project to integrate the three Swiss banks in the Group, the Fideuram Board of Directors meeting held on 16 January 2019 approved:

- the contribution to Morval Vonwiller Holding of the 100% stake held by Fideuram in Intesa Sanpaolo Private Bank (Suisse), at the value of CHF45m. This was accomplished through the issue of new shares wholly subscribed by Fideuram, with the non-controlling shareholders of Morval Vonwiller Holding waiving their pre-emptive rights. The transfer of the shareholding took effect on the following 22 January 2019, causing the ordinary share capital of Morval Vonwiller Holding to increase by CHF396,500, while the remaining amount, about CHF42.4m, was allocated to the capital reserve of Morval Vonwiller Holding. By subscribing the newly issued shares, the shareholding of Fideuram in Morval Vonwiller Holding rose from 94.6% to 95.8%.
- the merger of Intesa Sanpaolo Private Bank (Suisse) with Banque Morval;
- the merger of Morval Vonwiller Holding with the entity that will result from the previously mentioned merger.

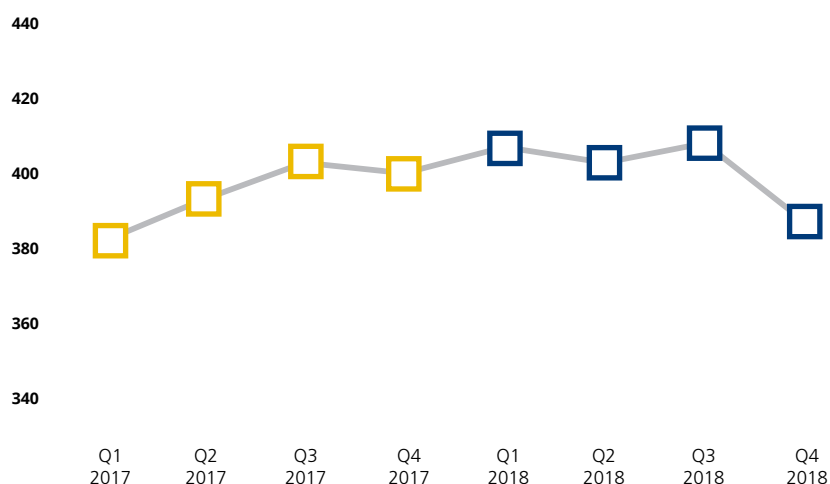
After these transactions, which were all executed with retro-active effect for tax and accounting purposes to 1 January 2019, the new Swiss company that will guide the foreign development of the Group assumed the company name of "Intesa Sanpaolo Private Bank (Suisse) Morval S.A."

At the beginning of February 2019, the client assets recovered about €5bn in performance from the end of 2018, rising to €218.6bn. Managed assets totalled €150.4bn and will be able to sustain the growth in recurring net fee and commission income in 2019.

For a more exact analysis of profitability during the current year, see the approved results for the first quarter, which will confirm the forecast trend in Division profits growth.

### Quarterly net recurring fees

(€m)



- 5.1 The values and history of the Group
- 5.2 Organisational structure
- 5.3 Ownership structure
- 5.4 Role of sub-holding company
- 5.5 Company management
- 5.6 Remuneration policies
- 5.7 Internal audit system
- 5.8 Insider information
- 5.9 Shareholders' meetings
- 5.10 Board of statutory auditors
- 5.11 General Management of the Private Banking Division

Fideuram - Intesa Sanpaolo  
Private Banking is a  
sub-holding company  
of the Intesa Sanpaolo  
Banking Group

Fideuram heads the Intesa Sanpaolo Group's **Private Banking Division**, comprised of the companies providing the Group's **financial advisory, asset management and fiduciary services**.





## 5. Governance



## 5.1 The values and history of the Group

Fideuram has adopted the Intesa Sanpaolo Group's Code of Ethical Conduct as part of a comprehensive vision of social and environmental responsibility centred on strong relationships with its stakeholders.

The Code of Ethics is a voluntary self-regulatory tool and an integral part of the Corporate Social Responsibility management model. It contains the mission, corporate values, and principles that govern relations with stakeholders, beginning with the corporate identity, and is an integral part of the regulatory framework that governs the various levels of Fideuram Group operations. The Group's internal Code of Conduct is issued in accordance with the values and principles contained in it. That Code defines the fundamental rules of conduct for directors, employees and independent contractors in view of fulfilling and protecting those values.

The model for implementation of the Code of Ethical Conduct is based on the self-policing of the organisational units that

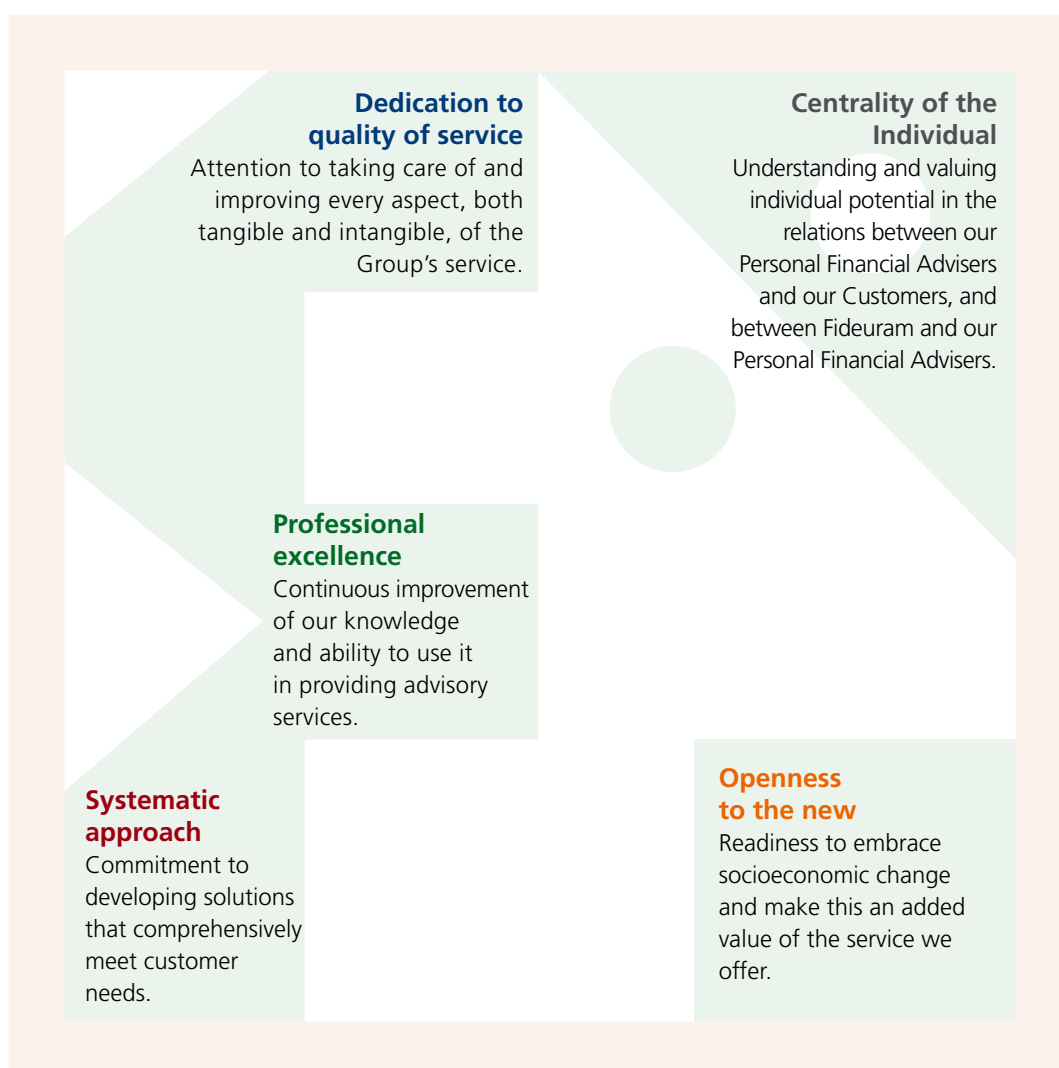
pursue and defend the reputational value of socially responsible conduct. The annual reporting of non-financial information contained in the Integrated Annual Report of the Fideuram Group, presents to the stakeholders the initiatives and indicators connected with topics of importance to them, fulfilling the commitments made in the Code of Ethical Conduct.

Any violations of the Code that do not involve fraudulent acts or violations of specific provisions of law are subject to mandatory measures based on a constructive approach aimed at heightening individual sensitivity and care for the values and principles affirmed in the Code.

Reports on violations of the Code are handled at the level of Intesa Sanpaolo in collaboration with the structures involved.

MATERIAL TOPICS	WHY TOPICS ARE MATERIAL	CORPORATE POLICIES
<b>Brand reputation</b> Protection of customers' personal data (privacy) and brand reputation  <b>Risk management</b> Anti-competitive and antitrust policies Management of business-related risks  <b>Compliance</b> Regulatory compliance Appropriate updating on developments in the reference regulatory framework  <b>Corporate Governance</b> 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	The Fideuram Group deems it of fundamental interest that its own banking activities be operated in full compliance with the rules and with internal and external regulations and codes of conduct as a cornerstone for the trust placed in us by our customers.	The Fideuram Group has prepared a Model of Organisation, Management and Control compliant with Italian Legislative Decree No. 231 of 8 June 2001. The Group prepared the Model in light of existing laws, regulations, procedures, and control systems, to the extent that they also provide appropriate measures to prevent crimes and unlawful conduct in general, including the acts listed by the decree. The Group has taken the greatest care in defining its organisational structures and operational procedures, both in order to assure efficient, effective, and transparent management of its activities and assignment of the associated responsibilities, and to reduce dysfunctions, malfunctions, and irregularities to a minimum.

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.



The Code of Ethical Conduct, set up as a real "Charter of Relations" with all stakeholders, has contributed to explaining the values and principles of conduct resulting from that Code, and specifically in regard to:

- support for the human rights affirmed in the Universal Declaration of Human Rights and subsequent international conventions;
- protection of the fundamental rights contained in the eight conventions of the ILO (International Labour Organization);
- recognition of the principles set out in the 2006 United Nations Convention on the Rights of Persons with Disabilities;
- contribution to the fight against bribery and corruption, by supporting the guidelines issued by the OECD and prescribing zero tolerance for any episodes that might occur.

The Intesa Sanpaolo Group recognises the fundamental principle enshrined in the Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights, which obligates businesses and individuals to respect, protect, and promote human rights and fundamental freedoms.

Intesa Sanpaolo also adheres to the UN Global Compact and is a member of the UNEP Finance Initiative (UNEP FI), whose principles pursue sustainable development with environmental protection.

In view of implementing these concepts in the Private Banking Division, Intesa Sanpaolo has issued a document entitled "Principi in materia di Diritti Umani" (Human Rights Standards), accepted by the Board of Directors of Fideuram on 2 February 2018.

Consequently, Fideuram is committed to promoting respect for human rights in all situations where it recognises any effects of its own activity. The implementation and gradual extension of human rights protection is monitored through:

- analysis of the areas of impact on and contingent risks to human rights, which emphasises the most exposed areas in light of the International Bill of Human Rights and the eight principal ILO conventions;
- training sessions for employees tailored to their assigned tasks, roles, and responsibilities;
- sustainability reports, certified by an independent auditor, engaging the participation of stakeholders and defining improvement targets, associated measurement indicators, and results of monitoring activity.

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	€107.4 m
Client assets	€25,440 m
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

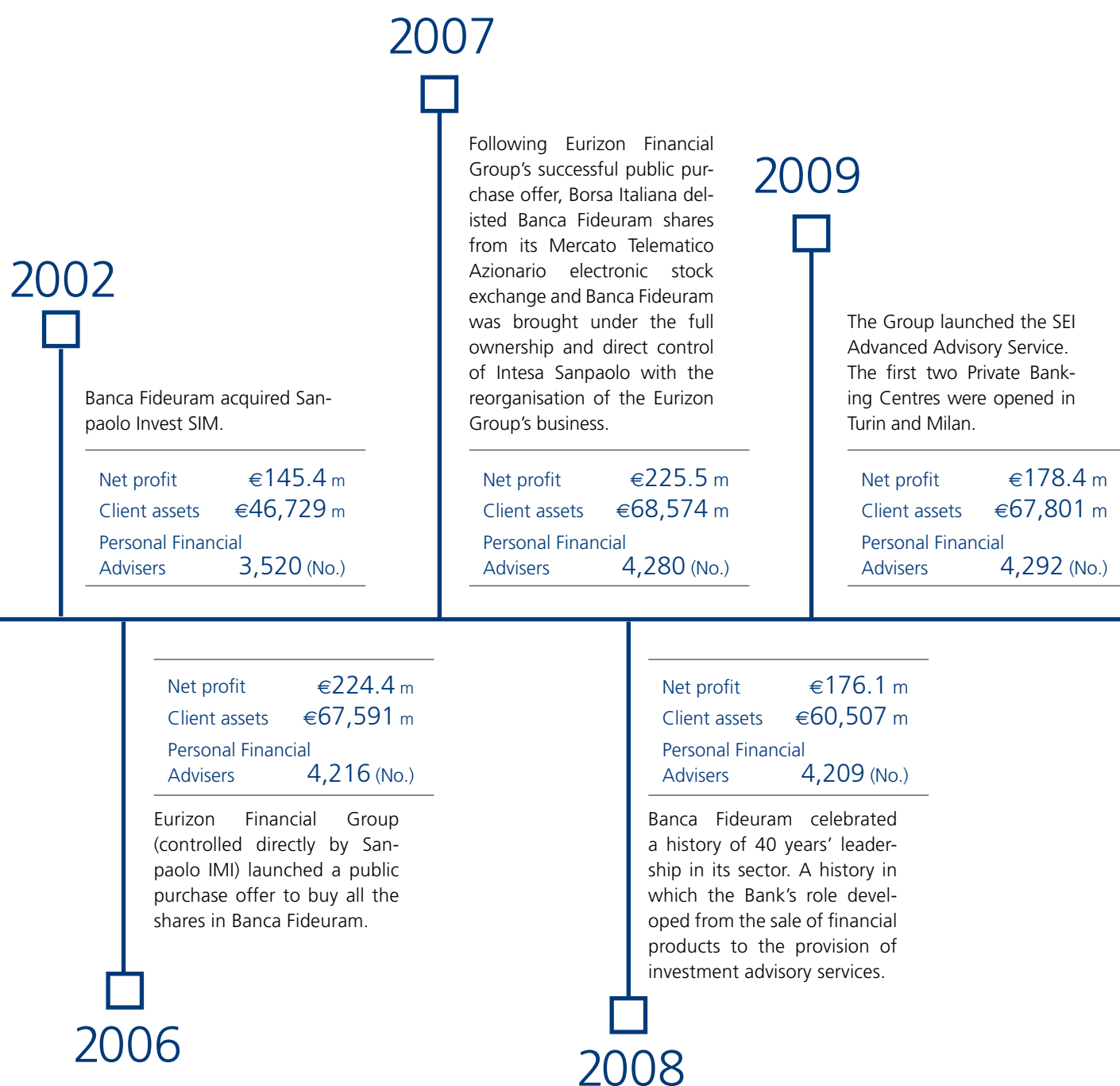
Net profit	€152.0 m
Client assets	€32,167 m
Personal Financial Advisers	3,168 (No.)

Establishment of the subsidiary Fideuram Bank (Luxembourg).



1998





2011

Banca Fideuram acquired Banca Sara S.p.A., which was subsequently spun off to Banca Fideuram and Sanpaolo Invest SIM. Fideuram Bank (Suisse) was sold to Banca Credinvest S.A. Banca Fideuram launched its Fideuram Mobile Solution project, further streamlining the operations of its Personal Financial Advisers and enabling them to dedicate even more time to customer relations.

Net profit	€175.1 m
Client assets	€70,949 m
Personal Financial Advisers	4,850 (No.)

2014

The direct management of the Banca Fideuram Group's Luxembourg funds was transferred to Fideuram Asset Management (Ireland), which became the only management company for the Group's funds outside Italy. The reorganisation of the Intesa Sanpaolo Group led to the creation of a Private Banking Division, including Banca Fideuram and its subsidiaries, with the mission of serving high-end customers (Private Banking customers and High Net Worth Individuals).

Net profit	€401.9 m
Client assets	€90,161 m
Personal Financial Advisers	5,044 (No.)

Net profit	€216.6 m
Client assets	€71,591 m
Personal Financial Advisers	4,349 (No.)

Fideuram Vita was formed as part of the Intesa Sanpaolo Group's project to reorganise its insurance and pensions segment. Banca Fideuram took a 19.99% stake in the share capital of the new life insurance company, while Intesa Sanpaolo holds the remaining 80.01%.

Net profit	€205.1 m
Client assets	€79,296 m
Personal Financial Advisers	5,082 (No.)

Launch of the Fideuram Campus Personal Financial Adviser Training School with the creation of customised training programmes. The Banca Fideuram Group launched its first ethical investment solution for the Italian market, Fonditalia Ethical Investment, conceived in conjunction with the Italian Multiple Sclerosis Society/Foundation (AISM/FISM).

2010

2012

2017



The new London Branch of Fideuram Asset Management (Ireland) dac was opened in April 2017.

Net profit	€871 m
Client assets	€214,214 m
Personal Financial Advisers	5,950 (No.)

Net profit	€747 m
Client assets	€188,898 m
Personal Financial Advisers	5,846 (No.)

To enable the Intesa Sanpaolo Private Banking Division to control and coordinate all the companies necessary to provide outstanding service to high-end customers, Banca Fideuram acquired controlling stakes in Intesa Sanpaolo Private Banking S.p.A., Sirefid S.p.A. and Intesa Sanpaolo Private Bank (Suisse) S.A. - becoming the operational sub-holding company of the Division.

As part of the project reorganising the Private Banking Division, Banca Fideuram changed its name to Fideuram – Intesa Sanpaolo Private Banking.

Intesa Sanpaolo Private Banking – London Branch was opened.



2015

<b>Net profit</b>	<b>€834 m</b>
<b>Client assets</b>	<b>€213,069 m</b>
<b>Personal Financial Advisers</b>	<b>5,995 (No.)</b>

The acquisition of the Morval Vonwiller Group was completed on 19 April 2018 with the purchase of 94.6% of Morval Vonwiller Holding. The Private Banking Division launched the international development of its private banking activities through the establishment of a hub in Switzerland.

The merger of Fideuram Fiduciaria S.p.A. with Sirefid Fiduciaria S.p.A. was completed effective 1 July 2018. On 16 November 2018, Fideuram acquired direct, 100% control of Fi.GE. S.p.A., a holding company previously controlled by Banque Morval S.A., thereby initiating the process of merger with Siref S.p.A..



2018

## 5.2 Organisational structure

Fideuram's governance model provides for the following company bodies:

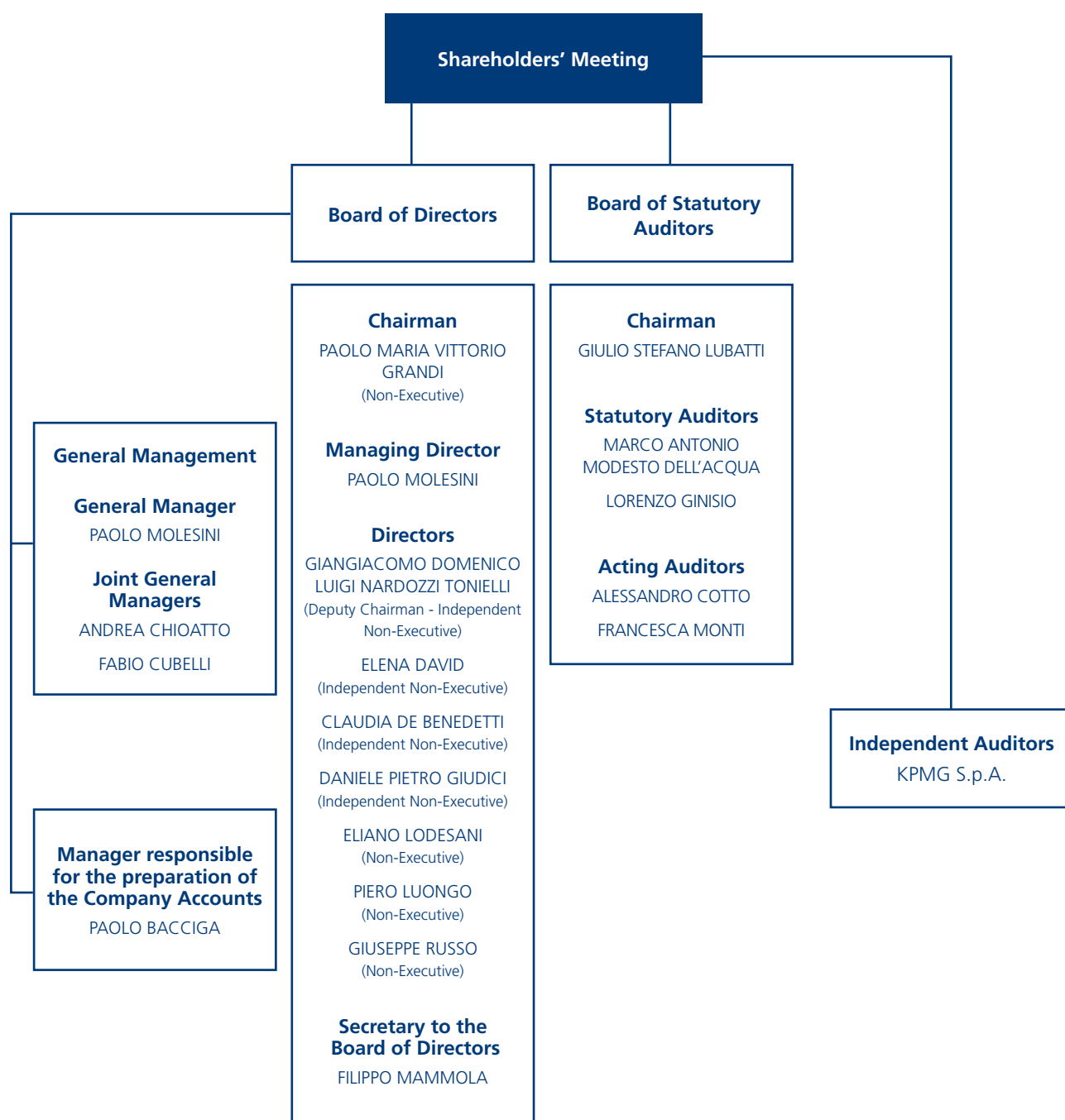
- the Shareholders' Meeting, which expresses the shareholder's wishes;
- the Board of Directors, appointed by the Shareholders' Meeting for a period of three financial years and vested with all management powers regarding the Bank;
- the Chairman of the Board of Directors – appointed by the Board of 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 General Management that, pursuant to the By-Laws, comprises a General Manager, if appointed, and one or more persons who may be appointed Joint General Manager and/or Deputy General Manager. In accordance with the duties and competencies assigned by the Board of Directors, they execute 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 comprises 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 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 the Fideuram "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 Supervisory Regulations.

The statutory audit is carried out by an independent auditing firm 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.

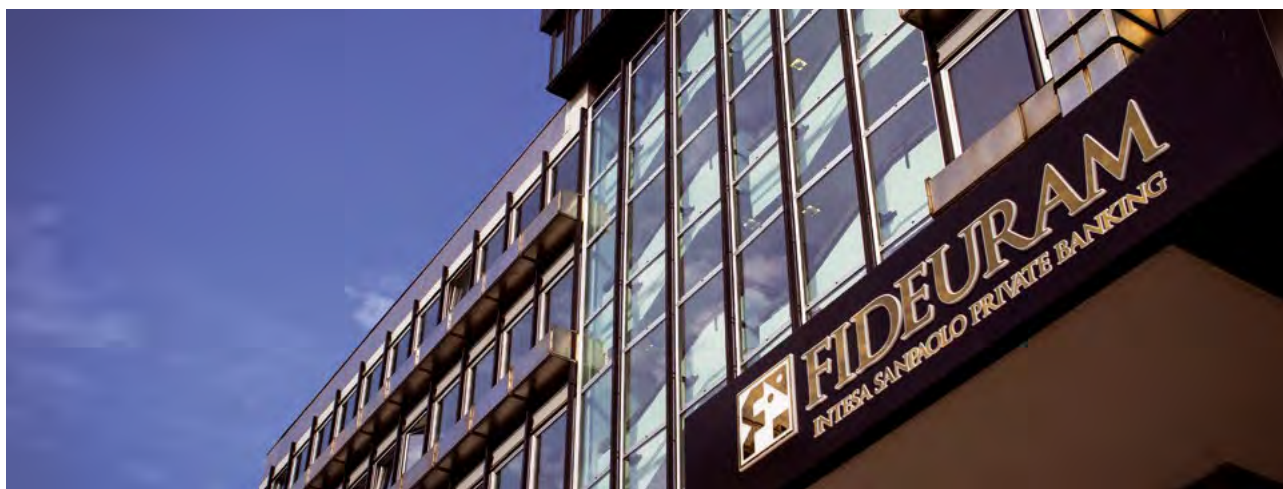


## Company Officers



## 5.3 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 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

## 5.4 Role of sub-holding 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.

The Private Banking Division within the Group brings together the Group companies providing financial advisory, asset management and fiduciary services. As part of the Business Plan 2018-2021, it has undertaken a project to develop its presence on the international market. 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 sub-holding 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.



Intesa Sanpaolo Private Banking - Registered office and General Management, Milan



## 5.5 Company management

### Composition and role of the Board of Directors

The Bank's current Board of Directors comprises 9 members, appointed by the Ordinary Shareholders' Meeting of 20 April 2018, whose term of office ends with the Shareholders' Meeting called to approve the financial statements for the 2020 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. Four of the other Directors meet the requirements of independence specified in the amended version of Article 13 of the By-Laws. These Directors:

- a) do not have significant influence over the Company or its subsidiaries or its parent companies or companies in which it has a joint controlling interest or are not employed by and do not have ongoing consultancy or remunerated work, or commercial, financial, or professional relations that could compromise their independence;
- b) are not or have not been during the last three financial years Executive Directors or key managers of the Company or its subsidiaries, parent companies or companies in which it has a joint controlling interest, or have not been directors of the Company for more than nine financial years during the last twelve financial years;
- c) are not relatives up to the fourth degree of consanguinity or affinity of any people in the situations specified at letter b) 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 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 applicable laws and regulations;
- the establishment and closure of secondary registered offices;
- reductions in the share capital when shareholders withdraw;
- amendments to the By-Laws in accordance 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 Business Continuity Plan Manager, the Manager responsible for the preparation of the company accounts and the Supervisory Board established pursuant to Italian Legislative Decree 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	MEMBERS	DATE OF APPOINTMENT	% OF MEETINGS ATTENDED	NUMBER OF OTHER OFFICES HELD IN THE INTESA SANPAOLO GROUP	EXECUTIVE	NON-EXECUTIVE	INDEPENDENT AS PER BY-LAWS
Chairman	Paolo Maria Vittorio Grandi	20.04.2018	100%	3	-	X	-
Deputy Chairman	Giangiuseppe Domenico Luigi Nardozzi Tonielli	20.04.2018	93%	-	-	X	X
Managing Director/ General Manager	Paolo Molesini	20.04.2018	100%	2	X	-	-
Director	Elena David	20.04.2018	91%	-	-	X	X
Director	Claudia De Benedetti	20.04.2018	100%	-	-	X	X
Director	Daniele Pietro Giudici	20.04.2018	100%	-	-	X	X
Director	Elia Lodesani	20.04.2018	91%	1	-	X	-
Director	Piero Luongo	20.04.2018	87%	2	-	X	-
Director	Giuseppe Russo	20.04.2018	100%	2	-	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 corporate governance system 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.

**15**  
Meetings in 2018  
**95%** 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. In addition, the Board of Directors has 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

**Paolo Maria Vittorio Grandi**

Non-Executive Director

% attendance at meetings of the Board of Directors: **100%**

Length of service / first appointed: **20 April 2018**

Other significant offices held:

- Chief Governance Officer of Intesa Sanpaolo S.p.A.
- Chairman of Banca Prossima S.p.A.
- Director of Banca IMI S.p.A.
- Director of Intesa Sanpaolo Group Services S.C.p.A.
- Director of ABI

## 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

% attendance at meetings of the Board of Directors: **100%**

Length of service / first appointed: **1 July 2015**

Other significant offices held:

- Intesa Sanpaolo Group, Head of Private Banking Division
- Deputy Chairman of Intesa Sanpaolo Private Banking S.p.A.
- Director of Intesa Sanpaolo Private Bank (Suisse) Morval
- Chairman of Assoreti
- 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 Fabio Cubelli is Head of Fideuram Business Coordination.

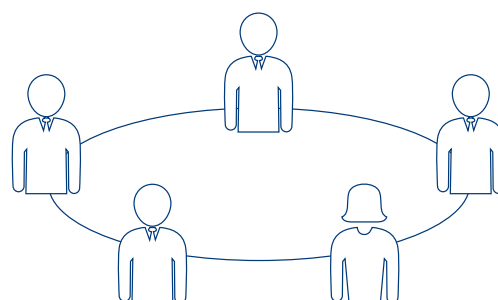
Each Joint General Manager is invested with specific powers to enable them to perform the duties assigned to them in their areas of responsibility and their corporate duties: powers to act proactively in an advisory and inquiry capacity, submitting proposals to the Managing Director and General Manager, 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:

	2018	
	NO.	%
Women	2	22
Men	7	78
<b>Total</b>	<b>9</b>	<b>100</b>

### Composition of the Board of Directors by age:

	2018 NO.
under 30	-
30 to 50	1
over 50	8



## 5.6 Remuneration policies

Fideuram has adopted a traditional management and control 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 approving (i) the remuneration policies for employees and for human resources that are not salaried employees of the company, (ii) share-based compensation arrangements, and (iii) the criteria for determining the remuneration due in the event of early severance of employment or early termination of office, including any limits established for such remuneration.

The Shareholders' Meeting may also set, with the qualified majorities defined by Supervisory Regulations, a ratio between the variable component and fixed component of individual staff remuneration exceeding 1:1 but not exceeding the maximum limit set by those 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.



Intesa Sanpaolo Private Banking – Bologna, HNWI Branch



## 5.7 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 stated goals 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 monitoring and management of the risks connected with the company's processes and the proper 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 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 afore-said regulations and approved its own regulations that reflect the specific nature of its operations and comply with the guidelines and decisions of Intesa Sanpaolo.

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. In particular, it 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 the 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 business continuity.

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 effectiveness) 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 a technical body made up of management professionals at the Bank, with the purpose of strengthening interdepartmental 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.

### AUDIT COORDINATION COMMITTEE

This body has the responsibility of:

- monitoring implementation and maintenance of the integrated internal audit system on a continuous basis, facilitating coordination among the audit functions and guiding the joint actions taken for this purpose;
- participating with the audit functions in the planning of activities and sharing their results and actions, facilitating standard assessment of joint findings;
- coordinating discussion of the assessments made by the corporate audit functions, including in order to decide on mutually compatible times, standards and content;
- coordinating preparation of an annual report to the Company Bodies of the Bank on the audits of the Bank and its subsidiaries, the results of those audits, the weaknesses found, and the measures to be taken to eliminate any deficiencies found;
- identifying the most important issues to be brought to the attention of the Managing Director and General Manager;
- facilitating coordination among the audit functions in defining and updating the methods used in cross-project situations, while pursuing effective integration of the risk management process.

## SUPERVISORY BOARD

Fideuram - Intesa Sanpaolo Private Banking adopted the "Organisational, Management and Control Model in accordance with Italian Legislative Decree 231 of 8 June 2001" (most recently updated as approved at the Board of Directors Meeting of 14 December 2018), designed to prevent the possibility of committing the offences specified in the Decree and, consequently, to rule out the Bank's administrative liability. 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 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 231/2001" as most recently approved by the Board of Directors on 12 April 2017. The Supervisory Board duties provided for by Italian Legislative Decree 231/2001 are assigned

to the Board of Statutory Auditors. The Bank made this choice in accordance with the guidance given by lawmakers and the Supervisory Authority.

Article 14 of Law 183/2011 specifically permits 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 members 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 Organisational, Management and Control Model. The Supervisory Board held 16 meetings in 2018.

## INTERNAL AUDITING

The Audit Department reports directly to the Board of Directors.



In June 2017, Fideuram approved the project to outsource its own Audit Department to Intesa Sanpaolo. The new Fideuram auditing model has been set up to assure consistent third-level controls through the establishment of a specialised unit within the Intesa Sanpaolo Internal Auditing Department. That unit is dedicated to the entire Private Banking Division and to further reinforcing synergies between the current Audit Unit of Fideuram and that of Intesa Sanpaolo. This project was notified by Intesa Sanpaolo to the European Central Bank and copied to the Bank of Italy on 25 July 2017. At the end of the regulatory waiting period, the project was implemented on 1 October 2017.

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 and Board of Statutory Auditors. 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. In particular, the Head of the Audit Department must report once every six months to the Board of Statutory Auditors and 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, Siref, Fideuram Asset Management (Ireland), Fideuram Bank (Luxembourg), Financière Fideuram, Intesa Sanpaolo Private Banking and Intesa Sanpaolo Private Bank (Suisse) Morval and all of their investees. 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 Organisational, Management and Control Model in accordance with Italian Legislative Decree 231/2001.

The Head of the Audit Department also submits an annual report to the Board of Directors and Board of Statutory Auditors on the audits carried out on the important operational functions that have been outsourced.

When any significant issues having financial or reputational impact are found, the Head of the Audit Department promptly notifies them to the Chairman of the Board of Directors, the Managing Director and General Manager, and the Chairman of the Board of Statutory Auditors, presenting the related information at the earliest possible meeting of the Board of Statutory Auditors and, where necessary, of the Board of Directors. 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 Supervisory Board in overseeing compliance with the principles and values in the Code of Ethical Conduct.

Audit activities follow an annual programme that is presented to the Board of Directors following examination by the Board of Statutory Auditors 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 2018, the work of 63% of the 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 financial adviser operating areas, with further on-the-spot investigations where necessary.

A total of 556 audits were carried out across all the financial adviser operating areas of both sales networks in 2018 (402 for Fideuram and 154 for Sanpaolo Invest), 186 of which (approximately 34% of the total) involved further on-the-spot investigations (149 for Fideuram and 37 for Sanpaolo Invest). A total of 6,026 alerts from the Audit Information System were noted and individually validated (3,577 regarding Fideuram and 2,449 regarding Sanpaolo Invest), concerning 2,830 financial advisers (1,850 regarding Fideuram and 980 regarding Sanpaolo Invest). The Department examined 106 cases of customer complaints (77 regarding Fideuram and 29 regarding Sanpaolo Invest) to investigate the work of our financial advisers.

Using these types of procedures and thus at a different level of detail, the activities of 3,163 financial advisers were analysed net of overlaps (2,116 for Fideuram and 1,047 for Sanpaolo Invest, equal to about 58% and 78%, respectively, of the financial advisers active at 31 December 2018).

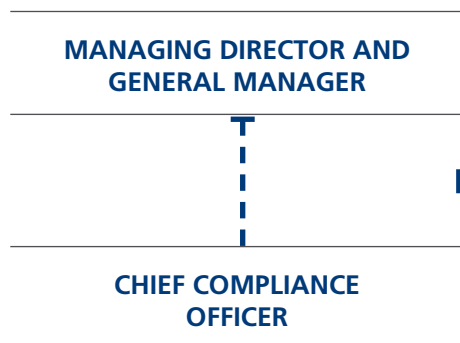
In 2018, a total of 16 audits were carried out across all Intesa Sanpaolo Private Banking's operating areas, 5 of which were on the Network (3 Private Banking Branches, 2 High Net Worth Individual Branches), while 11 were process audits. Moreover, 23 investigations on financial advisers were carried out, in response to alerts from the Audit Information System or from other control units.

An assessment of the Internal Control System of the Swiss Morval Vonwiller Group, acquired in 2018, was performed on request by the European Central Bank. Following the merger of Morval with Intesa Sanpaolo Private Bank (Suisse), the Audit Department conducts internal audits of the new company and its subsidiaries on the basis of a service agreement.



## CHIEF COMPLIANCE OFFICER

Reports directly to the Managing Director and General Manager



Tasked with drawing up compliance, a ti-money laundering and embargo guidelines and policies, as well as coordinating their implementation, in line with company strategies and objectives, and in line with the guidelines of the parent company Intesa Sanpaolo.

## 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" (hereinafter, the "Implementing Regulations") approved by the Fideuram - Intesa Sanpaolo Private Banking Board of Directors, adopting the Intesa Sanpaolo "Group Compliance Guidelines" (hereinafter, the "Guidelines") and adapting them to its own operating context and applicable regulations. These Regulations specify the reference regulatory frameworks, compliance roles, responsibilities and macro processes with a view to mitigating compliance risk through the combined 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 (hereinafter, the "Regulations"). 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, propos-

ing 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 considered 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 and fair relationships with customers, unfair commercial practices, lending of money at exorbitant interest rates, administrative responsibility of legal persons, anti-corruption, insurance and pensions brokerage, remuneration and incentive systems, payment systems, privacy protection, and outsourcing).

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 material risks for the Group - include the following: tax regulations, reporting and prudential supervision, data security, 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, competition protection (concerning combinations, agreements and abuse of dominant position), employment law (employees and Personal Financial Advisers), acquisitions, real estate, and foreclosure.

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 the following periodic reports on the suitability of the compliance management provided to the Company Bodies:

- 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;
- half-yearly: a report on the work carried out in relation to Italian Legislative Decree 231/2001, outlining the audits performed, the resultant findings, any weaknesses identified and the interventions proposed for eliminating them. This report is submitted to the Supervisory Board established in accordance with Italian Legislative Decree 231/2001;
- yearly: a Work Plan identifying and evaluating the main risks to which the Bank is exposed, and planning the related management interventions. This Work Plan takes into account any deficiencies noted in the audits and any new risks identified. The Plan is submitted to the Board of Statutory Auditors 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 he can determine what, if any, management actions need to be taken, and to the Chairman of the Board of Directors and the Chairman of the Board of Statutory Auditors.

The activities during the year were focused on those regulatory areas considered of greatest importance regarding compliance risk. Specifically:

- planning activities continued in the investment services area, to develop and integrate the solutions for compliance with the initially identified MiFID 2 regulations, inter alia in light of subsequent regulatory changes and the choices made by competitors and the market, and the evidence collected by the Division once the disclosures are released for production. In parallel, a series of governance and organisational actions were completed, through the preparation and updating of regulations, processes and procedures, aiming in particular to enhance the service offered to customers (strengthening the service model), the management of conflicts of interest and personal transactions, and the product governance rules covering retail financial products. The compliance activities also included providing the necessary training initiatives, clearing new products and services, periodically checking the Networks and performing audits to prevent conduct risk, designed to guarantee the proper performance of investment 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. Moreover, it reinforced the processes for clearing new banking products and services (in compliance with the adopted product governance rules) and the system of performance controls delegated to Compliance;
- the Organisational, Management and Control Model in accordance with Italian Legislative Decree 231/2001 was monitored, taking into account the changes in the reference legislation. The update to the Model was approved, complying where possible with the principles and contents of the Intesa Sanpaolo Model.

## CORRUPTION RISK MONITORING

The Fideuram Group has for many years deployed dedicated tools for managing and preventing the risk of corruption and extortion offences.

In addition to what has been specifically mentioned in the Code of Ethical Conduct, the Group Internal Code of Conduct and the Organisational, Management and Control Model pursuant to Italian Legislative Decree 231/2001 on the administrative liability of entities, there is an extensive body of internal regulations, with which all employees must be familiar and comply. These regulations imposed detailed rules for the corporate processes that might be instrumental to the commission of those sorts of offences. The internal audit units assure that the audit and behavioural guidelines set out in the Organisational, Management and Control Model pursuant to Italian Legislative Decree 231/2001 in regard to corruption are always consistent with the internal regulations in force at any time, while also assuring compliance with those regulations.

Rounding out and further reinforcing the existing anti-corruption protections, Intesa Sanpaolo has prepared the Group Anti-Corruption Guidelines. These identify the sensitive areas and define the roles, responsibilities and macro-processes relevant to the management of corruption risk by the Group, further reinforcing the existing regulatory framework. Fideuram has implemented the Group Guidelines and issued its own Implementation Rules, naming the Chief Compliance Officer as the Anti-Corruption Manager for the Private Banking Division.

As part of efforts to spread information and awareness on this topic, the Group Anti-Corruption Guidelines and accompanying Implementation Rules were sent to all members of the Board of Directors of Fideuram and of the Companies in the Private Banking Division, as part of the process for approval by the respective Boards of Directors. During 2019, all employees in the Private Banking Division were given a remote training course, on the basis of what had already been prepared by Intesa Sanpaolo.

## 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 terrorism financing and embargo matters, supported by the Anti-Money Laundering Unit, which is independent of the operating units and organisationally and operationally separate from the Audit Department. The Chief Compliance Officer acts as the Group's Anti-Money Laundering Officer and Delegated Officer in accordance with article 36 of Italian Legislative Decree 231/2007.

The Anti-Money Laundering Unit is responsible for managing compliance risk where anti-money laundering, terrorism financing and embargo management are concerned, acting as follows:

- formulating the Fideuram Group's general compliance risk management guidelines;
- continuously monitoring Italian and international reference 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 units and departments of the Bank and its subsidiaries 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 data storage obligations, 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 specific regulations ("Regulations on 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 operating provisions in effect.

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 2018:

- monitoring of compliance with data storage obligations, performed by means of automatic tools to test the formal exactness of the records and reconciliation between the management systems and the Single Information Technology Archive, which constitutes an adequate system for satisfying these obligations, in accordance with the provisions of the Bank of Italy Notice on the anti-money laundering obligations of banks and financial intermediaries of 9 February 2018;
- 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 principal measures planned to strengthen our supervision of anti-money laundering, which refer to:

- revision of the I and II level internal controls to align with Intesa Sanpaolo;
- compliance with the 6th Anti-Money Laundering Directive, notwithstanding the wait for implementing measures by the Bank of Italy;
- continuous system enhancements for increasing the efficiency of the related analysis and monitoring processes.

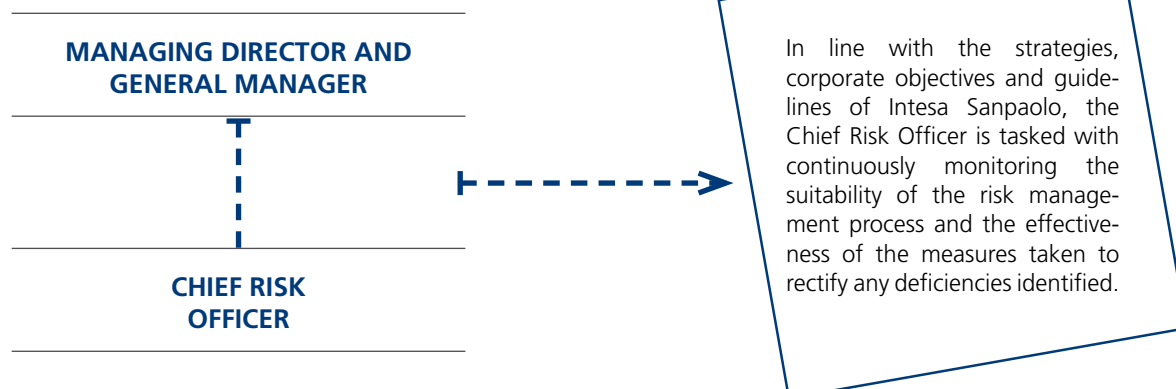
We also specified a series of measures to strengthen this supervision, taking increased transaction volumes into account.

Lastly, coordination and control of anti-money laundering, combating terrorism financing and embargo management activities of the companies under governance were implemented, by assigning these activities to the Coordination, Audits and Banking Services Compliance Unit, which reports directly to the Bank's Chief Compliance Officer. Moreover, activities were carried out as part of the International Development Project and the associated reinforcement of the foreign segment, to align or upgrade the monitoring of anti-money laundering, combating terrorism financing and embargo management activities of subsidiaries involved in this project, considering the rules defined at the Group and Private Banking Division level and the specific realities of the Group.

Anti-money laundering monitoring was brought under the unified control of the Chief Compliance Officer beginning on 1 March 2018, on behalf of the subsidiaries Intesa Sanpaolo Private Banking and Siref Fiduciaria.

## CHIEF RISK OFFICER

Reports directly to the Managing Director and General Manager



## 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 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 investment portfolios and other services provided by the Bank, either directly or through the Personal Financial Adviser Networks.

The Chief Risk Officer is responsible for risk management controls, 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 Intesa Sanpaolo and the instructions of the Bank's Company Bodies. The Chief Risk Officer works with Intesa Sanpaolo 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 exposure of the Bank and its subsidiaries 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 Intesa Sanpaolo'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 company 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 internal operational risk management and measurement system (model, regulations and processes) of the Bank and its subsidiaries, ensuring its compliance 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 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

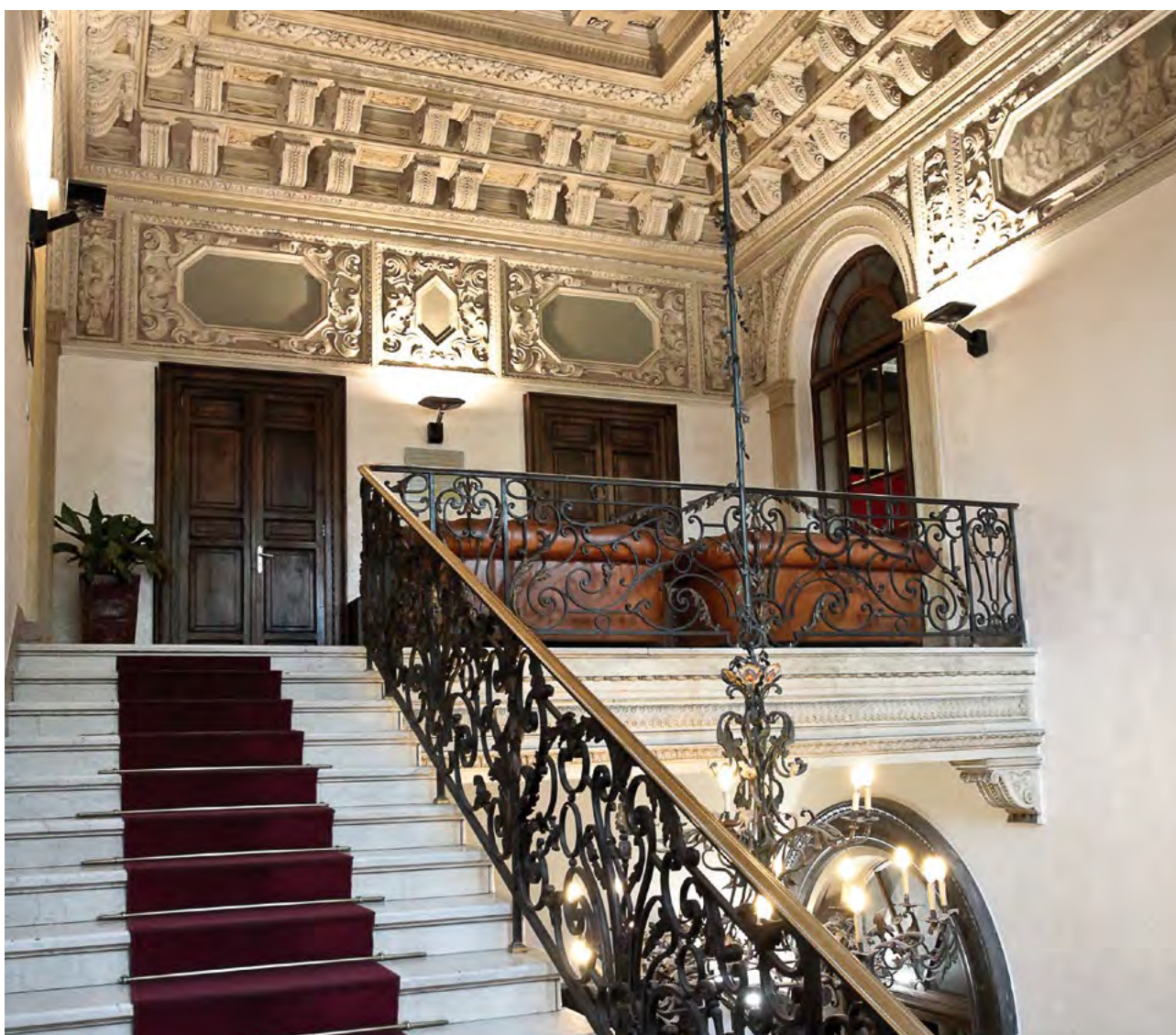
and limits specified by the Division's internal investment and management committees.

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;
- 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. The Report is submitted with the reporting to the

Board of Directors and Board of Statutory Auditors;

- 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. Here again, this report is submitted to the Board of Directors and Board of Statutory Auditors;
- yearly: a Work Plan identifying and evaluating the main risks to which the Bank is exposed, and planning the related management interventions. This Work Plan takes into account any deficiencies noted in the audits and any new risks identified. The Plan is submitted to the Board of Statutory Auditors and approved by the Board of Directors.



Sanpaolo Invest - Turin Office



## 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 Board of Directors. In particular, the Manager responsible for the preparation of the company accounts is required to provide suitable administrative and accounting procedures for preparing the financial statements and all other financial disclosures 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 the following periodic reports to the Company Bodies:

- 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 and the results of monitoring of the progress of the Corrective Action Plans for anomalies identified in prior years. This report is submitted to the Board of Directors and Board of Statutory Auditors;

- yearly: the Audit Plan for Fideuram and the subsidiaries to be audited, identified on the basis of quantitative (individual contribution to the Fideuram Consolidated Financial Statements) and qualitative (specific operating characteristics or risk profiles able to increase the complexity of determining the accounting data) assessments. The Plan is submitted to the Board of Statutory Auditors and approved by the Board of Directors.

The audits carried out in 2018 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 internal audit system monitoring financial reporting by Fideuram - Intesa Sanpaolo Private Banking and its subsidiaries was found to be suitable.



Fideuram - Catania Office

## OPERATIONAL AUDIT

Beginning 1 January 2018, the Operational Audit Unit, which reports directly to the Joint General Manager - Fideuram Business Coordination, launched a series of anti-money laundering audits. Sixteen audits were organised and performed, with preparation of the specific operational guidelines and individual audit forms for each of the audits performed. A total of about 2,800 individual case files were examined during the year, in addition to the quantitative controls performed in monitoring certain anti-money laundering audit activities at bank branches.

Moreover, the first audits of investment and banking services were launched during the year, again supported by the applicable operational guidelines and audit forms, which will be fully activated beginning in the first quarter of 2019, together with tax audits.

Measurements of the organisation continued in 2018, partly on the basis of the newly implemented audits and those under the implementation phase, with the identification of supporting information technology tools and applications.

The Operational Audit Unit exists within Intesa Sanpaolo Private Banking, reporting directly to the General Manager and dedicated to coordinating audits and protection of the Network. 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 rating system has been developed and is currently being rolled out to monitor Network risks and identify the case files to be examined, making it possible to obtain short-form risk assessments of the individual retail outlets so that the Operational Audit Unit can engage in risk-driven planning of its on-the-spot investigations of the 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 2018, a total of 34 on-the-spot audits were carried out on the Network, including a High Net Worth Individuals Branch and the London Branch, examining about 34,500 cases relating to 107 audits.



Intesa Sanpaolo Private Banking - Turin, HNWI Branch

## 5.8 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", as amended.

## 5.9 Shareholders' meetings

The practice adopted to date by the Board of Directors has always been as follows:

- to ensure the shareholder is 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. During 2018, the Fideuram Ordinary Shareholders' Meeting was held just once, on 20 April, for approval:

- of the financial statements;
- of the modification to the mandate given to the independent Auditors KPMG S.p.A.;
- of the Remuneration Report of Intesa Sanpaolo for 2018, of the Remuneration Policies of the Personal Financial Advisers Networks of the Fideuram Group for 2018, of the Annual Incentive System 2017 and the Long-Term Incentive Plans to be applied to the different categories of Bank employees, and for renewal of members of the Board of Directors and determination of their remuneration.





## 5.10 Board of statutory auditors

The Board of Statutory Auditors of the Bank, appointed by the Ordinary Shareholders' Meeting on 15 March 2017, also performs the duties of a Supervisory Board pursuant to Italian Legislative Decree 231/2001.

In consideration of these additional duties, the Board of Statutory Auditors receives all the information sent to the Board of Directors as well as that specifically sent to the Board of Statutory Auditors itself. The Board of Statutory Auditors receives adequate 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 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 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. In addition, the Board of Statutory Auditors is 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.



## 5.11 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 Division, where he managed the establishment of the Corporate Finance Hub (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 was involved, inter alia, in the establishment of Intesa Sanpaolo Group Services (ISGS).

Before joining the Intesa Sanpaolo Group, he occupied a number of positions of responsibility at multinationals (Unilever and ICI), after holding previous auditing roles.

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**

Since May 2017 he has been Joint General Manager, Head of Business Coordination of Fideuram – Intesa Sanpaolo Private Banking S.p.A., and General Manager of Sanpaolo Invest.

From 2014 until he took up his present position, he held the position of Managing Director and General Manager of Fideuram Vita S.p.A., while also holding the position of Head of Banking Services at the General Management of Fideuram from December 2014 until the end of 2016. He was the Head of the Network and Banking Services Department from 2011 to 2014.

He began his career at Credito Italiano, then Banca Manusardi. Over the following years, he held positions with growing responsibilities at Fideuram until he was appointed to his present position as Joint General Manager.

Born in Milan, he graduated with a degree in political science from the University of Milan.



**FIDEURAM -  
INTESA SANPAOLO  
PRIVATE BANKING**

**Fabio Cubelli**

**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.

He was appointed Chairman of the Board of Directors of Intesa Sanpaolo Private Bank (Suisse) for the two-year period 2011-2012.

He has been 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 Consorzio Pavese per gli Studi Post Universitari.

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 held until May 2016. He has been Head of the Investment Center of Fideuram - Intesa Sanpaolo Private Banking since July 2015.



**INTESA SANPAOLO  
PRIVATE BANKING**

**Saverio Perissinotto**  
General Manager



**FIDEURAM  
INVESTIMENTI SGR**

**Gianluca La Calce**  
Managing Director  
and General Manager





From left to right:

<b>Andrea Chioatto</b>	Joint General Manager, Head of Operational and Financial Governance of Fideuram - Intesa Sanpaolo Private Banking
<b>Gianluca La Calce</b>	Managing Director and General Manager of Fideuram Investimenti SGR
<b>Paolo Molesini</b>	Managing Director and General Manager of Fideuram - Intesa Sanpaolo Private Banking
<b>Fabio Cubelli</b>	Joint General Manager, Head of Business Coordination of Fideuram - Intesa Sanpaolo Private Banking, General Manager of Sanpaolo Invest SIM
<b>Saverio Perissinotto</b>	General Manager of Intesa Sanpaolo Private Banking

**The Board of Directors**  
Milan, 25 February 2019

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





## 6. Consolidated financial statements



# Consolidated balance sheet

(€m)

	31.12.2018	31.12.2017
<b>ASSETS</b>		
10. Cash and cash equivalents	310	78
20. Financial assets measured at fair value through profit or loss	294	302
a) financial assets held for trading	27	43
b) financial assets measured at fair value	-	259
c) other financial assets mandatorily measured at fair value	267	-
30. Financial assets measured at fair value through other comprehensive income	3,294	4,596
40. Financial assets measured at amortised cost	35,131	32,155
a) loans and advances to banks	23,065	22,510
b) loans and advances to customers	12,066	9,645
50. Hedging derivatives	-	5
60. Adjustments to financial assets subject to macro-hedging (+/-)	1	-
70. Equity investments	151	148
80. Reinsurers' share of technical reserves	-	-
90. Property and equipment	83	53
100. Intangible assets	226	188
of which: goodwill	140	140
110. Tax assets	198	161
a) current	42	26
b) deferred	156	135
120. Non-current assets held for sale and discontinued operations	12	-
130. Other assets	1,065	1,045
<b>TOTAL ASSETS</b>	<b>40,765</b>	<b>38,731</b>

Chairman of the Board  
of Directors  
**Paolo Maria Vittorio Grandi**

Managing Director  
**Paolo Molesini**

Manager Responsible for the Preparation  
of the Company Accounts  
**Paolo Bacciga**



# Consolidated balance sheet

(€m)

	31.12.2018	31.12.2017
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
10. Financial liabilities measured at amortised cost	35,496	33,222
a) due to banks	3,366	2,641
b) due to customers	32,130	30,581
c) debt on issue	-	-
20. Financial liabilities held for trading	28	45
30. Financial liabilities measured at fair value	-	-
40. Hedging derivatives	808	981
50. Adjustments to financial liabilities subject to macro-hedging (+/-)	-	-
60. Tax liabilities	82	96
a) current	10	35
b) deferred	72	61
70. Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80. Other liabilities	1,031	1,097
90. Provision for employment termination indemnities	48	53
100. Provisions for risks and charges:	468	459
a) commitments and guarantees	1	-
b) pensions and other commitments	14	11
c) other provisions for risks and charges	453	448
110. Technical reserves	-	-
120. Valuation reserves	(12)	(69)
130. Redeemable shares	-	-
140. Equity instruments	-	-
150. Reserves	1,476	1,470
160. Share premium reserve	206	206
170. Share capital	300	300
180. Treasury shares (-)	-	-
190. Equity attributable to non-controlling interests (+/-)	-	-
200. Net profit (loss) for the year (+/-)	834	871
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>40,765</b>	<b>38,731</b>

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# Consolidated income statement

(€m)

	2018	2017
10. Interest income and similar income	242	331
<i>of which: interest income calculated with the effective interest method</i>	328	316
20. Interest expense and similar expense	(83)	(160)
<b>30. Net interest income</b>	<b>159</b>	<b>171</b>
40. Fee and commission income	2,457	2,416
50. Fee and commission expense	(763)	(743)
<b>60. Net fee and commission income</b>	<b>1,694</b>	<b>1,673</b>
70. Dividends and similar income	-	-
80. Net profit (loss) on trading activities	9	8
90. Net profit (loss) on hedging derivatives	-	1
100. Net profit (loss) on sale or repurchase of:	24	5
a) financial assets measured at amortised cost	11	6
b) financial assets measured at fair value through other comprehensive income	13	(1)
c) financial liabilities	-	-
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	(17)	6
a) financial assets and liabilities measured at fair value	-	6
b) other financial assets mandatorily measured at fair value	(17)	-
<b>120. Total net interest and trading income</b>	<b>1,869</b>	<b>1,864</b>
130. Net impairment for credit risk related to:	5	(1)
a) financial assets measured at amortised cost	4	2
b) financial assets measured at fair value through other comprehensive income	1	(3)
140. Gains/losses on contractual changes without cancellation	-	-
<b>150. Operating income</b>	<b>1,874</b>	<b>1,863</b>
160. Net insurance premiums	-	-
170. Other income/expense from insurance activities	-	-
<b>180. Operating income from financing and insurance activities</b>	<b>1,874</b>	<b>1,863</b>
190. Administrative expenses:	(873)	(835)
a) personnel expenses	(362)	(360)
b) other administrative expenses	(511)	(475)
200. Net provisions for risks and charges	(14)	(39)
a) commitments and guarantees	1	-
b) other net provisions	(15)	(39)
210. Depreciation of property and equipment	(5)	(3)
220. Amortisation of intangible assets	(17)	(22)
230. Other income/expense	240	250
<b>240. Operating expenses</b>	<b>(669)</b>	<b>(649)</b>
250. Profit (loss) on equity investments	9	9
260. Net fair value gains (losses) on property and equipment and intangible assets	-	-
270. Goodwill impairment	-	-
280. Gain (loss) on disposal of investments	-	8
<b>290. Profit (loss) before tax from continuing operations</b>	<b>1,214</b>	<b>1,231</b>
300. Income taxes for the year on continuing operations	(380)	(360)
<b>310. Profit (loss) after tax from continuing operations</b>	<b>834</b>	<b>871</b>
320. Profit (loss) after tax from discontinued operations	-	-
<b>330. Net profit (Loss) for the year</b>	<b>834</b>	<b>871</b>
340. Net profit (loss) for the year attributable to non-controlling interests	-	-
<b>350. Parent company interest in net profit (loss) for the year</b>	<b>834</b>	<b>871</b>

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# Consolidated statement of comprehensive income

(€m)

	2018	2017
<b>10. Net profit (Loss) for the year</b>	<b>834</b>	<b>871</b>
<b>Other comprehensive income after tax not transferred to the income statement</b>	<b>(1)</b>	<b>12</b>
20. Equity instruments measured at fair value through other comprehensive income	-	-
30. Financial liabilities measured at fair value through profit or loss (changes in own credit rating)	-	-
40. Hedging of equity instruments measured at fair value through other comprehensive income	-	-
50. Property and equipment	-	14
60. Intangible assets	-	-
70. Defined-benefit plans	(1)	(2)
80. Non-current assets held for sale and discontinued operations	-	-
90. Valuation reserves related to investments carried at equity	-	-
<b>Other comprehensive income after tax that may be transferred to the income statement</b>	<b>(61)</b>	<b>16</b>
100. Hedging of net investments in foreign operations	-	-
110. Exchange rate differences	5	(3)
120. Cash flow hedges	4	(4)
130. Hedging instruments (undesignated elements)	-	-
140. Financial assets (other than equity instruments) measured at fair value through other comprehensive income	(65)	25
150. Non-current assets held for sale and discontinued operations	-	-
160. Valuation reserves related to investments carried at equity	(5)	(2)
<b>170. Total other comprehensive income after tax</b>	<b>(62)</b>	<b>28</b>
<b>180. Total comprehensive income</b>	<b>772</b>	<b>899</b>
190. Total comprehensive income attributable to non-controlling interests	-	-
200. Total comprehensive income attributable to parent company	772	899

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# Statement of changes in consolidated equity

(€m)

	BALANCE AT 31.12.2017	CHANGE IN OPENING BALANCES	BALANCE AT 1.1.2018	ALLOCATION OF INCOME FOR THE PREVIOUS YEAR		CHANGES IN THE YEAR										SHAREHOLDERS' EQUITY AT 31.12.2018	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY AT 31.12.2018	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS AT 31.12.2018
				RESERVES	DIVIDENDS AND OTHER	CHANGES IN RESERVES	TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY							TOTAL COMPREHENSIVE INCOME AT 31.12.2018				
							ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	DERIVATIVES BASED ON TREASURY SHARES	STOCK OPTIONS	CHANGES IN EQUITY INVESTMENTS					
Share capital:	300	-	300	-	-	-	-	-	-	-	-	-	-	-	300	300	-	
- ordinary shares	300	-	300	-	-	-	-	-	-	-	-	-	-	-	300	300	-	
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Share premium reserve	206	-	206	-	-	-	-	-	-	-	-	-	-	-	206	206	-	
Reserves:	1,470	(81)	1,389	83	-	4	-	-	-	-	-	-	-	-	1,476	1,476	-	
- From net income	1,396	(81)	1,315	83	-	4	-	-	-	-	-	-	-	-	1,402	1,402	-	
- Other	74	-	74	-	-	-	-	-	-	-	-	-	-	-	74	74	-	
Valuation reserves	(69)	119	50	-	-	-	-	-	-	-	-	-	-	(62)	(12)	(12)	-	
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net profit (loss) for the year	871	-	871	(83)	(788)	-	-	-	-	-	-	-	-	834	834	834	-	
Shareholders' equity	2,778	38	2,816	-	(788)	4	-	-	-	-	-	-	-	772	2,804	2,804	-	
Equity attributable to owners of the parent company	2,778	38	2,816	-	(788)	4	-	-	-	-	-	-	-	772	2,804			
Equity attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

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**Paolo Bacciga**



# Statement of changes in consolidated equity

(€m)

	BALANCE AT 31.12.2016	CHANGE TO OPENING BALANCE	BALANCE AT 1.1.2017	ALLOCATION OF INCOME FOR THE PREVIOUS YEAR		CHANGES IN THE YEAR										TOTAL COMPREHENSIVE INCOME AT 31.12.2017	SHAREHOLDERS' EQUITY AT 31.12.2017	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY AT 31.12.2017	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS AT 31.12.2017
				RESERVES	DIVIDENDS AND OTHER	CHANGES IN RESERVES	TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY												
							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:	300	-	300	-	-	-	-	-	-	-	-	-	-	-	-	300	300	-	
- ordinary shares	300	-	300	-	-	-	-	-	-	-	-	-	-	-	-	300	300	-	
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Share premium reserve	206	-	206	-	-	-	-	-	-	-	-	-	-	-	-	206	206	-	
Reserves:	1,373	-	1,373	72	-	25	-	-	-	-	-	-	-	-	-	1,470	1,470	-	
- From net income	1,299	-	1,299	72	-	25	-	-	-	-	-	-	-	-	-	1,396	1,396	-	
- Other	74	-	74	-	-	-	-	-	-	-	-	-	-	-	-	74	74	-	
Valuation reserves	(84)	-	(84)	-	-	(13)	-	-	-	-	-	-	-	-	-	28	(69)	(69)	
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interim dividends	(600)	-	(600)	-	600	-	-	-	-	-	-	-	-	-	-	-	-	-	
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net profit (loss) for the year	786	-	786	(72)	(714)	-	-	-	-	-	-	-	-	-	-	871	871	871	
Shareholders' equity	1,981	-	1,981	-	(114)	12	-	-	-	-	-	-	-	-	-	899	2,778	2,778	
Equity attributable to owners of the parent company	1,981	-	1,981	-	(114)	12	-	-	-	-	-	-	-	-	-	899	2,778		
Equity attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

Chairman of the Board  
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Managing Director  
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**Paolo Bacciga**

# Statement of consolidated cash flows

(Indirect method)

(€m)

	2018	2017
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations</b>	<b>1,176</b>	<b>1,243</b>
- Net profit (loss) (+/-)	834	871
- net profit (loss) on financial assets held for trading and on other assets/liabilities measured at fair value through profit or loss (-/+)	5	(14)
- net profit (loss) on hedging activities (-/+)	-	(1)
- net impairment for credit risk (+/-)	(5)	1
- net depreciation and amortisation (+/-)	21	25
- net provisions for risks and charges and other expense/income (+/-)	14	40
- uncollected net insurance premiums (-)	-	-
- uncollected other insurance income/expense (-/+)	-	-
- unpaid taxes and tax credits (+/-)	380	360
- net impairment of discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	(73)	(39)
<b>2. Cash from/used in financing activities</b>	<b>(1,740)</b>	<b>(4,108)</b>
- financial assets held for trading	35	(2)
- financial assets measured at fair value	-	(58)
- other assets mandatorily measured at fair value	296	-
- financial assets measured at fair value through other comprehensive income	327	-
- financial assets measured at amortised cost	(2,337)	(3,724)
- other assets	(61)	(324)
<b>3. Cash from/used in financial liabilities</b>	<b>1,629</b>	<b>3,004</b>
- financial liabilities measured at amortised cost	2,275	2,996
- financial liabilities held for trading	(172)	27
- financial liabilities measured at fair value	-	-
- other liabilities	(474)	(19)
<b>Net cash from/used in operating activities</b>	<b>1,065</b>	<b>139</b>
<b>B. INVESTING ACTIVITIES</b>		
<b>1. Cash from</b>	<b>-</b>	<b>14</b>
- disposal of equity investments	-	-
- dividend income from equity investments	-	-
- sale of property and equipment	-	14
- sale of intangible assets	-	-
- sale of subsidiaries and company divisions	-	-
<b>2. Cash used in</b>	<b>(45)</b>	<b>(32)</b>
- acquisition of equity investments	(1)	-
- acquisition of property and equipment	(5)	-
- purchase of intangible assets	(19)	(4)
- acquisition of subsidiaries and company divisions	(20)	(28)
<b>Net cash from/used in operating activities</b>	<b>(45)</b>	<b>(18)</b>
<b>C. FUNDING ACTIVITIES</b>		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- distribution of dividends and other	(788)	(114)
- sale/purchase of control of others	-	-
<b>Net cash from/used in funding activities</b>	<b>(788)</b>	<b>(114)</b>
<b>NET CASH GENERATED/USED IN THE YEAR</b>	<b>232</b>	<b>7</b>
<b>Reconciliation</b>		
Cash and cash equivalents at beginning of year	78	71
Net cash generated/used in the year	232	7
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at end of year	310	78

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The information required under paragraph 44B of IAS7 is provided as follows to assess the changes in liabilities resulting from financing activities.

(€m)

**A. Operating activities - 3. Cash from/used in financial liabilities**

	2018
a) Changes resulting from financing cash flows	2,018
b) Changes resulting from obtaining or losing control of subsidiaries or other companies	257
c) Changes in fair value	(177)
d) Other changes	(469)
<b>Cash from/used in financial liabilities</b>	<b>1,629</b>

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# 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 measured at fair value through profit or loss
- Section 2 - Financial assets measured at fair value through other comprehensive income
- Section 3 - Financial assets measured at amortised cost
- Section 4 - Hedging transactions
- Section 5 - Equity investments
- Section 6 - Property and equipment
- Section 7 - Intangible assets
- Section 8 - Non-current assets held for sale and discontinued operations
- Section 9 - Current and deferred tax assets and liabilities
- Section 10 - Provisions for risks and charges
- Section 11 - Financial liabilities measured at amortised cost
- Section 12 - Financial liabilities held for trading
- Section 14 - Foreign exchange transactions
- Section 16 - 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 measured at fair value through profit or loss - Item 20
- Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30
- Section 4 - Financial assets measured at amortised cost - Item 40
- Section 5 - Hedging derivatives - Item 50
- Section 6 - Adjustments to financial assets subject to macro-hedging - Item 60
- Section 7 - Equity investments - Item 70
- Section 9 - Property and equipment - Item 90
- Section 10 - Intangible assets - Item 100
- Section 11 - Tax assets and tax liabilities - assets item 110 and liabilities item 60
- Section 12 - Non-current assets held for sale and discontinued operations - assets item 120 and liabilities item 70
- Section 13 - Other assets - Item 130

### LIABILITIES

- Section 1 - Financial liabilities measured at amortised cost - Item 10
- Section 2 - Financial liabilities held for trading - Item 20
- Section 4 - Hedging derivatives - Item 40

Section 8 - Other liabilities - Item 80

Section 9 - Provision for employment termination indemnities - Item 90

Section 10 - Provisions for risks and charges - Item 100

Section 13 - Equity attributable to owners of the parent company - Items 120, 130, 140, 150, 160, 170 and 180

### 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 3 - Dividends and similar income - Item 70

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 other financial assets and liabilities measured at fair value through profit or loss - Item 110

Section 8 - Net impairment for credit risk - Item 130

Section 12 - Administrative expenses - Item 190

Section 13 - Net provisions for risks and charges - Item 200

Section 14 - Depreciation of property and equipment - Item 210

Section 15 - Amortisation of intangible assets - Item 220

Section 16 - Other income (expense) - Item 230

Section 17 - Profit (loss) on equity investments - Item 250

Section 20 - Net profit (loss) on sales of investments - Item 280

Section 21 - Income taxes - Item 300

Section 24 - Other information

Section 25 - Earnings per share

## ■ Part D - Total comprehensive income

Components of total comprehensive income

## ■ Part E - Information on risk and related hedging policies

Section 1 - Risks from consolidation

Section 2 - Risks from prudential consolidation

## ■ 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

Section 2 - Transactions completed after 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. Description of the share-based payment arrangements

2. Other information

## 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 2018, 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 2018 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 fifth amendment of 22 December 2017, which required the regulation to be reprinted in full.

The new International Financial Reporting Standards or modifications to accounting standards already in force and the related European Commission Regulations endorsing them that became effective in 2018 are listed below:

- Regulation 1905/2016: IFRS15 - Revenue from Contracts with Customers.
- Regulation 2067/2016: IFRS9 - Financial Instruments.
- Regulation 1987/2017: Amendments to IFRS15 - Revenue from Contracts with Customers.
- Regulation 182/2018: Amendments to IAS28 - Investments in Associates and Joint Ventures, IFRS1 – First-time Adoption of IFRS, and IFRS12 - Disclosure of Interests in Other Entities.
- Regulation 289/2018: Amendments to IFRS2 - Share-based Payment.
- Regulation 519/2018: IFRIC22 - Foreign Currency Transactions and Advance Consideration.

The accounting standards adopted to prepare these Financial Statements and concerning the classification, recognition, measurement and derecognition of assets and liabilities, and the procedures used to measure revenue and costs, have changed substantially from those used to prepare the Conso-

lidated Financial Statements 2017. These changes stem from the mandatory application of the following international financial reporting standards beginning 1 January 2018:

- IFRS 9 - Financial Instruments, issued by the IASB in July 2014 and endorsed by the European Commission with Commission Regulation (EU) No. 2067/2016, which replaced IAS 39 for the classification, measurement and impairment of financial instruments;
- IFRS 15 - Revenue from Contracts with Customers, endorsed by the European Commission with Regulation (EU) No. 1905/2016, which replaced IAS 18 – Revenue, and IAS 11 – Construction Contracts.

As for the procedures to be used in presenting the effects of first-time adoption of IFRS 9, the Group exercised the option granted in paragraph 7.2.15 of IFRS 9 and in paragraphs E1 and E2 of IFRS 1 – First-Time Adoption of International Financial Reporting Standards. Notwithstanding the retro-active application of the new measurement and presentation rules imposed by the standard, IFRS 9 does not require restatement of the comparative financial statement figures on a like-for-like basis when the standard is applied for the first time. In accordance with the instructions published at the end of December 2017 with the issuance of the 5th update to Circular 262/2005, “Il bilancio bancario: schemi e regole per la compilazione” (“Bank financial statements: templates and compilation rules”), the banks that use their exemption from having to recalculate the comparative figures will have to include a reconciliation statement with the first financial statements prepared in accordance with the new version of Circular 262. That reconciliation statement shall show the method used and reconcile the figures between the last approved financial statements and the first financial statements prepared in accordance with the new rules. In the following part of the report, dedicated to transition to the new IFRS 9, we have published a reconciliation statement that highlights the reclassifications and adjustments made to guarantee that the figures are restated in accordance with the requirements of IFRS9.

#### IFRS9: THE NEW INTERNATIONAL FINANCIAL REPORTING STANDARD ON FINANCIAL INSTRUMENTS

##### Regulatory provisions

On 1 January 2018, the new IFRS 9, issued by the IASB in July 2014 and endorsed by the European Commission with Regulation (EU) N° 2067/2016, replaced IAS 39, which governed the recognition and measurement of financial instruments until 31 December 2017.

IFRS 9 is divided into three distinct areas for the classification and measurement of financial instruments, their impairment and hedge accounting.

In the first area, IFRS 9 requires that the classification of financial assets be guided by the characteristics of the associated contractual cash flows and business model under which those assets are held. Under IFRS 9, financial assets are classified in three categories instead of the four categories envisaged under IAS 39, using the two aforementioned drivers. The three categories are: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. Financial assets may be recognised in the first two categories and then measured at amortised cost or at fair value through other comprehensive income only if it has been proven that they originate cash flows represented exclusively by payments of principal and interest ("solely payment of principal and interest" – SPPI). Equities are always classified in the third category and are 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 another comprehensive income reserve that will never be transferred to profit or loss even if the financial instrument is sold (Financial assets measured at fair value through other comprehensive income without recycling).

No substantial changes from IAS 39 are introduced for the financial liabilities. The only new requirement regards the accounting treatment of own credit risk. The new standard 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 or amplifies 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 new impairment model for instruments classified at amortised cost and at fair value through other comprehensive income (other than equity instruments), replacing the incurred loss model envisaged under IAS 39 with an expected loss impairment model to obtain more timely recognition of credit losses in the income statement. IFRS 9 requires entities to recognise expected credit losses in the 12 months (Stage 1) after initial recognition of a financial instrument. However, the time horizon for calculating expected loss 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 if the financial instrument is impaired (Stage 3).

In more detail, introduction of the new impairment rules entails:

- allocation of the performing financial assets in different credit risk stages (staging), to which correspond adjustments based on the expected losses over the next 12 months (stage 1), or lifetime, for the entire remaining duration of the instrument (stage 2), when the credit risk has increased significantly upon comparison between the Probabilities of Default at the initial recognition date and the reporting date;
- the allocation of non-performing financial assets in stage 3, always with adjustments based on expected lifetime losses;

- inclusion of forward looking information in the calculation of expected credit losses (ECL), with that prospective information being tied, inter alia, to the evolution in the macro-economic scenario.

Lastly, the new hedge accounting model allows an entity to reflect risk management activities in the financial statements, as well as strengthening the quality of risk management reporting by the entity that prepares the financial statements. The Group elected to opt out of this requirement in accordance with Intesa Sanpaolo guidelines and to keep the current IAS 39 rules.

### Implementation by Fideuram

In order to assess the impact that the adoption of IFRS 9 has had on the organisation and its financial reporting, Fideuram is taking part in an Intesa Sanpaolo Group project to ensure consistent implementation of the new financial reporting standard from 1 January 2018. After having obtained an in-depth understanding of the areas the standard will affect and to identify its quantitative and qualitative impacts, the application and organisational measures necessary for the effective organic adoption of the new financial reporting standard have been implemented.

The procedures for applying the Solely Payments of Principal and Interest (SPPI) test to contractual cash flows have been specified. Analyses have confirmed that the Group's entire portfolio of loans, receivables and bonds has passed the SPPI test.

The Fideuram Group has identified the following business models for the recognition and measurement of financial instruments:

1. Hold to Collect, covering financial instruments which are held stably in the portfolio and generate net interest income. These financial instruments are recognised as financial assets measured at amortised cost.
2. Hold to Collect and Sell, covering financial instruments held to generate net interest income and maximise portfolio returns through sales that take advantage of favourable market opportunities. These financial instruments are recognised as financial assets measured at fair value through other comprehensive income.
3. Other, mostly covering – for minimal and residual business – financial instruments purchased from private banking customers, measured at fair value through profit or loss.

In two cases beginning on 1 January 2018, several portfolio reclassifications were made to consider the underlying business models on the date of first-time adoption of IFRS 9, as required by that standard. These reclassifications focused in particular on several debt securities measured at fair value through equity pursuant to IAS 39 which, upon first-time adoption of IFRS 9, were included in the Hold to Collect business model (and thus measured at amortised cost) and in the Other business model (and thus measured at fair value through profit or loss).

Finally, the following activities have been completed regarding impairment:

- the procedures for tracking the credit quality of portfolios of financial assets measured at amortised cost and at fair value through other comprehensive income have been established.
- the parameters for determining a significant increase in credit risk in order to allocate performing loans correctly to Stage 1 or Stage 2 have been established.
- the models (which include forward-looking information) for staging and calculating one-year and lifetime expected credit loss have been finalised.

## EFFECTS OF FIRST-TIME ADOPTION OF IFRS9

**Reconciliation statements between the statement templates used in the consolidated financial statements 2017 and the IFRS 9 statement templates (introduced with the new version of Bank of Italy Circular 262) at 31 December 2017**

Following below are the template for the balance sheet published in the consolidated financial statements 2017 and the new balance sheet template introduced by the new version of Bank of Italy Circular 262, which interposes implementation of the presentation criteria imposed by IFRS 9. In these statements, the financial data at 31 December 2017, calculated in accordance with IAS 39, have been moved to the new account items in accordance with the classification criteria introduced by IFRS 9, but without application of the new measurement methods, and thus with the total assets and liabilities remaining equal.

## Balance Sheet - Assets

(€m)

IFRS9	IAS39													
	10. Cash and cash equivalents	20. Financial assets held for trading		30. Financial assets measured at fair value through profit or loss	40. Financial assets available for sale	60. Loans and advances to banks	70. Loans and advances to customers	80. Hedging derivatives	100. Equity investments	120. Property and equipment	130. Intangible assets	140. Tax assets	160. Other assets	TOTAL ASSETS
10. Cash and cash equivalents	78													78
20. Financial assets measured at fair value through profit or loss		43	259	321										623
30. Financial assets measured at fair value through other comprehensive income				3,686										3,686
40. Financial assets measured at amortised cost				589	22,510	9,645								32,744
50. Hedging derivatives								5						5
70. Equity investments									148					148
90. Property and equipment										53				53
100. Intangible assets											188			188
110. Tax assets												161		161
130. Other assets													1,045	1,045
TOTAL ASSETS	78	43	259	4,596	22,510	9,645		5	148	53	188	161	1,045	38,731

The principal reclassifications of the net amounts on the consolidated balance sheet prepared in accordance with IAS 39 at 31 December 2017 for proper application of the new classification rules mandated by IFRS 9 are illustrated as follows:

- reclassification of a portion of the available-for-sale debt securities pursuant to IAS 39. Of these, €589m has been allocated to financial assets measured at amortised cost and €311m has been added to financial assets measured at fair value through profit or loss (FVTPL);
- reclassification of the financial instruments held to service the incentive schemes for the Personal Financial Advisers and risk takers of the Fideuram Group classified under financial assets measured at fair value pursuant to IAS 39 which, for a total of €259m, have been reallocated to financial assets measured at fair value through profit or loss (FVTPL);
- reclassification of the units of mutual funds classified as available-for-sale financial assets which, for a total of €10m, have been reclassified as financial assets measured at fair value through profit or loss.



In addition to the reclassifications due to the application of IFRS 9 (i.e. through the business model and SPPI Test), those resulting from introduction of the new official financial statement templates should also be indicated in consequence of the update to Bank of Italy Circular 262 of December 2017. Accordingly, we note:

- the previous items for loans and advances to customers, loans and advances to banks, and held-to-maturity invest-

ments have been moved to item 40. Financial assets measured at amortised cost;

- the items for financial assets held for trading and financial assets measured at fair value have been moved to item 20. Financial assets measured at fair value through profit or loss.

## Balance Sheet - Liabilities

(€m)

	IAS 39												
	10. Due to banks	20. Due to customers	40. Financial liabilities held for trading	60. Hedging derivatives	80. Tax liabilities	100. Other liabilities	110. Provision for employment termination indemnities	120. Provisions for risks and charges	140. Valuation reserves	170. Reserves	180. Share premium reserve	190. Share capital	220. Net profit (loss) for the year
IFRS 9													TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY
10. Financial liabilities measured at amortised cost	2,641	30,581											33,222
20. Financial liabilities held for trading			45	148									193
40. Hedging derivatives				833									833
60. Tax liabilities					96								96
80. Other liabilities						1,097							1,097
90. Provision for employment termination indemnities							53						53
100. Provisions for risks and charges								459					459
120. Valuation reserves									(69)				(69)
150. Reserves										1,470			1,470
160. Share premium reserve											206		206
170. Share capital												300	300
200. Net profit (loss) for the year (+/-)												871	871
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,641</b>	<b>30,581</b>	<b>45</b>	<b>981</b>	<b>96</b>	<b>1,097</b>	<b>53</b>	<b>459</b>	<b>(69)</b>	<b>1,470</b>	<b>206</b>	<b>300</b>	<b>871</b>
													<b>38,731</b>

No significant reclassifications have been made for financial liabilities in consequence of the transition to IFRS 9. To be thorough, only the reclassification of €148m in derivatives to the trading portfolio is shown, which had previously been classified as hedging instruments. Therefore, upon first-time adoption of IFRS 9, the hedging relationships were interrupted because they were tied to financial instruments recognised as assets on the balance sheet which have now been moved to financial assets measured at fair value through profit or loss.

It is also necessary to mention the Liability items which have been reclassified under the new official templates introduced by Bank of Italy Circular 262. Accordingly, we note that the previous items for Due to banks, Due to customers, and Debt on issue have been moved to item 10. Financial liabilities measured at amortised cost.

### Reconciliation between the balance sheet at 31 December 2017 (prepared according to the IFRS 9 classification rules) and the balance sheet at 1 January 2018 (prepared according to the IFRS measurement and impairment rules)

The statements for reconciliation of the balance sheet at 31 December 2017 (under IAS 39) which include the reclassifications made in accordance with the new classification rules of IFRS 9 and the balance sheet at 1 January 2018 (IFRS 9) are illustrated as follows. In these statements, the financial data at 31 December 2017 (calculated according to IAS 39) have been modified to reflect the application of the new measurement and impairment rules to determine the initial net amounts that are IFRS 9 compliant.

## Balance Sheet

(€m)	31.12.2017	EFFECT OF TRANSITION TO IFRS 9		1.1.2018
		CLASSIFICATION AND MEASUREMENT	IMPAIRMENT	
<b>ASSETS</b>				
10. Cash and cash equivalents	78			78
20. Financial assets measured at fair value through profit or loss	623			623
30. Financial assets measured at fair value through other comprehensive income	3,686			3,686
40. Financial assets measured at amortised cost	32,744	60	(34)	32,770
50. Hedging derivatives	5			5
70. Equity investments	148			148
90. Property and equipment	53			53
100. Intangible assets	188			188
110. Tax assets	161	13		174
130. Other assets	1,045			1,045
<b>TOTAL ASSETS</b>	<b>38,731</b>	<b>73</b>	<b>(34)</b>	<b>38,770</b>

	31.12.2017	EFFECT OF TRANSITION TO IFRS 9		1.1.2018
<b>LIABILITIES</b>				
10. Financial liabilities measured at amortised cost	33,222			33,222
20. Financial liabilities held for trading	193			193
40. Hedging derivatives	833			833
60. Tax liabilities	96		(1)	95
80. Other liabilities	1,097			1,097
90. Provision for employment termination indemnities	53			53
100. Provisions for risks and charges	459		2	461
120. Valuation reserves	(69)		119	50
150. Reserves	1,470		(81)	1,389
160. Share premium reserve	206			206
170. Share capital	300			300
200. Net profit (loss) for the year (+/-)	871			871
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>38,731</b>	<b>39</b>		<b>38,770</b>

### Reconciliation between Shareholders' Equity under IAS 39 and Shareholders' Equity under IFRS 9

The summary statement of the impact on Consolidated Shareholders' Equity at 1 January 2018 after the transition to IFRS 9 is shown as follows.

### Impact on consolidated Shareholders' Equity of first-time adoption of IFRS 9 net of tax effect

(€m)	
Adjustment to carrying value of financial assets resulting from modification of business model	62
Impairment of financial instruments, guarantees issued and commitments to disburse funds	(24)
<b>Total</b>	<b>38</b>

Classification of the financial assets in the new categories mandated by IFRS 9 and the consequently different valuation metric generated a positive impact (net of the tax effect) of €62m on the Consolidated Shareholders' Equity of the Fideuram Group. In more detail, this effect is attributable to the following factors:

- the adjustment to the carrying amount of financial assets in consequence of the change in the business model generated a positive impact of €40 million;
- confirmation upon first-time adoption of IFRS 9 of the Hold to Collect business model caused derecognition from the accounts of the negative equity reserve for debt securities which, due to the amendment to IAS 39, had been reclassified in 2008-2009 from the available-for-sale portfolio to the loan portfolio. The reversal of that negative reserve, as a contra entry for the carrying value of the securities, generated a positive impact of €22 million.

The application of new impairment rules (expected credit losses) to Financial assets measured at amortised cost, to guarantees, and to commitments to disburse funds generated a negative impact (net of the tax effect) of €24 million.

## IFRS15: THE NEW INTERNATIONAL FINANCIAL REPORTING STANDARD ON REVENUE

IFRS15 - Revenue from contracts with customers came into force on 1 January 2018. The adoption of IFRS15 supersedes IAS18 - Revenue and IAS11 - Construction Contracts.

The new requirements in contrast with the previously applicable rules 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 new standard applies to all contracts with customer, except for lease contracts, insurance contracts, and financial instruments.

IFRS 15 aims to include information in the financial statements that cover the nature, amount, timing, and degree of uncertainty of the revenue and cash flows generated by contracts with customers.

The key aspect of IFRS15 is that an entity has to recognise revenue in the financial statements so that the transfer of goods or services to customers is expressed in an amount reflecting the consideration to which the entity expects to be entitled in exchange. To achieve that goal, an entity recognises revenue in the following steps:

- it identifies its contracts with customers;
- it identifies the performance obligations in the contracts;
- it determines the transaction price;
- it allocates the price to the various performance obligations;
- it recognises the revenue when the performance obligations have been satisfied.

Analyses have revealed that the accounting treatment of the principal types of revenue from contracts with customers was already aligned with the provisions of the new standard and, consequently, no significant impact has been found at the bookkeeping level.

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 2018, are likewise listed below:

- Regulation 1986/2017: IFRS16 - Leases.
- Regulation 498/2018: Amendments to IFRS9 - Financial instruments.
- Regulation 1595/2018: IFRIC23 - Uncertainty over income tax treatments.

## IFRS16: THE NEW INTERNATIONAL FINANCIAL REPORTING STANDARD ON LEASES

On 1 January 2019, the new IFRS16, issued by the IASB in January 2016 and endorsed by the European Commission with Regulation (EU) 1986/2017, replaced IAS 17 - Leases, IFRIC4 - Determining Whether an Arrangement Contains a Lease, SIC15 - Operating Leases - Incentives, and SIC27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease, and regulated the bookkeeping requirements for leasing.

The new standard requires determining whether a contract is or contains a finance lease, basing itself on the concept of control of use of an identified asset for a specific period of time. Consequently, even lease, charter, rental, or commodatum agreements, which previously were not assimilated with finance lease, may fall within the scope of the new standard.

IFRS16 introduces significant changes to the procedures for accounting for leases in the financial statements of the lessee/user, by requiring a single model for recognition of the contracts in the lessee's accounts. The new accounting model requires that the right of use the leased asset be recognised as an asset on the balance sheet, while the payables for lease payments still due to the lessor have to be recognised as liabilities in the balance sheet. The procedure for recognition of the income statement components is also modified. While the lease payments were recognised as administrative expenses under IAS17, the new IFRS16 requires that these expenses be recognised as amortisation of the "right of use" and as the interest expenses on the payable.

As a financial statement disclosure, the lessee will have to report:

- the breakdown of the leased assets into their different "classes";
- the analysis by due date of the liabilities related to the leases;
- the other information that is helpful for a better understanding of the entity's activities with regard to the lease contracts (for example, prepayment or extension options).

There are no substantial changes, other than some additional disclosure requirements, for the accounting for leases by the lessors.

Pursuant to the requirements of IFRS16 and the clarifications of IFRIC, software is excluded from the scope of application of IFRS16, and will thus be recognised in accordance with IAS38 and its requirements.

For the lessee, the application of IFRS16 from 1 January 2019 will cause - when final profit and final cash flow are considered - an increase in the assets carried on the balance sheet (the leased assets), an increase in liabilities (the payable on the leased assets), a reduction in administrative expenses (the lease payments), and a simultaneous increase in financial costs (the remuneration on the recognised payable) and amortisation (for the right of use recognised as an asset). Considering the entire duration of the contracts, the economic impact on the income statement will not change over the time horizon of the lease, but it will appear with a different breakdown over time as compared with the previous situation under IAS17.

In order to assess the impact of the adoption of IFRS16 on the organisation and its financial reporting, Fideuram is taking part in an Intesa Sanpaolo Group project to ensure consistent implementation of the new financial reporting standard from 1 January 2019. Since the first phase, designed to obtain an in-depth understanding of the areas the standard will affect and to identify its quantitative and qualitative impacts, has been completed, the application and organisational measures necessary for the effective organic adoption of the new financial reporting standard have been implemented. In regard to procedure, a specific application has been implemented at Intesa Sanpaolo Group level to determine the values to be reported in the financial statements pursuant to IFRS16.

Analysis of the contracts falling in the scope of application of the new standard particularly concerned those related to real estate, car, and hardware. Real estate lease contracts represent the most important area to be affected.

The principal general choices made by the Group concerning the procedures used to recognise the effects of first-time application of the standard and certain rules applied upon full implementation for the accounting of lease contracts are illustrated as follows:

- The Group has decided to recognise the effects of first-time application of the standard according to the modified retrospective approach, which grants the option of recognising the entire cumulative effect of application of the new standard at the date of first-time application, without restating the comparative data for the financial statements of the year when IFRS16 was applied for the first time. As a result, the figures for 2019 will not be comparable with regard to the valuation of the rights of use and the corresponding lease payable.
- Upon first-time application (as allowed by the standard), the Group has adopted the practical expedient of excluding those contracts whose remaining duration is less than or equal to 12 months.
- In regard to the lease duration, the Group has decided to consider at the first-time application date (and for new contracts upon full implementation) only the first reasonably certain contractual renewal period, unless there are any special clauses, facts, or circumstances that lead one to consider additional renewals or find that the lease contract has terminated.
- The Group has decided not to apply the new standard to contracts having a total duration less than or equal to 12 months and to contracts where the unit value of the underlying asset when new is less than or equal to €5k.
- The Group has decided not to separate the service components from the lease components, and consequently to recognise the entire contract as a lease contract since the service components are deemed insignificant.

A preliminary estimate (net of tax effects) of bringing the opening financial statements into compliance after first-time application of IFRS16 by using the modified retrospective approach causes an approximately €265m increase in assets after recognition of the right of use and an increase by the same amount in financial liabilities (payable to the lessor). Therefore, not im-

pact is realised on shareholders' equity since, after making the choice to adopt the modified approach upon first-time application, the values of the new assets and liabilities recognised in the financial statements coincide with each other.

## 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 comprehensive income, statement of changes in equity and statement of cash flows) and the Notes to the consolidated financial statements. It is also 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 (paragraphs 3.1 to 3.4);
- Section 4. Performance (paragraphs 4.1 to 4.4, 4.7.1 and 4.8).
- 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 give 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 2017 for the purposes of comparison. The comparative data are represented by the net amounts that were previously defined by applying the requirements of IAS 39, restated as necessary within the new templates provided for by the Bank of Italy to reflect the application of IFRS9.

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.

To facilitate comparison of the figures for different periods and to enable a clearer and more immediate understanding of the Group's financial position, the Integrated Financial Report at 31 December 2018 contains a reclassified balance sheet and reclassified income statement. These statements were prepared using appropriate groupings of the items in the official financial statements. Detailed information on the restatements and reclassifications is presented in specific reconciliation statements provided in the schedules accompanying these financial statements. In regard to the reclassified balance sheet template, the comparative data at 1 January 2018 have been calculated by applying the new IFRS 9 to the net amounts of the consolidated balance sheet at 31 December 2017, when IAS 39 was applied, so that the figures may be compared.



## SECTION 3 - SCOPE AND METHODS OF CONSOLIDATION

The companies consolidated in the Fideuram - Intesa Sanpaolo Private Banking S.p.A. consolidated financial statements at 31 December 2018 are shown below.

### 1. Equity investments in wholly - owned subsidiaries

COMPANY 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 par 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. Siref Fiduciaria S.p.A. Share capital: EUR 2,600,000 in shares of EUR 0.52 each	Milan	Milan	1	Fideuram	100.000%	
6. Fideuram Asset Management (Ireland) dac Share capital: EUR 1,000,000 in shares of EUR 1.000 each	Dublin	Dublin	1	Fideuram	100.000%	
7. Fideuram Bank (Luxembourg) S.A. Share capital: EUR 40,000,000 in shares without par value	Luxembourg	Luxembourg	1	Fideuram	100.000%	
8. Financière Fideuram S.A. Share capital: EUR 346,761,600 in shares of EUR 25 each	Paris	Paris	1	Fideuram	99.999%	
9. Intesa Sanpaolo Private Bank (Suisse) S.A. Share capital: CHF 45,000,000 in shares of CHF 500 each	Lugano	Lugano	1	Fideuram	100.000%	
10. Morval Vonwiller Holding S.A. Share capital: CHF 1,375,000 in shares of CHF 10 each	Sarnen	Sarnen	1	Fideuram	94.578%	
11. Fiduciaria Generale e di Revisioni Contabili S.p.A. Share capital: EUR 119,000 in shares of EUR 1 each	Milan	Milan	1	Fideuram	100.000%	
12. Banque Morval S.A. Share capital: CHF 20,000,000 in shares of CHF 100 each	Geneva	Geneva	1	Morval Vonwiller Holding	100.000%	
13. Morval SIM S.p.A. Share capital: EUR 2,768,000 in shares of EUR 0.52 each	Turin	Turin	1	Banque Morval	100.000%	
14. Southern Group Ltd Share capital: USD 50,000 in shares of USD 1 each	George Town	George Town	1	Morval Vonwiller Holding	100.000%	
15. Morval Vonwiller Advisors S.A. Share capital: UYU 495,000 in shares of UYU 1 each	Montevideo	Montevideo	1	Southern Group	100.000%	
16. Morval Vonwiller Assets Management Co. Ltd Share capital: USD 2,400,000 in shares of USD 1 each	Tortola	Tortola	1	Morval Vonwiller Holding	100.000%	
17. Morval Bank & Trust Cayman Ltd Share capital: USD 7,850,000 in shares of USD 1 each	George Town	George Town	1	Morval Vonwiller Assets Management	100.000%	
18. Morval Gestion SAM Share capital: EUR 500,000 in shares of EUR 100 each	Montecarlo	Montecarlo	1	Morval Vonwiller Holding	100.000%	
19. DJ Inversiones S.A. Share capital: ARS 8,556,289 in shares of ARS 1 each	Buenos Aires	Buenos Aires	1	Intesa Sanpaolo Private Bank (Suisse) Fideuram	95.003% 4.997%	

#### 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 the companies over which it exercises significant influence. 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 investee 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.

The subsidiaries are consolidated line-by-line, except for FI. GE. Fiduciaria S.p.A. and DJ Inversiones S.A. which, due to their limited significance (less than €10m in total assets carried on the books), are consolidated with the equity method, in accordance with Group accounting policies.

In the line-by-line consolidation process, aggregate amounts from the balance sheet and income statement of the subsidiaries are used 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 goodwill is less than its carrying value, the difference is recognised in the income statement. All relations 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 2018, 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 were 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 translations at said exchange rates are recognised in the valuation reserve.

Compared with the situation at 31 December 2017, the scope of consolidation of the Fideuram Group changed with the exclusion of Fideuram Fiduciaria after its merger with Siref Fiduciaria S.p.A., effective 1 January 2018. Moreover, the Morval Vonwiller Group and the Argentine firm DJ Inversiones S.A. were acquired. Both acquisitions were carried out as part of the foreign development project pursued by the Private Banking Division of Intesa Sanpaolo.

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 profit is recognised in a separate item of the consolidated income statement.

Fideuram Vita S.p.A. (an insurance company in which Fideuram holds a 19.99% equity interest) is considered to be an associate company. Considering the decision made by the Intesa Sanpaolo Group to adopt the "Deferral Approach" for insurance companies, the financial assets and liabilities of Fideuram Vita continue to be recognised in the balance sheet pursuant to IAS39, in anticipation of the effective date of the new IFRS17 on insurance agreements, expected to be in 2021.

In regard to the associate companies, on 14 December 2018 the Board of Directors of Fideuram approved the sale to Intesa Sanpaolo of the 25% stake held in the Chinese company Qingdao Yicai Wealth Management Ltd. In consequence of that resolution, the equity investment was reclassified as a non-current asset held for sale.

## 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 2018. For a description of the most important significant events that occurred after the end of the year, reference is made to the specific part of the Directors' Report.

## SECTION 5 - OTHER ASPECTS

### TAX REFORMS

A number of tax reforms introduced in 2018 and of relevance to the Group are summarised below. In particular, Law 145 of 2018 (the 2019 Budget Law) introduced several changes as illustrated below. These impacted the calculation of direct taxes already reported on the financial statements 2018.

### Remodulation of the deductibility of amortisation for goodwill and other intangible assets

The 2019 Budget Law introduced a remodulation of the deductibility of the amortisation of the value of goodwill and other intangible assets that led to the recognition of deferred tax assets that could be converted into tax credits. In particular, this concern the deferred tax assets still carried on the balance sheet at the end of 2017. More in detail, the law states that the allowances not yet deducted at 31 December 2017 will be 5% deductible in 2019, 3% deductible in 2020, 10% deductible in 2021, 12% deductible in the years between 2022 and 2027 and 5% in 2028 and 2029.

### Instalment payments of adjustments for expected losses on loans and advances to customers recognised upon First-Time Adoption of IFRS9

The costs recognised by banks upon first-time adoption of the new IFRS9, deriving exclusively from adoption of the model for recognition of the loss allowance for loans and advances to customers recognised as such in the financial statements (i.e. loans and securities recognised in Item 40 b of the Balance Sheet), are deductible from business income for IRES purposes (corporate income tax) and from the value of production for IRAP purposes (regional business tax) in ten even instalments.

### Deferral of the deduction instalment for impairment of loans scheduled for 2018

The negative components deriving from impairments of loans to customers that would have been deductible for IRES and IRAP purposes in 2018 due to their being spread out over ten years are deferred to the 2026 tax year.

### Increase in the deduction for IMU on non-investment property from business income

Paragraph 12 of the Budget Law requires that, beginning from 2019, the deductibility of IMU (Imposta Municipale Unica - municipal tax)

paid by enterprises on non-investment property increase from 20% to 40%. It remains non-deductible for IRAP purposes.

### Abrogation of the Company Capitalisation Subsidy (ACE)

The law named "Aiuto alla Capitalizzazione delle imprese" (Company Capitalisation Subsidy - "ACE") envisaged in Article 1 of Decree Law 201/2011 is abrogated beginning in 2019. This law allowed reductions in the income taxable for IRES in correlation with increases in equity capital and reserves.

### IRES reduced on reinvested profits

The companies that boost their employment levels and make investments in property and equipment used in their operating activity may apply the lowest IRES rate under certain conditions (ordinary rate reduced by 9 percentage points).

Other changes introduced in 2018 and effective in 2019 which have an impact on the Group.

### Extension of the lump-sum tax treatment

The lump-sum tax treatment introduced with the 2015 Stability Law is extended to taxpayers who are natural persons operating businesses, arts and professions, who had revenue or received compensation not exceeding €65k during the previous year. The reduced tax rate offered by the substitute tax rate of 15% also applies to the Personal Financial Advisers of the Group.

### Mandatory electronic invoicing and Group VAT

Since 1 January 2019, the invoices to customers resident in Italy are issued electronically by using the Exchange System (ES) established at the Agenzia delle Entrate (Italian Revenue Agency) according to the format already required for issuing electronic invoices to the Public Administration. The Intesa Sanpaolo Group companies resident in Italy, which meet the prerequisites established in Article 70 bis of Presidential Decree 633/72, have exercised the option to establish the VAT Group, with the consequent irrelevance of transactions executed between them for the purpose of applying the tax, by virtue of using a single Group VAT Registration Number.

### 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 2018 financial year, in accordance with article 2427 of the Italian Civil Code and article 149 duodecies of the Issuers' Regulations (No. 11971) published by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB).

### Type of services

(€m)

	<b>KPMG S.P.A.</b>
Independent statutory audit (*)	3.1
<b>Total</b>	<b>3.1</b>

(\*) The net amount does not include the costs for auditing the mutual funds managed by Group companies. These costs are borne directly by the funds and totalled €1m in 2018.

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 2018.

### SECTION 1 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

This category contains the financial assets not classified as Financial assets measured at fair value through other comprehensive income or as Financial assets measured at amortised cost.

In particular, this item includes:

- financial assets held for trading;
- financial assets mandatorily measured at fair value through profit or loss, consisting of financial assets that do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income. These are financial assets whose contractual terms do not only require repayments of principal and payments of interest on the amount of principal to be repaid, or which are not held for the collection of contractual cash flows (Hold to Collect business model), or whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets (Hold to Collect and Sell business model);
- financial assets measured at fair value, i.e. financial assets that are defined as such upon initial recognition and when the conditions apply. In relation to this case, an entity may irrevocably designate a financial asset as measured at fair value through profit or loss only if it eliminates or significantly reduces a measurement inconsistency.

Therefore, this item shows:

- the debt securities and loans that are included in an Other/Trading business model (and thus not associable with a Hold to Collect or Hold to Collect and Sell business model), or that do not pass the test on contractual characteristics (SPPI test);
- equity instruments which cannot be qualified as controlling or associated interests, and for which the option for measurement through other comprehensive income was not exercised upon initial recognition;
- units in mutual funds.

This item also consists of derivatives, recognised as financial assets held for trading, which are recognised as assets if their fair value is positive.

According to the general rules established by IFRS9 on the reclassification of financial assets (except for equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets.

Initial recognition of financial assets occurs at settlement date for debt securities and equity instruments, at disbursement date for loans and at trade date for derivative contracts.

Upon initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value,

without considering transaction costs or revenues directly attributable to the instrument.

After initial recognition, the financial assets measured at fair value through profit or loss are carried at fair value. The effects of application of this measurement method are recognised in profit or loss.

Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets.

### SECTION 2 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This category consists of the financial assets which meet both of the following conditions:

- the financial asset is held under a business model whose objective may be pursued both through the collection of contractually required cash flows and through sale (Hold to Collect and Sell business model);
- the contractual terms of the financial asset require cash flows at fixed dates represented solely by payments of principal and interest on the principal to be repaid.

This category also includes equity instruments that are not held for trading and for which at the time of initial recognition the option for designation at fair value through other comprehensive income has been exercised.

In particular, this item includes:

- the debt securities that fall under a Hold to Collect and Sell business model and which have passed the test on contractual characteristics (SPPI test);
- the equity interests that do not qualify as controlling, associated or joint control interests, which are not held for trading, and for which the option of designation at fair value through other comprehensive income has been exercised.

No reclassifications to other categories of financial assets are allowed, except when the entity modifies its own business model for the management of financial assets.

These financial assets are initially recognised at the settlement date for debt securities and equities. The assets are recognised at fair value upon initial recognition, inclusive of the transaction costs or income directly attributable to the instrument itself.

After initial recognition, the Assets classified at fair value through other comprehensive income, other than equity instruments, are measured at fair value, with the recognition in profit or loss of the impact resulting from the application of the amortised cost, the impairment effects and any exchange rate effect, whereas the other gains and losses resulting from a change in fair value are recognised in a specific shareholders' equity reserve until the financial asset is derecognised. Upon sale of all or part of the financial asset, the gain or loss accumulated in the valuation reserve are transferred entirely or partially to the income statement. The equity instruments which were classified in

this category are measured at fair value, and the amounts recognised through equity must not be subsequently transferred to the income statement, not even upon disposal. Dividends are the only component that can be associated with the equity instruments in question and which is recognised in profit or loss.

The Financial assets measured at fair value through other comprehensive income are subject to testing of a significant increase in credit risk (impairment) under IFRS 9, with consequent recognition in profit or loss of an adjustment to cover the expected losses. More specifically, for instruments classified as stage 1 (i.e., financial assets at origination and instruments for which there has not been a significant increase in credit risk since the initial recognition date), a 12-month expected loss is recognised on the initial recognition date and at each subsequent reporting date. For instruments classified as stage 2 (performing exposures for which there has been a significant increase in credit risk since the initial recognition date) and as stage 3 (credit-impaired exposures), a lifetime expected loss for the financial instrument is recognised. Equity instruments are not subject to the impairment process.

Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets.

### SECTION 3 - FINANCIAL ASSETS MEASURED AT AMORTISED COST

This category includes the financial assets (in particular loans and debt securities) that meet both the following conditions:

- the financial asset is held under a business model whose objective is achieved through the collection of expected contractual cash flows (Hold to Collect business model);
- the contractual terms of the financial asset require cash flows at fixed dates represented solely by payments of principal and interest on the principal to be repaid.

In particular, this item includes:

- loans to banks in the different technical forms that meet the requirements set out in the paragraph above;
- loans to customers in the different technical forms that meet the requirements set out in the paragraph above;
- the debt securities that meet the requirements set out in the paragraph above.

This category also includes the operating receivables connected with the performance of financial activities and services.

No reclassifications to other categories of financial assets are allowed, except when the entity modifies its own business model for the management of financial assets.

Initial recognition of the financial asset occurs at settlement date for debt securities and at disbursement date for loans.

The assets are recognised at fair value upon initial recognition, inclusive of the transaction costs or income directly attributable to the instrument itself.

In particular, for loans, the disbursement date is usually the same as the date of signing of the contract. Should this not be the case, a commitment to disburse funds is made along the subscription of the contract, which will cease to exist upon disbursement of the loan. The loan is recognised on the basis of its fair value, which is equal to the amount disbursed plus the costs/income which can be directly linked with the individual loan.

After initial recognition, the financial assets examined here are measured at amortised cost using the effective interest rate method. This method is not used for assets measured at historic cost, whose short duration minimises the effect of discounting, for those without a definite maturity date and for revocable loans.

The accounting policies are strictly connected with inclusion of the instruments examined here in one of the three stages of credit risk envisaged in IFRS 9. The last of these (stage 3) covers non-performing financial assets and the remainder (stages 1 and 2) performing financial assets.

With regard to the accounting representation of the above measurement effects, the value adjustments for this type of asset are recognised in profit or loss:

- upon initial recognition, for an amount equal to the expected loss at 12 months;
- on subsequent measurement of the asset, when the credit risk has not increased significantly since initial recognition, in relation to changes in the amount of adjustments for the 12-month expected credit losses;
- upon subsequent measurement of the asset, if the credit risk has significantly increased from its initial recognition, according to the recognition of adjustments for expected losses over the entire remaining contractually envisaged life of the asset;
- on subsequent measurement of the asset, where – after a significant increase in credit risk has occurred since initial recognition – the increase is no longer “significant” due to the alignment of the cumulative value adjustments to take account of the change from a lifetime expected credit loss to a 12-month expected credit loss for the instrument.

If the analysed financial assets are performing, they are assessed to determine the adjustments to be recognised in the financial statements for each individual loan (or “tranche” of securities), according to the risk parameters represented by Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD). If, in addition to a significant increase in credit risk, there is also objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the asset – classified as non-performing, like all the other relationships with the same counterparty – and the present value of the estimated future cash flows, discounted using the



original effective interest rate. The amount of the loss to be recognised in the income statement shall be defined according to an analytical measurement process or determined according to uniform categories and then analytically attributed to each position. Non-performing assets include financial assets classified as doubtful, unlikely-to-pay or past due by over ninety days according to the rules issued by the Bank of Italy, in line with the IAS/IFRS and EU Supervisory Regulations.

The expected cash flows take into account the expected recovery times and the estimated realisable value of any guarantees. The original effective rate of each asset remains unchanged over time even if the relationship has been restructured with a variation of the contractual interest rate and even if the relationship, in practice, no longer bears contractual interest. 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. Recoveries on impairment with time value effects are recognised in net interest income. In some cases, during the lifetime of these financial assets, and of loans in particular, the original contractual conditions may be subsequently modified by the parties to the contract. When the contractual clauses are subject to change during the lifetime of an instrument, it is necessary to verify whether the original asset should continue to be recognised in the balance sheet or whether, instead, the original instrument needs to be derecognised and a new financial instrument needs to be recognised. In general, changes to a financial asset lead to its being derecognised and the recognition of a new asset when those changes are substantial. The extent of the change has to be assessed by considering both qualitative and quantitative elements.

The analyses aimed at defining the substantial nature of contractual changes made to a financial asset must therefore consider:

- the reasons why the changes were made: for example, renegotiation for commercial reasons and concessions due to financial difficulties of the counterparty:
  - the former, aimed at “retaining” the customer, involve a borrower that is not in financial difficulty. This category includes all renegotiations aimed at aligning the cost of the debt to market conditions. These operations involve a change in the original conditions of the contract, usually requested by the borrower and relating to aspects concerning the cost of the debt, with a consequent economic benefit for the borrower. In general, whenever the bank carries out a renegotiation to avoid losing its customer, that renegotiation should be considered as substantial because, if it were not carried out, the customer could borrow from another intermediary and the bank would incur a decrease in expected future revenues;
  - the latter, carried out for reasons of credit risk (forbearance measures), relate to the bank’s attempt to maximise the recovery of the cash flows of the original loan. The underlying risks and rewards, following the changes, are not normally substantially transferred and,

consequently, the accounting representation that provides the most relevant information for the readers of the financial statements is “modification accounting” – which involves the recognition through profit or loss of the difference between the carrying value and the present value of the modified cash flows discounted at the original interest rate – rather than derecognition;

- the presence of specific objective elements (“triggers”) that influence the characteristics and/or contractual flows of the financial instrument (e.g. the change of currency or change in the type of risk exposure) which are believed to involve derecognition in light of their significant impact on the original contractual flows.

Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets.

## SECTION 4 - HEDGING TRANSACTIONS

The Group has exercised the option allowed upon the introduction of IFRS 9 to continue applying all the provisions of IAS 39 relating to hedge accounting (in the carved out version endorsed by the European Commission) for all types of hedges.

The purpose of hedging transactions is to neutralise contingent losses attributable to a specific risk and recognisable on a specific element or group of elements if that specific risk should actually materialise.

The following types of hedges are used:

- fair value hedge: its purpose is to hedge the exposure to changes in fair value (attributable to the different types of risk) of assets and liabilities or portions thereof carried on the balance sheet, groups of assets/liabilities, irrevocable commitments and portfolios of financial assets and liabilities. The purpose of macro hedges is to reduce fluctuations in the fair value of an amount of money that are attributable to interest rate risk and stemming from a portfolio of financial assets or liabilities. Net amounts resulting from the netting of assets and liabilities cannot be covered by macro hedges.
- cash flow hedge: its purpose is to hedge the exposure to changes in future cash flows attributable to specific risks associated with financial statement items. This type of hedge is essentially used to stabilise the cash flows to be used for planned foreign currency transactions. The financial instruments involving a counterparty outside the Group may be designated as hedging instruments.

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 chan-

ge 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. In the case of macro hedge transactions, the changes in fair value referring to the hedged risk of the hedged assets and liabilities are recognised in the balance sheet at item 60. "Adjustments to financial assets subject to macro-hedging" or 50. "Adjustments to financial liabilities subject to macro-hedging". In the case of cash flow hedges, changes in the fair value of the derivative are allocated to shareholders' equity for the effective portion of the hedge, and are recognised in the income statement only when, with reference to the hedged item, there is a change in the cash flows to be offset or if the hedge is ineffective.

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 that 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 5 - 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 financial policies and management choices by virtue of legal and de facto ties. Significant influence 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 the income statement. 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 6 - PROPERTY AND EQUIPMENT

Property and equipment includes land, non-investment property, technical plant and equipment, furniture and furnishings, machinery, equipment and valuable art assets.

The property and equipment held for use in the production or supply of goods and services are classified as assets used in operations in accordance with IAS 16. Non-investment property 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. The special maintenance costs that increase the future economic benefits of assets are allocated as increases in the value of the assets, while other ordinary maintenance costs are recognised in the income statement. After initial recognition, property and equipment are measured at cost, deducting depreciation and any impairment, with the exception of property used in operations and valuable art assets, which are measured according to the value recalculation method.

For property and equipment subject to measurement according to the revaluation method:

- if the book value of the asset is increased after its value is recalculated, the increase has to be recognised in the statement of comprehensive income and accumulated in shareholders' equity under valuation reserves. Instead, when a revaluation of the same asset that was previously recognised in the income statement is reversed, income has to be recognised;
- if the book value of an asset is reduced after its value is recalculated, the reduction has to be recognised in the statement of comprehensive income as an excess revaluation to the extent that there are any net amounts credited in the revaluation reserve referring to that asset; otherwise that reduction has to be recognised in the income statement.

The depreciable value is distributed systematically over the useful life of the asset on a straight-line basis with the exception of 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.

An item of property and equipment is 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 7 - INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets without physical substance that originate in legal or contractual rights. They include software developed in-house or purchased from third parties, goodwill and the intangible assets connected with customers recognised on the balance sheet after business combinations.

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 book value. If there is evidence of the impairment of an asset, the asset's recoverable value is estimated. The impairment is recognised in the income statement as the difference between the asset's carrying value and recoverable value.

In particular, intangible assets include:

- intangible assets based on technology, such as application software, which are amortised according to their expected technological obsolescence and, regardless, over no more than seven years; 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.
- intangible assets connected with customers represented by measurement of the value in business combinations of the client asset management relationships and non-finan-

cial assets connected with the provision of services. These definite life assets are originally recognised at a value measured through discounting, with use of a rate representing the time value of money and the specific risks of the asset, the flows representing the profit margins over a period equal to the residual, contractual, or estimated life of the relationships existing when the combination is executed. They are amortised on a straight-line basis over the period of the expected flow economic benefits.

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 the income statement. 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 the income statement.

## SECTION 8 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets or groups of assets/liabilities for which the sale process has been initiated and their sale is deemed highly probable are classified in assets as "Non-current assets held for sale and discontinued operations" and in liabilities as "Liabilities associated with non-current assets held for sale and discontinued operations". These assets/liabilities are recognised at the lesser between their carrying value and their fair value net of transaction costs, except for certain types of assets (e.g. financial assets covered by IFRS9), for which IFRS5 specifically requires that the measurement methods of the applicable accounting standard have to be applied. Income and expenses (net of tax) attributable to discontinued operations or recognised as such during the year are shown in a separate item on the income statement.

## SECTION 9 - 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 tax authorities 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 or 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 availed themselves of the Italian tax consolidation regime 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. On the other hand, when the deferred tax assets and liabilities regard transactions that have had a direct effect on shareholders' equity without impacting the income statement, they are recorded as a balancing entry under shareholders' equity, in respect of the related reserves, if any.

## SECTION 10 - PROVISIONS FOR RISKS AND CHARGES

### Provisions for risks and charges to cover commitments and guarantees

This item contains the provisions for credit risk recognised for loan commitments and guarantees given that come under the scope of the IFRS9 impairment rules. The same rules for allocation among the credit risk stages and for calculation have been adopted for these cases to calculate the expected loss shown in reference to the financial assets measured at amortised cost or at fair value through comprehensive income.

### 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, reco-

gnised 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 of the 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 legal liabilities connected with employment relationships or litigation, whose amount or due date is uncertain and which are recognised in the financial statements for the following reasons because:

- 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 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.

The provision is reversed when it becomes unlikely that resources will be invested in sufficient quantity to produce economic benefits and fulfil the obligation or when the obligation is extinguished.

This item also includes long-term employee benefits, whose expenses are determined by using the same actuarial methods described for pension funds. Actuarial gains and losses are all recognised immediately in the income statement.

## SECTION 11 - FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

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. Financial liabilities are derecognised when they mature or are settled.



## SECTION 12 - FINANCIAL LIABILITIES HELD FOR TRADING

Financial liabilities held for trading are recognised on the subscription date or issue date at a value equal to the fair value of the instrument, without considering any transaction costs or income directly attributable to the tools themselves. This category includes derivative contracts held for trading with a negative fair value and liabilities regarding technical short positions generated by dealing in securities. All trading liabilities are measured at fair value with allocation of the result of valuation in the income statement. The financial trading liabilities are derecognised when the contractual rights to the associated cash flows expire or when the financial liability is sold with substantial transfer of all the risks and benefits deriving from ownership thereof.

## SECTION 14 - 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 the income statement 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. On the contrary, when a profit or loss is recognised in the income statement, the related exchange rate difference is also recognised in the income statement.

## SECTION 16 - 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 December 2006. The Provision for employment termination indemnities accrued up until 31 December 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. 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.

In the financial statements, in case of securities lending transactions without collateral, or with collateral in the form of other securities, the loaned security and the security provided as collateral continue 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. On the contrary, 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 he receives 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.

#### 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 share-based remuneration plans for employees are recognised in the income statement, with a corresponding increase in shareholders' equity, on the basis of the fair value of the financial instruments granted at the assignment date, by dividing the cost over the expected period of the plan.

#### 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.

#### Recognition of income and costs

Income consists of flows of economic benefits deriving from the performance of ordinary activity and is recognised in the income statement at the time control or the assets or services is transferred to the customer, for an amount representing the amount of the consideration which is deemed to be owed. In particular, income is recognised through the application of a model that has to meet the following criteria:

- identification of the contract, defined as an agreement in which the parties promise to fulfil their mutual obligations;
- specification of the individual performance obligations contained in the agreement;
- determination of the transaction price, i.e. the consideration expected for transfer of the assets or services to the customer;
- allocation of the price of the transaction to each performance obligation on the basis of the sale prices of the individual obligation;
- recognition of income when (or gradually as) the performance obligation is satisfied with transfer to the customer of the promised asset or service.

The transaction price represents the amount of the consideration to which the seller believes it is entitled in exchange for transfer of the promised goods and services to the customer. This may include fixed or variable amounts or both types. The income comprised of variable consideration is recognised in the income statement if it can be reliably estimated and only if it is highly likely that that consideration will not have to be reversed from the income statement in future years. When factors of uncertainty tied to the nature of the consideration strongly prevail, the consideration shall be recognised only when such uncertainty is resolved.

Revenue may be recognised:

- at a precise time, when the entity fulfils its performance obligation by transferring the promised asset or service to the customer, or
- over time, as the entity gradually fulfils its performance obligation by transferring the promised asset or service to the customer.

The asset is transferred when, or over the period during which, the customer acquires control over it. 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 in the income statement only at the time of actual 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; The fee and commission income counted in the amortised cost for determining the effective interest rate is recognised as interest;
- 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, or when the performance obligation towards the customer is satisfied.

Costs are recognised in the income statement according to the accrual method. The costs for obtaining and performing agreements with customers are recognised in the income statement in the periods in which the related income is recognised.

#### 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 derecognised 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.

IFRS3 is the reference accounting standard for business combinations. This standard 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 contingent 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 IFRS3. 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 IAS8 - 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;
- assessing the fairness of the value of goodwill and other intangible assets;
- quantifying the fair value of real estate and valuable art assets;
- 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.

#### Classification criteria for financial assets

The classification of financial assets in the three categories envisaged by IFRS 9 is based on two classification criteria, or drivers:

- the business model used for management of the financial instruments;
- the contractual characteristics of the cash flows of the financial assets.

The classification of the financial assets derives from the combined effect of the two drivers mentioned above as described below:

- Financial assets measured at amortised cost: assets that pass the test on contractual characteristics (SPPI test) and fall in the Hold to Collect (HTC) business model;
- Financial assets measured at fair value through other comprehensive income (FVOCI): assets that pass the SPPI test and fall in the Hold to Collect and Sell (HTCS) business model;
- Financial assets measured at fair value through profit or loss (FVTPL): this is a residual category, which includes financial instruments that cannot be classified in the previous categories based on the results of the business model or the test of the contractual cash flow characteristics (SPPI test not passed).

#### SPPI test

For a financial asset to be classified as at amortised cost or at FVOCI – in addition to the analysis of the business model – the contractual terms of the asset must also provide, on specified dates, for cash flows consisting of solely payments of principal and interest (SPPI). This analysis must be carried out for loans and debt securities in particular.

The SPPI test must be carried out on every single financial instrument when it is recognised in the financial statements. After initial recognition and as long as it is carried on the balance sheet, the asset is no longer subject to new measurements for the purposes of the SPPI test.

If the test shows that the contractual cash flows are significantly different from the cash flows of a benchmark instrument, the contractual cash flows cannot be considered compliant with the definition of SPPI. The presence of contractual clauses that may change the frequency or amount of the contractual cash flows must also be considered to determine whether those cash flows meet the requirements to be considered as SPPIs.

#### Business model

With regard to the business models, IFRS9 identifies three cases relating to the way in which cash flows and sales of financial assets are managed:

- Hold to Collect (HTC): this is a business model whose objective is achieved by collecting the contractual cash flows of the financial assets included in the portfolios associated to it. The inclusion of the portfolio of financial assets in this business model does not necessarily result in the inability to sell the instruments, but the frequency, value and timing of sales in prior periods, the reasons for the sales, and the expectations about future sales, need to be considered;
- Hold to Collect and Sell (HTCS): this is a mixed business model whose objective is achieved by collecting the contractual cash flows of the financial assets in portfolio and also through the sale of the financial assets, which is an integral part of the strategy. Both activities (collection of contractual flows and sale) are indispensable for achieving the business model's objective. Accordingly, sales are more frequent and significant than for an HTC business model and are an integral part of the strategies pursued;
- Other/Trading: this is a residual category that includes both financial assets held for trading and financial assets managed with a business model that does not come under the previous categories (Hold to Collect and Hold to Collect and Sell). In general, this classification applies to a portfolio of financial assets whose management and performance are measured based on fair value.

The business model reflects the way in which financial assets are managed to generate cash flows for the benefit of the entity and is defined by top management with the appropriate involvement of the business structures. It is observed by considering the way in which financial assets are managed and, as a consequence, the extent to which the portfolio's cash flows derive from the collection of contractual flows, from the sale of the financial assets, or from both.

The business model does not depend on management intentions regarding an individual financial instrument but refers to the ways in which groups of financial assets are managed to achieve a specific business objective.

In summary, the business model:

- reflects the way in which financial assets are managed to generate cash flows;
- is defined by top management with the participation of business units as appropriate;

- must be observable by considering the way the financial assets are managed.

### 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 is 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.

IFRS13 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 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 measurement 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. These 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 at 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. 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, debt securities recognised in financial assets measured at fair value through other comprehensive income and for 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

#### *Impairment of financial assets*

At every reporting date, the financial assets other than those measured at fair value through profit or loss are tested to determine whether there is evidence that might justify considering that the carrying value of those assets cannot be fully recovered. A similar analysis is also performed for the commitments to disburse funds and for the guarantees that fall within the scope of impairment under IFRS 9. If such evidence exists ("evidence of impairment"), the financial assets in question shall be considered doubtful and placed in stage 3. Adjustments equal to the expected losses for their entire remaining lifetime have to be recognised for these exposures, which are represented by the financial assets classified - pursuant to the provisions of Bank of Italy Circular 262/2005 - in the categories of doubtful loan, unlikely to pay, and past due for more than ninety days categories.

For financial assets for which there is no evidence of impairment (performing financial instruments), on the other hand it is necessary to check whether there are indicators that the credit risk of the individual transaction has increased significantly since initial recognition. This check, in terms of classification (or, more precisely, staging) and measurement, has the following consequences:

- when those indicators exist, the financial asset is classified in stage 2. Measurement in that case, even in the absence of manifest impairment, requires the recognition of adjustments equal to the losses expected over the entire residual lifetime of the financial instrument. These adjustments are subject to revision at each subsequent reporting date, both to periodically check their consistency with the continuously updated loss estimates and to take account - if the indicators of "significantly increased" credit risk are no longer present - of the change in the forecast period for the calculation of the expected credit loss;
- when those indicators do not exist, the financial asset is classified in stage 1. In that case, even if there is no manifest impairment, the measurement must recognise the expected losses for the specific financial instrument over the following 12 months. These adjustments are subject to revision at each subsequent reporting date both to periodically check their consistency with the continuously updated loss estimates and to take into account - if there are indicators that the credit risk has "significantly increased" - the change in the forecast period for the calculation of the expected loss.

The following elements have to be considered for measurement of the financial assets and, in particular, identification of the "significant increase" in credit risk (a necessary and sufficient condition for classification of the measured stage 2 asset):

- the variation of the lifetime probabilities of default compared to the time of initial recognition of the financial

instrument. This is therefore an assessment made on a relative basis, which constitutes the main driver;

- any presence of payments that are at least 30 days past due. In that case, the credit risk of the exposure is considered to be presumably and "significantly increased" and consequently the asset is moved to stage 2;
- any presence of forbearance measures that entail classifying the exposures among those whose credit risk has increased significantly since initial recognition.

Once the allocation of the exposures to the various credit risk stages has been established, the expected credit losses (ECL) are determined at individual transaction or securities tranche level, using the IRB/Business models, based on the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), to which appropriate corrections are made to ensure compliance with the requirements of IFRS9.

The following definitions apply to PD, LGD, and EAD:

- PD (Probability of Default): likelihood of being moved from the status of performing to that of non-performing loan over a one-year time horizon; in the models consistent with supervisory provisions, the PD factor is typically quantified through the rating;
- LGD (Loss Given Default): percentage of loss in the event of default. In the models that are consistent with supervisory regulations, it is quantified through the historic experience of recoveries discounted on the loans that have been reclassified as non-performing;
- EAD (Exposure At Default) or credit equivalent: amount of exposure at the time of default.

#### *Impairment of 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.

The fair value of properties is determined on the basis of an appraisal prepared by an independent appraiser.

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. The two values diverge, causing impairment, in the event of damage, exit from the production process, or other similar and non-recurrent circumstances.

The intangible assets recognised after acquisitions and in application of IFRS3 at every reporting date are subject to an impairment test to determine whether there is any objective evidence that the asset might have lost value.

Definite life intangible assets, as represented by the value of the asset management portfolio, are subject to a new measurement process to verify the recoverability of the amounts recognised in the financial statements when impairment indicators exist. The recoverable value is determined on the basis of its value in use, or its present value, which is estimated by using a rate representing the time value of money and the specific risks of the asset, the profit margins generated by the relationships existing at the measurement date over a time horizon equal to their expected residual duration.

Since indefinite life intangible assets, represented by goodwill, do not feature independent cash flows, they are annually tested for the adequacy of the value recognised in the assets referring to the Cash Generating Unit (CGU) to which the values were assigned upon business combinations. Impairment is measured as the difference between the carrying value of the CGU and its recoverable value, represented as the greater between the fair value, net of any transaction costs, and its value in use. The carrying value of the CGUs must be determined consistently with the method used to determine their recoverable value.

## A.3 - TRANSFERS OF FINANCIAL ASSETS DISCLOSURES

After the adoption of IFRS9, the Group has not made any changes in its business model for the management of its own financial assets and, consequently, no transfers have been made between portfolios of financial assets. According to the general rules established by IFRS9 on the transfers of financial asset portfolios (except for equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the business model is changed for those financial assets. Therefore, those changes are infrequent and have to be decided by management only after significant external or internal changes.

However, we point out that certain supplemental information has to be provided in the year of first-time adoption of IFRS9 concerning the provisions governing the classification and measurement of financial assets. Accordingly, it is noted that the Group, upon first-time adoption of the new accounting standard, has reclassified €468m in bonds from the available-for-sale bonds portfolio to the portfolio of financial assets measured at amortised cost.

The table below shows the book value, fair value and effects on the Group's total comprehensive income of the reclassified bonds.

TYPE OF FINANCIAL INSTRUMENT	SOURCE CATEGORY	DESTINATION CATEGORY	RECLASSIFICATION DATE	RESTATED BOOK VALUE AT 31.12.2018	FAIR VALUE AT 31.12.2018	GAINS/LOSSES WITHOUT TRANSFER IN SHAREHOLDERS' EQUITY (PRE-TAX)	INTEREST INCOME RECOGNISED IN THE PERIOD (PRE-TAX)
Debt securities	Financial assets available for sale	Financial assets measured at amortised cost	1.1.2018	599	543	(56)	21

## 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. IFRS13 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 measurement 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 valued 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 banking book 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	31.12.2018			31.12.2017		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets measured at fair value through profit or loss	16	278	-	7	295	-
a) financial assets held for trading	-	27	-	-	43	-
b) financial assets measured at fair value	-	-	-	7	252	-
c) other financial assets mandatorily measured at fair value	16	251	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	3,269	25	-	4,039	557	-
3. Hedging derivatives	-	-	-	-	5	-
4. Property and equipment	-	-	70	-	-	42
5. Intangible assets	-	-	-	-	-	-
<b>Total</b>	<b>3,285</b>	<b>303</b>	<b>70</b>	<b>4,046</b>	<b>857</b>	<b>42</b>
1. Financial liabilities held for trading	-	28	-	-	45	-
2. Financial liabilities measured at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	808	-	-	981	-
<b>Total</b>	<b>-</b>	<b>836</b>	<b>-</b>	<b>-</b>	<b>1,026</b>	<b>-</b>

## A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (Level 3)

	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS					FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY AND EQUIPMENT	INTANGIBLE ASSETS
	TOTAL	OF WHICH: A) FINANCIAL ASSETS HELD FOR TRADING	OF WHICH: B) FINANCIAL ASSETS MEASURED AT FAIR VALUE	OF WHICH: C) OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE					
<b>1. Opening balance</b>	<b>42</b>	-	-	-	-	-	-	<b>42</b>	-
<b>2. Increases</b>	<b>28</b>	-	-	-	-	-	-	<b>28</b>	-
2.1 Purchases	28	-	-	-	-	-	-	28	-
2.2 Profits recognised under:	-	-	-	-	-	-	-	-	-
2.2.1 Income statement	-	-	-	-	-	-	-	-	-
- including capital gains	-	-	-	-	-	-	-	-	-
2.2.2 Shareholders' equity	-	X	X	X	-	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-	-	-	-
<b>3. Decreases</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1 Sales	-	-	-	-	-	-	-	-	-
3.2 Redemptions	-	-	-	-	-	-	-	-	-
3.3 Losses recognised under:	-	-	-	-	-	-	-	-	-
3.3.1 Income statement	-	-	-	-	-	-	-	-	-
- including losses	-	-	-	-	-	-	-	-	-
3.3.2 Shareholders' equity	-	X	X	X	-	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-	-
<b>4. Closing balance</b>	<b>70</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70</b>	<b>-</b>

## 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	31.12.2018				31.12.2017			
	BOOK VALUE	LEVEL 1	LEVEL 2	LEVEL 3	BOOK VALUE	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets measured at amortised cost	35,131	247	16,841	17,545	32,155	-	21,463	10,784
2. Investment property and equipment	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and discontinued operations	12	-	-	12	-	-	-	-
<b>Total</b>	<b>35,143</b>	<b>247</b>	<b>16,841</b>	<b>17,557</b>	<b>32,155</b>	<b>-</b>	<b>21,463</b>	<b>10,784</b>
1. Financial liabilities measured at amortised cost	35,496	-	32,463	3,033	33,222	-	29,023	4,208
2. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
<b>Total</b>	<b>35,496</b>	<b>-</b>	<b>32,463</b>	<b>3,033</b>	<b>33,222</b>	<b>-</b>	<b>29,023</b>	<b>4,208</b>



## PART B - NOTES TO THE CONSOLIDATED BALANCE SHEET

## ASSETS

## SECTION 1 - CASH AND CASH EQUIVALENTS - ITEM 10

## 1.1 Cash and cash equivalents: analysis

	31.12.2018	31.12.2017
a) Cash	90	53
b) Demand deposits with Central Banks	220	25
<b>Total</b>	<b>310</b>	<b>78</b>

## SECTION 2 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - ITEM 20

## 2.1 Financial assets held for trading: analysis

	31.12.2018			31.12.2017		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Cash assets</b>						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equities	-	-	-	-	-	-
3. Units in mutual funds	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreement assets	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
<b>Total A</b>	-	-	-	-	-	-
<b>B. Derivatives</b>						
1. Financial derivatives	-	27	-	-	43	-
1.1 Held for trading	-	27	-	-	43	-
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	-	-	-	-	-	-
<b>Total B</b>	-	27	-	-	43	-
<b>Total (A+B)</b>	-	27	-	-	43	-

## 2.2 Financial assets held for trading: analysis by debtor/issuer/counterparty

	31.12.2018	31.12.2017
<b>A. Cash assets</b>		
<b>1. Debt securities</b>	-	-
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other Financial Institutions	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
<b>2. Equities</b>	-	-
a) Banks	-	-
b) Other Financial Institutions	-	-
of which: insurance companies	-	-
c) Non-financial companies	-	-
d) Other issuers	-	-
<b>3. Units in mutual funds</b>	-	-
<b>4. Loans</b>	-	-
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other Financial Institutions	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
<b>Total A</b>	-	-
<b>B. Derivatives</b>		
a) Central Counterparties	-	-
b) Other	27	43
<b>Total B</b>	27	43
<b>Total (A+B)</b>	27	43

## 2.3 Financial assets measured at fair value: analysis

	31.12.2018			31.12.2017		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	-	-	-	7	251	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities (*)	-	-	-	7	251	-
<b>4. Loans</b>	-	-	-	-	1	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	-	-	1	-
<b>Total</b>	-	-	-	7	252	-

(\*) The net amount for 2017 includes €251m related to the insurance policies that the Group took out to insure the market yields of the Personal Financial Adviser Networks' Loyalty Schemes. Due to the first-time adoption of IFRS9, these policies were classified in 2018 as financial assets mandatorily measured at fair value. The other debt securities also conventionally include €7m for Intesa Sanpaolo shares held to service the incentive plans of risk takers, which were classified again in 2018 as financial assets mandatorily measured at fair value.

## 2.4 Financial assets measured at fair value: analysis by debtor/issuer

	31.12.2018	31.12.2017
<b>1. Debt securities</b>	-	<b>258</b>
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	7
d) Other Financial Institutions	-	251
of which: insurance companies	-	251
e) Non-financial companies	-	-
<b>2. Loans</b>	-	<b>1</b>
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	1
d) Other Financial Institutions	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
<b>Total</b>	-	<b>259</b>

## 2.5 Other financial assets mandatorily measured at fair value: analysis

	31.12.2018			31.12.2017		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	-	<b>251</b>	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities (*)	-	251	-	-	-	-
<b>2. Equities</b>	<b>5</b>	-	-	-	-	-
<b>3. Units in mutual funds</b>	<b>11</b>	-	-	-	-	-
<b>4. Loans</b>	-	-	-	-	-	-
4.1 Repurchase agreement	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
<b>Total</b>	<b>16</b>	<b>251</b>	-	-	-	-

(\*) The Level 2 debt securities regard the insurance policies taken out to insure the market yields of the Personal Financial Adviser Networks' Loyalty Schemes.

## 2.6 Other financial assets mandatorily measured at fair value: analysis by debtor/issuer

	31.12.2018	31.12.2017
<b>1. Equities</b>	<b>5</b>	-
of which: Banks	5	-
of which: other financial institutions	-	-
of which: non-financial companies	-	-
<b>2. Debt securities</b>	<b>251</b>	-
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other Financial Institutions	251	-
of which: insurance companies	251	-
e) Non-financial companies	-	-
<b>3. Units in mutual funds</b>	<b>11</b>	-
<b>4. Loans</b>	-	-
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other Financial Institutions	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
<b>Total</b>	<b>267</b>	-

## SECTION 3 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - ITEM 30

## 3.1 Financial assets measured at fair value through other comprehensive income: analysis

	31.12.2018			31.12.2017		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debt securities</b>	<b>3,269</b>	<b>25</b>	-	<b>4,038</b>	<b>557</b>	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	3,269	25	-	4,038	557	-
<b>2. Equities</b>	-	-	-	<b>1</b>	-	-
<b>3. Loans</b>	-	-	-	-	-	-
<b>Total</b>	<b>3,269</b>	<b>25</b>	-	<b>4,039</b>	<b>557</b>	-

The net amount of debt securities in 2017 conventionally includes €9m in mutual funds. Due to the first-time adoption of IFRS9, the units of mutual funds were classified in 2018 as financial assets mandatorily measured at fair value.

### 3.2 Financial assets measured at fair value through other comprehensive income: analysis by debtor/issuer

	31.12.2018	31.12.2017
<b>1. Debt securities</b>	<b>3,294</b>	<b>4,595</b>
a) Central Banks	-	-
b) Public entities	835	1,839
c) Banks	1,733	1,968
d) Other Financial Institutions	353	788
of which: insurance companies	29	-
e) Non-financial companies	373	-
<b>2. Equities</b>	<b>-</b>	<b>1</b>
a) Banks	-	1
b) Other issuers:	-	-
- Other Financial Institutions	-	-
of which: insurance companies	-	-
- Non-financial companies	-	-
- Other	-	-
<b>3. Loans</b>	<b>-</b>	<b>-</b>
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other Financial Institutions	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
<b>Total</b>	<b>3,294</b>	<b>4,596</b>

### 3.3 Financial assets measured at fair value through other comprehensive income: gross value and total net adjustments

	GROSS VALUE				TOTAL NET ADJUSTMENTS			TOTAL PARTIAL WRITE-OFFS
	FIRST STAGE	OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK	SECOND STAGE	THIRD STAGE	FIRST STAGE	SECOND STAGE	THIRD STAGE	
Debt securities	3,285	1,761	10	-	(1)	-	-	-
Loans	-	-	-	-	-	-	-	-
<b>Total 31.12.2018</b>	<b>3,285</b>	<b>1,761</b>	<b>10</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total 31.12.2017</b>	<b>4,596</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
of which: impaired financial assets that are purchased or originated	X	X	-	-	X	-	-	-



## SECTION 4 - FINANCIAL ASSETS MEASURED AT AMORTISED COST - ITEM 40

## 4.1 Financial assets measured at amortised cost: analysis of loans and advances to banks

	TOTAL 31.12.2018						TOTAL 31.12.2017					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: IMPAIRED, PURCHASED OR ORIGINATED	LEVEL 1	LEVEL 2	LEVEL 3	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: IMPAIRED, PURCHASED OR ORIGINATED	LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Due from Central Banks</b>	<b>339</b>	-	-	-	-	<b>339</b>	<b>634</b>	-	-	-	-	<b>634</b>
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Statutory reserve	339	-	-	X	X	X	634	-	-	X	X	X
3. Repurchase agreement	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
<b>B. Loans and advances to banks</b>	<b>22,726</b>	-	-	<b>3</b>	<b>11,940</b>	<b>10,675</b>	<b>21,876</b>	-	-	-	<b>17,968</b>	<b>4,216</b>
1. Loans	11,962	-	-	-	1,287	10,675	13,818	-	-	-	9,602	4,216
1.1 Current accounts and demand deposits	5,584	-	-	X	X	X	4,179	-	-	X	X	X
1.2 Term deposits	6,259	-	-	X	X	X	9,514	-	-	X	X	X
1.3 Other loans:	119	-	-	X	X	X	125	-	-	X	X	X
- Repurchase agreement assets	-	-	-	X	X	X	-	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	119	-	-	X	X	X	125	-	-	X	X	X
2. Debt securities	10,764	-	-	3	10,653	-	8,058	-	-	-	8,366	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	10,764	-	-	3	10,653	-	8,058	-	-	-	8,366	-
<b>Total</b>	<b>23,065</b>	-	-	<b>3</b>	<b>11,940</b>	<b>11,014</b>	<b>22,510</b>	-	-	-	<b>17,968</b>	<b>4,850</b>

Fair Value - Level 3 includes the statutory reserve and current accounts.

## 4.2 Financial assets measured at amortised cost: analysis of loans and advances to customers

	31.12.2018						31.12.2017					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
	FIRST AND SECOND STAGE	THIRD STAGE (*)	OF WHICH: IMPAIRED, PURCHASED OR ORIGINATED	LEVEL 1	LEVEL 2	LEVEL 3	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: IMPAIRED, PURCHASED OR ORIGINATED	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Loans</b>	<b>9,519</b>	<b>12</b>	-	-	<b>3,000</b>	<b>6,531</b>	<b>7,767</b>	<b>11</b>	-	-	<b>1,844</b>	<b>5,934</b>
1.1 Current accounts	6,222	11	-	X	X	X	5,684	9	-	X	X	X
1.2 Repurchase agreement assets	726	-	-	X	X	X	-	-	-	X	X	X
1.3 Loans	815	1	-	X	X	X	658	2	-	X	X	X
1.4 Credit cards, personal loans and loans with repayments deducted directly from wages	137	-	-	X	X	X	118	-	-	X	X	X
1.5 Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
1.6 Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7 Other transactions	1,619	-	-	X	X	X	1,307	-	-	X	X	X
<b>2. Debt securities</b>	<b>2,535</b>	-	-	<b>244</b>	<b>1,901</b>	-	<b>1,867</b>	-	-	-	<b>1,651</b>	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	2,535	-	-	244	1,901	-	1,867	-	-	-	1,651	-
<b>Total</b>	<b>12,054</b>	<b>12</b>	-	<b>244</b>	<b>4,901</b>	<b>6,531</b>	<b>9,634</b>	<b>11</b>	-	-	<b>3,495</b>	<b>5,934</b>

(\*) Non-performing assets comprised doubtful loans totalling €2m, debtor unlikely to pay loans totalling €7m and past due or overdue loans according to Bank of Italy rules totalling €3m.

Fair Value - Level 3 mainly includes current accounts and non-performing loans.

#### 4.4 Financial assets measured at amortised cost: analysis by debtor/issuer of loans and advances to customers

	31.12.2018			31.12.2017		
	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: IMPAIRED, PURCHASED OR ORIGINATED	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: IMPAIRED, PURCHASED OR ORIGINATED
<b>1. Debt securities</b>	<b>2,535</b>	-	-	<b>1,867</b>	-	-
a) Public entities	2,260	-	-	1,595	-	-
b) Other Financial Institutions	275	-	-	272	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
<b>2. Loans to:</b>	<b>9,519</b>	<b>12</b>	-	<b>7,767</b>	<b>11</b>	-
a) Public entities	-	-	-	-	-	-
b) Other Financial Institutions	1,710	1	-	632	1	-
of which: insurance companies	153	-	-	158	-	-
c) Non-financial companies	1,713	3	-	2,167	4	-
d) Households	6,096	8	-	4,968	6	-
<b>Total</b>	<b>12,054</b>	<b>12</b>	-	<b>9,634</b>	<b>11</b>	-

#### 4.5 Financial assets measured at amortised cost: gross value and total net adjustments

	GROSS VALUE				TOTAL NET ADJUSTMENTS			TOTAL PARTIAL WRITE-OFFS
	FIRST STAGE	OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK	SECOND STAGE	THIRD STAGE	FIRST STAGE	SECOND STAGE	THIRD STAGE	
Debt securities	11,551	9,311	1,763	-	(5)	(10)	-	-
Loans	20,460	12,948	1,376	26	(9)	(7)	(14)	-
<b>Total 31.12.2018</b>	<b>32,011</b>	<b>22,259</b>	<b>3,139</b>	<b>26</b>	<b>(14)</b>	<b>(17)</b>	<b>(14)</b>	-
<b>Total 31.12.2017</b>	<b>32,148</b>	-	-	<b>23</b>	<b>(4)</b>	-	<b>(12)</b>	-
of which: financial assets impaired, purchased or originated	X	X	-	-	X	-	-	-

### SECTION 5 - HEDGING DERIVATIVES - ITEM 50

#### 5.1 Hedging derivatives: analysis by type of hedge and level

	31.12.2018				31.12.2017			
	FAIR VALUE			NOMINAL VALUE	FAIR VALUE			NOMINAL VALUE
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
<b>A. Financial derivatives</b>	-	-	-	<b>35</b>	-	<b>5</b>	-	<b>2,417</b>
1. Fair value	-	-	-	35	-	5	-	2,417
2. Financial flows	-	-	-	-	-	-	-	-
3. Investments outside Italy	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	-	-	-	-	-	-	-	-
1. Fair value	-	-	-	-	-	-	-	-
2. Financial flows	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	<b>35</b>	-	<b>5</b>	-	<b>2,417</b>

**SECTION 6 - ADJUSTMENTS TO FINANCIAL ASSETS SUBJECT TO MACRO-HEDGING - ITEM 60**

## 6.1 - Adjustments to hedged assets: analysis by portfolio hedged

	31.12.2018	31.12.2017
<b>1. Positive adjustment</b>	<b>1</b>	<b>-</b>
1.1 of specific portfolios	1	-
a) financial assets measured at amortised cost	1	-
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 total	-	-
<b>2. Negative adjustment</b>	<b>-</b>	<b>-</b>
2.1 of specific portfolios	-	-
a) financial assets measured at amortised cost	-	-
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 total	-	-
<b>Total</b>	<b>1</b>	<b>-</b>

**SECTION 7 - EQUITY INVESTMENTS - ITEM 70**

## 7.1 Equity investments: information on equity relationships

COMPANY	REGISTERED OFFICE	OPERATIONAL HEAD OFFICE	TYPE OF RELATIONSHIP	OWNERSHIP		
				ASSOCIATE COMPANY	% OWNED	% VOTES
B. Companies subject to significant influence						
1. Fideuram Vita S.p.A.	Rome	Rome	1	Fideuram - Intesa Sanpaolo Private Banking	19.990	
2. Consorzio Studi e Ricerche Fiscali	Rome	Rome	1	Fideuram - Intesa Sanpaolo Private Banking	7.500	

Type of relationship:

1. Companies subject to significant influence.

## 7.2 Significant equity investments: book value, fair value and dividends received

	BOOK VALUE	FAIR VALUE	DIVIDENDS RECEIVED
<b>B. Companies subject to significant influence</b>			
1. Fideuram Vita S.p.A.	150		-

### 7.3 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 FROM CONTINUING OPERATIONS	PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	PROFIT (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS	NET PROFIT (LOSS) FOR THE YEAR	OTHER COMPREHENSIVE INCOME AFTER TAX	TOTAL COMPREHENSIVE INCOME
<b>B. Companies subject to significant influence</b>															
Fideuram Vita S.p.A.	X	30,558	1,026	30,204	631	2,085	X	X	74	52	-	52	(26)		25

### Reconciliation of financial statement data and book value of the equity investment

	FIDEURAM VITA
Shareholders' equity	749
Interest held by Fideuram	19.99%
Consolidated book value of the equity investment	150

### 7.5 Equity investments: changes in the year

	31.12.2018	31.12.2017
<b>A. Opening balance</b>	<b>148</b>	<b>141</b>
<b>B. Increases</b>	<b>7</b>	<b>9</b>
B.1 Purchases	1	-
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other increases (*)	6	9
<b>C. Decreases</b>	<b>4</b>	<b>2</b>
C.1 Sales	-	-
C.2 Value adjustments	-	-
C.3 Write-downs	-	-
C.4 Other decreases (**)	4	2
<b>D. Closing balance</b>	<b>151</b>	<b>148</b>
<b>E. Total revaluations</b>	-	-
<b>F. Total adjustments</b>	-	-

(\*) This item refers mainly to adjustment of the equity investment in Fideuram Vita S.p.A. to the equity value of the investee.

(\*\*) This item refers mainly to reclassification of the interest in Qingdao Yicai Ltd to non-current assets held for sale. This equity investment was sold to Intesa Sanpaolo S.p.A. in January 2019.

### 7.6 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.

### 7.8 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 9 - PROPERTY AND EQUIPMENT - ITEM 90

## 9.1 Functional property and equipment: analysis of assets measured at cost

	31.12.2018	31.12.2017
<b>1. Owned assets</b>	<b>13</b>	<b>11</b>
a) land	-	-
b) buildings	-	-
c) furniture	9	7
d) electronic equipment	2	2
e) other	2	2
<b>2. Assets purchased under financial leasing agreements</b>	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
<b>Total</b>	<b>13</b>	<b>11</b>
of which: obtained through execution of received guarantees	-	-

## 9.3 Functional property and equipment: analysis of revalued assets

	31.12.2018			31.12.2017		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Owned assets</b>	-	-	<b>70</b>	-	-	<b>42</b>
a) land (*)	-	-	23	-	-	22
b) buildings (*)	-	-	46	-	-	19
c) furniture (*)	-	-	1	-	-	1
d) electronic equipment	-	-	-	-	-	-
e) other	-	-	-	-	-	-
<b>2. Assets purchased under financial leasing agreements</b>	-	-	-	-	-	-
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic equipment	-	-	-	-	-	-
e) other	-	-	-	-	-	-
<b>Total</b>	-	-	<b>70</b>	-	-	<b>42</b>
of which: obtained through execution of received guarantees	-	-	-	-	-	-

(\*) The property used in operations and valuable art assets are measured according to the revaluation method. For more information see Part A – Accounting Policies.



## 9.6 Functional property and equipment: changes in the year

	LAND	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	TOTAL
<b>A. Gross opening balance</b>	<b>22</b>	<b>61</b>	<b>46</b>	<b>46</b>	<b>44</b>	<b>219</b>
A.1 Total net adjustments	-	(42)	(38)	(44)	(42)	(166)
<b>A.2 Net opening balance</b>	<b>22</b>	<b>19</b>	<b>8</b>	<b>2</b>	<b>2</b>	<b>53</b>
<b>B. Increases</b>	<b>1</b>	<b>30</b>	<b>4</b>	<b>1</b>	<b>-</b>	<b>36</b>
B.1 Purchases	-	29	4	1	-	34
of which: business combination transactions (*)	-	29	-	-	-	29
B.2 Expenditures for capitalised improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	1	-	-	-	1
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other increases	1	-	-	-	-	1
<b>C. Decreases</b>	<b>-</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>6</b>
C.1 Sales	-	-	-	-	-	-
C.2 Amortisation	-	2	2	1	-	5
C.3 Impairment 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	-	-	X	X	X	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other decreases	-	1	-	-	-	1
<b>D. Net closing balance</b>	<b>23</b>	<b>46</b>	<b>10</b>	<b>2</b>	<b>2</b>	<b>83</b>
D.1 Total net adjustments	-	44	39	46	42	171
<b>D.2 Gross closing balance</b>	<b>23</b>	<b>90</b>	<b>49</b>	<b>48</b>	<b>44</b>	<b>254</b>
E. Valuation at cost (**)	12	28	1	-	-	41

(\*) The amount refers to the value of real estate owned by the Morval Vonwiller Group acquired in the second quarter of 2018.

(\*\*) Valuable art assets, classified under furniture, were measured at their fair value. Their value at cost was €1m.

The depreciation rates applied to property and equipment were as follows (% range):

Buildings: 3%

Furniture: from 12% to 15%

Electronic equipment: from 25% to 33.3%

Other: from 7.5% to 30%

## SECTION 10 - INTANGIBLE ASSETS - ITEM 100

## 10.1 Intangible assets: analysis by type of asset

	31.12.2018		31.12.2017	
	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
<b>A.1 Goodwill</b>	<b>X</b>	<b>140</b>	<b>X</b>	<b>140</b>
A.1.1 Group interests	X	140	X	140
A.1.2 Third party interests	X	-	X	-
<b>A.2 Other intangible assets</b>	<b>86</b>	<b>-</b>	<b>48</b>	<b>-</b>
A.2.1 Assets valued at cost:	86	-	48	-
a) Internally generated intangible assets	1	-	1	-
b) Other assets	85	-	47	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
<b>Total</b>	<b>86</b>	<b>140</b>	<b>48</b>	<b>140</b>

## 10.2 Intangible assets: changes in the year

	GOODWILL	OTHER INTANGIBLE ASSETS: GENERATED INTERNALLY		OTHER INTANGIBLE ASSETS: OTHER		TOTAL
		FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE	
<b>A. Gross opening balance</b>	<b>140</b>	<b>1</b>	<b>-</b>	<b>89</b>	<b>-</b>	<b>230</b>
A.1 Total net adjustments	-	-	-	(42)	-	(42)
<b>A.2 Net opening balance</b>	<b>140</b>	<b>1</b>	<b>-</b>	<b>47</b>	<b>-</b>	<b>188</b>
<b>B. Increases</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>54</b>	<b>-</b>	<b>55</b>
B.1 Purchases	-	1	-	54	-	55
of which: business combination transactions (*)	-	-	-	35	-	35
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	-	-	-	-	-	-
<b>C. Decreases</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>17</b>
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	1	-	16	-	17
- Depreciation and amortisation	X	1	-	16	-	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	-	-	-	-	-	-
<b>D. Net closing balance</b>	<b>140</b>	<b>1</b>	<b>-</b>	<b>85</b>	<b>-</b>	<b>226</b>
D.1 Total net adjustments	-	1	-	58	-	59
<b>E. Gross closing balance</b>	<b>140</b>	<b>2</b>	<b>-</b>	<b>143</b>	<b>-</b>	<b>285</b>
F. Valuation at cost	-	-	-	-	-	-

(\*) The amount includes €34m for the intangible assets recognised after acquisition of the Morval Vonwiller Group in the second quarter of 2018. A comparison of the total cost of the acquisition and the shareholders' equity of the Morval Group (which has been revalued to account for the fair value of the acquired assets and liabilities), a €26m difference has arisen following measurement of the value of the asset connected with client asset management relationships. This difference was recognised as an intangible asset with a finite useful life at a carrying amount of €34m (including the tax effect) and will be amortised over 15 years on the basis of the useful life of the underlying assets.

The amortisation rate applied to intangible assets with a finite useful life recognised after acquisition of the Morval Vonwiller Group was 6.7%.

The amortisation rate applied to other intangible assets, mainly software, fell in a range between 14.3% and 33.3%.

**SECTION 11 - TAX ASSETS AND TAX LIABILITIES - ASSETS ITEM 110 AND LIABILITIES ITEM 60****11.1 Deferred tax assets: analysis**

Deferred tax assets, which are recognised in reference to temporary deductible differences, totalled €156m and consist of €125m for taxes recognised with a balancing entry in the income statement and €31m for taxes recognised with a balancing entry in shareholders' equity. The former mainly refer to accruals for future expenses, retained

losses, and loan impairment. The deferred tax assets with a balancing entry in shareholders' equity mainly refer to the taxes on negative valuation reserves accrued for financial assets measured at fair value through other comprehensive income and the recognition of actuarial losses on staff provisions.

**11.2 Deferred tax liabilities: analysis**

Deferred tax liabilities totalled €72m and include €48m for taxes recognised with a balancing entry in the income statement and €24m for taxes recognised with a balancing entry in shareholders' equity. The former mainly refer to the dividends to be collected and goodwill. The deferred tax liabilities with a balancing entry in shareholders' equity refer to the tax effect

recognised for the increased value of property used in operations after the adoption in 2017 of the revaluation method, taxes on the positive valuation reserves for financial assets measured at fair value through other comprehensive income, and the tax effect on intangible assets recognised after acquisition of the Morval Vonwiller Group in the second quarter of 2018.

**11.3 Changes in deferred tax assets (balancing entry in income statement)**

	31.12.2018	31.12.2017
<b>1. Opening balance</b>	<b>100</b>	<b>115</b>
<b>2. Increases</b>	<b>50</b>	<b>31</b>
2.1 Deferred tax liabilities recognised in the year	35	28
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	35	28
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	15	3
<b>3. Decreases</b>	<b>25</b>	<b>46</b>
3.1 Deferred tax liabilities reversed in the year	23	43
a) reversals	22	41
b) write-downs for uncollectibility	-	-
c) changes in accounting policies	-	-
d) other	1	2
3.2 Reduction in tax rates	2	2
3.3 Other decreases	-	1
a) conversion to tax credits in accordance with Italian law No. 214/2011	-	-
b) other	-	1
<b>4. Closing balance</b>	<b>125</b>	<b>100</b>

## 11.4 Changes in deferred tax assets pursuant to law 214/2011

	31.12.2018	31.12.2017
<b>1. Opening balance</b>	<b>17</b>	<b>21</b>
<b>2. Increases</b>	-	-
<b>3. Decreases</b>	-	<b>4</b>
3.1 Reversals	-	4
3.2 Conversion to tax credits	-	-
a) from operating losses	-	-
b) from tax losses	-	-
3.3 Other decreases	-	-
<b>4. Closing balance</b>	<b>17</b>	<b>17</b>

## 11.5 Changes in deferred tax liabilities (balancing entry in income statement)

	31.12.2018	31.12.2017
<b>1. Opening balance</b>	<b>33</b>	<b>34</b>
<b>2. Increases</b>	<b>42</b>	<b>27</b>
2.1 Deferred tax liabilities recognised in the year	42	27
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) other	42	27
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>27</b>	<b>28</b>
3.1 Deferred tax liabilities reversed in the year	3	2
a) reversals	2	1
b) due to changes in accounting policies	-	-
c) other	1	1
3.2 Reductions in tax rates	-	-
3.3 Other decreases	24	26
<b>4. Closing balance</b>	<b>48</b>	<b>33</b>

## 11.6 Changes in deferred tax assets (balancing entry in shareholders' equity)

	31.12.2018	31.12.2017
<b>1. Opening balance (*)</b>	<b>48</b>	<b>37</b>
<b>2. Increases</b>	<b>19</b>	<b>2</b>
2.1 Deferred tax liabilities recognised in the year	19	2
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) other	19	2
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>36</b>	<b>4</b>
3.1 Deferred tax liabilities reversed in the year	34	4
a) reversals	31	4
b) write-downs for uncollectibility	-	-
c) due to changes in accounting policies	-	-
d) other	3	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	2	-
<b>4. Closing balance</b>	<b>31</b>	<b>35</b>

(\*) The initial net amount at 1 January 2018 included €13m for the tax impact of first-time adoption of IFRS9.

## 11.7 Changes in deferred tax liabilities (balancing entry in shareholders' equity)

	31.12.2018	31.12.2017
<b>1. Opening balance (*)</b>	<b>27</b>	<b>19</b>
<b>2. Increases</b>	<b>13</b>	<b>17</b>
2.1 Deferred tax liabilities recognised in the year	-	17
a) from prior years	-	-
b) due to changes in accounting policies	-	7
c) other	-	10
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
2.4 Business combination transactions (**)	13	-
<b>3. Decreases</b>	<b>16</b>	<b>8</b>
3.1 Deferred tax liabilities reversed in the year	16	8
a) reversals	5	7
b) due to changes in accounting policies	-	-
c) other	11	1
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
3.4 Business combination transactions	-	-
<b>4. Closing balance</b>	<b>24</b>	<b>28</b>

(\*) The initial net amount at 1 January 2018 included €1m for the tax impact of first-time adoption of IFRS9.

(\*\*) The amount includes €8m for the tax effect on intangible assets recognised after acquisition of the Morval Vonwiller Group in the second quarter of 2018.

## 11.8 Other information

The Italian companies in the Fideuram Group availed 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 12 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND ASSOCIATED LIABILITIES - ASSETS ITEM 120 AND LIABILITIES ITEM 70

### 12.1 Non-current assets held for sale and discontinued operations: analysis by type of asset

	31.12.2018	31.12.2017
<b>A. Assets held for sale</b>		
A.1 Financial assets	-	-
A.2 Equity investments	12	-
A.3 Property and equipment	-	-
of which: obtained through execution of received guarantees	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
<b>Total A</b>	<b>12</b>	<b>-</b>
of which measured at cost	12	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
<b>B. Terminated operating activities</b>		
B.1 Financial assets measured at fair value through profit or loss	-	-
- financial assets held for trading	-	-
- financial assets measured at fair value	-	-
- other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Property and equipment	-	-
of which: obtained through execution of received guarantees	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
<b>Total B</b>	<b>-</b>	<b>-</b>
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
<b>C. Liabilities associated with assets held for sale</b>		
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
<b>Total C</b>	<b>-</b>	<b>-</b>
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
<b>D. Liabilities associated with discontinued operations</b>		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities measured at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
<b>Total D</b>	<b>-</b>	<b>-</b>
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

This item refers to the equity investment in Qingdao Yicai Ltd sold to Intesa Sanpaolo S.p.A. in January 2019.

**SECTION 13 - OTHER ASSETS - ITEM 130****13.1 Other assets: analysis**

	<b>31.12.2018</b>	<b>31.12.2017</b>
Due from tax authorities (*)	324	339
Prepaid expenses relating to Network incentives (**)	268	205
Due from Personal Financial Advisers (***)	231	190
Clearing accounts and other receivables	164	238
Other accrued income and prepaid expenses	20	15
Due from Intesa Sanpaolo under Italy's tax consolidation regime	12	12
Other receivables	46	46
<b>Total</b>	<b>1,065</b>	<b>1,045</b>

(\*) Includes €220m for advance stamp duty on non-managed financial products in accordance with art. 13, paragraph 2-ter, of the table of rates annexed to Italian Presidential Decree 642/72.

(\*\*) Prepaid expenses regarding the bonuses for meeting net inflow targets, linked to the duration of contractual relationships with customers.

(\*\*\*) 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.

## LIABILITIES

### SECTION 1 - FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - ITEM 10

#### 1.1 Financial liabilities measured at amortised cost: analysis of due to banks

	TOTAL 31.12.2018				TOTAL 31.12.2017			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Due to Central Banks</b>	-	X	X	X	-	X	X	X
<b>2. Due to banks</b>	<b>3,366</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>2,641</b>	<b>X</b>	<b>X</b>	<b>X</b>
2.1 Current accounts and demand deposits	882	X	X	X	165	X	X	X
2.2 Term deposits	359	X	X	X	154	X	X	X
2.3 Loans	2,101	X	X	X	2,286	X	X	X
2.3.1 Repurchase agreement liabilities (*)	2,101	X	X	X	2,286	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Debts from commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Other debts	24	X	X	X	36	X	X	X
<b>Total</b>	<b>3,366</b>	<b>-</b>	<b>1,588</b>	<b>1,778</b>	<b>2,641</b>	<b>-</b>	<b>598</b>	<b>2,052</b>

(\*) The item includes repurchase agreements with Intesa Sanpaolo.

Fair Value – Level 3 mainly includes repurchase agreements maturing in more than one year.

#### 1.2 Financial liabilities measured at amortised cost: analysis of due to customers

	TOTAL 31.12.2018				TOTAL 31.12.2017			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Current accounts and demand deposits	30,211	X	X	X	27,831	X	X	X
2. Term deposits	1,794	X	X	X	2,625	X	X	X
3. Loans	46	X	X	X	6	X	X	X
3.1 Repurchase agreement liabilities	46	X	X	X	6	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Debts from commitments to repurchase own equity instruments	8	X	X	X	-	X	X	X
5. Other debts	71	X	X	X	119	X	X	X
<b>Total</b>	<b>32,130</b>	<b>-</b>	<b>30,875</b>	<b>1,255</b>	<b>30,581</b>	<b>-</b>	<b>28,425</b>	<b>2,156</b>

Fair Value - Level 3 mainly includes term deposits maturing in more than one year.

**SECTION 2 - FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 20****2.1 Financial liabilities held for trading: analysis**

	31.12.2018					31.12.2017				
	NOMINAL VALUE	FAIR VALUE			FV*	NOMINAL VALUE	FAIR VALUE			FV*
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
<b>A. Cash Liabilities</b>										
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
<b>Total A</b>	-	-	-	-	-	-	-	-	-	-
<b>B. Derivatives</b>										
1. Financial derivatives	-	-	28	-	-	-	-	45	-	-
1.1 Held for trading	X	-	28	-	X	X	-	45	-	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
<b>Total B</b>	<b>X</b>	-	<b>28</b>	-	<b>X</b>	<b>X</b>	-	<b>45</b>	-	<b>X</b>
<b>Total (A+B)</b>	<b>X</b>	-	<b>28</b>	-	<b>X</b>	<b>X</b>	-	<b>45</b>	-	<b>X</b>

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 4 - HEDGING DERIVATIVES - ITEM 40****4.1 Hedging derivatives: analysis by type of hedge and level**

	31.12.2018				31.12.2017			
	NOMINAL VALUE	FAIR VALUE			NOMINAL VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Financial derivatives</b>	<b>5,155</b>	-	<b>808</b>	-	<b>4,543</b>	-	<b>981</b>	-
1. Fair value	5,155	-	808	-	4,543	-	981	-
2. Financial flows	-	-	-	-	-	-	-	-
3. Investments outside Italy	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	-	-	-	-	-	-	-	-
1. Fair value	-	-	-	-	-	-	-	-
2. Financial flows	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5,155</b>	-	<b>808</b>	-	<b>4,543</b>	-	<b>981</b>	-

## 4.2 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		
	DEBT SECURITIES AND INTEREST RATES	EQUITIES AND INDEX DERIVATIVES	CURRENCIES AND GOLD	LENDING	COMMODITIES	OTHER					
1. Financial assets measured at fair value through other comprehensive income	22	-	22	-		X	X	X	-	X	X
2. Financial assets measured at amortised cost	763	X	-	-		X	X	X	-	X	X
3. Portfolio	X	X	X	X		X	X	1	X	-	X
4. Other transactions	-	-	-	-		-	-	X	-	X	-
<b>Total assets</b>	<b>785</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>
1. Financial liabilities	-	X	-	-		-	-	X	-	X	X
2. Portfolio	X	X	X	X		X	X	-	X	-	X
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1. Anticipated transactions	X	X	X	X		X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X		X	X	-	X	-	-

## SECTION 8 - OTHER LIABILITIES - ITEM 80

## 8.1 Other liabilities: analysis

	31.12.2018	31.12.2017
Due to Personal Financial Advisers	411	363
Due to Intesa Sanpaolo under Italy's tax consolidation regime	166	112
Clearing accounts and other payables	147	193
Due under past Loyalty Schemes	77	102
Due to suppliers	65	64
Amounts to be collected by customers	59	83
Due to tax authorities	51	94
Due to pension and social security institutions	18	16
Payroll and social security payables	15	29
Other debts	22	41
<b>Total</b>	<b>1,031</b>	<b>1,097</b>

## SECTION 9 - PROVISION FOR EMPLOYMENT TERMINATION INDEMNITIES - ITEM 90

## 9.1 Provision for employment termination indemnities: changes in the year

	31.12.2018	31.12.2017
<b>A. Opening balance</b>	<b>53</b>	<b>54</b>
<b>B. Increases</b>	<b>2</b>	<b>2</b>
B.1 Provisions for the year	1	1
B.2 Other increases	1	1
<b>C. Decreases</b>	<b>7</b>	<b>3</b>
C.1 Indemnities paid	6	3
C.2 Other decreases	1	-
<b>D. Closing balance</b>	<b>48</b>	<b>53</b>

The main actuarial criteria and reference rates used to determine the provision for employment termination indemnities were as follows:

- Discount rate: 1.19%
- Anticipated rate of increase in remuneration: 2.73%
- Annual inflation rate: 1.5%



**SECTION 10 - PROVISIONS FOR RISKS AND CHARGES - ITEM 100****10.1 Provisions for risks and charges: analysis**

	31.12.2018	31.12.2017
1. Provisions for credit risk associated with commitments and financial guarantees issued	1	-
2. Provisions for other commitments and guarantees issued	-	-
3. Company pension funds	14	11
4. Other provisions for risks and charges	453	448
4.1 Lawsuits and tax disputes	88	96
4.2 Personnel expenses	89	80
4.3 Reserve for the termination of PFA agency agreements	232	221
4.4 Network loyalty schemes	40	44
4.5 Other	4	7
<b>Total</b>	<b>468</b>	<b>459</b>

The main actuarial assumptions and reference rates used to determine the provision for company pension funds were as follows:

- Discount rate: 0.90%
- Anticipated rate of increase in remuneration: 0.0%
- Annual inflation rate: 0.5%

**10.2 Provisions for risks and charges: changes in the year**

	PROVISIONS FOR OTHER COMMITMENTS AND GUARANTEES ISSUED	PENSION FUNDS	OTHER PROVISIONS FOR RISKS AND CHARGES	TOTAL
<b>A. Opening balance</b>	-	11	448	459
<b>B. Increases</b>	-	16	88	104
B.1 Provisions for the year	-	-	86	86
B.2 Changes due to the passage of time	-	-	-	-
B.3 Changes due to fluctuations in the discount rate	-	-	-	-
B.4 Other increases	-	16	2	18
of which business combination transactions	-	-	1	1
<b>C. Decreases</b>	-	13	83	96
C.1 Utilisation in the year	-	11	61	72
C.2 Changes due to fluctuations in the discount rate	-	-	-	-
C.3 Other decreases	-	2	22	24
<b>D. Closing balance</b>	-	14	453	467

**10.3 Provisions for credit risk associated with commitments and financial guarantees issued**

	PROVISIONS FOR CREDIT RISK ASSOCIATED WITH COMMITMENTS AND FINANCIAL GUARANTEES ISSUED			
	FIRST STAGE	SECOND STAGE	THIRD STAGE	TOTAL
Commitments to grant finance	1	-	-	1
Financial guarantees issued	-	-	-	-
<b>Total</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>

## 10.5 Defined-benefit company pension funds

The actuarial values required by IAS19 - Employee benefits for the defined-benefit complementary social security funds were calculated by an Independent Actuary using the projected unit credit method. The item balance of €14m is for Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Bank (Suisse) and Banque Morval funds. All banks have recorded the information on the third-party funds and operations for their pension plans in their separate financial statements.

## 10.6 Provisions for risks and charges - other provisions

Other provisions for risks and charges comprised the following:

- **Lawsuits and tax litigation:** this comprised the provisions set aside for litigation, claims from receivers and the provisions connected with the Group policy regarding corporate securities in default for an amount of €77m, and for tax litigation for an amount of €11m. In regard to tax litigation, the item includes €9m for the expenses that the Group could incur to settle a dispute with the Italian Tax Authorities regarding the tax deduction of the Fideuram Personal Financial Adviser Network's Loyalty Schemes.
- **Personnel expenses:** this includes the variable component of the remuneration of employees and the provisions set aside to pay seniority bonuses to employees. This item also includes €30m in costs for exit incentives in the Private Banking Division, connected with the transaction in which the Intesa Sanpaolo Group acquired certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca. As part of that transaction, Intesa Sanpaolo assumed certain commitments obligating it to incur costs covering integration of the business units acquired in the companies by the Private Banking Division. Intesa Sanpaolo obtained full coverage of those costs through a public cash contribution, which will be transferred to the Group companies according to the costs effectively incurred.
- **The Provision for the termination of Personal Financial Adviser agency agreements:** the liability was determined using actuarial valuations that take the indemnities actually accrued into account, together with the composition of the Network and the indemnities paid.
- **Network Loyalty Schemes:** the provision represents the best estimate of the amount required to discharge the obligation at the accounting reference date, calculated using actuarial valuations.
- **The residual item, "Other provisions",** includes €3m in charges for integration attributable to the Private Banking Division, connected with the transaction in which the Intesa Sanpaolo Group acquired certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca.

## Other provisions for risks and charges: changes in the year

	LAWSUITS AND TAX DISPUTES	PERSONNEL EXPENSES	RESERVE FOR THE TERMINATION OF PERSONAL FINANCIAL ADVISER AGENCY AGREEMENTS	NETWORK LOYALTY SCHEMES	OTHER PROVISIONS
<b>A. Opening balance</b>	<b>96</b>	<b>80</b>	<b>221</b>	<b>44</b>	<b>7</b>
<b>B. Increases</b>	<b>15</b>	<b>52</b>	<b>18</b>	<b>2</b>	<b>1</b>
B.1 Provisions for the year	14	52	18	2	-
B.2 Changes due to the passage of time	-	-	-	-	-
B.3 Changes due to fluctuations in the discount rate	-	-	-	-	-
B.4 Other increases	1	-	-	-	1
of which business combination transactions	1	-	-	-	-
<b>C. Decreases</b>	<b>23</b>	<b>43</b>	<b>7</b>	<b>6</b>	<b>4</b>
C.1 Utilisation in the year	10	42	6	2	1
C.2 Changes due to fluctuations in the discount rate	-	-	-	-	-
C.3 Other decreases	13	1	1	4	3
<b>D. Closing balance</b>	<b>88</b>	<b>89</b>	<b>232</b>	<b>40</b>	<b>4</b>

## SECTION 13 – EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY - ITEMS 120, 130, 140, 150, 160, 170 AND 180

### 13.1 "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 S.p.A..

At 31 December 2018, the share capital totalled €300,000,000, divided into 1,500,000,000 ordinary shares with no par value.

The Group did not hold any treasury shares at 31 December 2018.

## 13.2 Share capital - Number of shares held by parent company: changes in the year

	ORDINARY 1,500,000,000	OTHER -
<b>A. Shares at beginning of financial year</b>		
- full paid-up	1,500,000,000	-
- partially paid-up	-	-
A.1 Treasury shares (-)	-	-
<b>A.2 Outstanding shares: opening balance</b>	<b>1,500,000,000</b>	<b>-</b>
<b>B. Increases</b>		
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	-	-
<b>C. Decreases</b>		
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Company sale transactions	-	-
C.4 Other decreases	-	-
<b>D. Outstanding shares: closing balance</b>	<b>1,500,000,000</b>	<b>-</b>
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	-	-

## 13.6 Other information

The reserves totalled €1,476m 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 valuation reserves total a negative €12m, and include:

- the valuation reserve of financial assets measured at fair value through other comprehensive income totalled a negative €28m;
- the revaluation reserve related to recalculation of the value of property used in operations totalled a positive €14m;
- the foreign exchange valuation reserve, which was positive at €6m;
- the valuation reserve for actuarial gains and losses on defined benefit plans, which was negative to the tune of €12m;
- the reserves stemming from special revaluation laws totalled a positive €6m;
- the portion of valuation reserves related to investments carried at equity totalled a positive €2m.

## OTHER INFORMATION

### 1. Commitments and financial guarantees issued

	FACE VALUE OF COMMITMENTS AND FINANCIAL GUARANTEES ISSUED			31.12.2018	31.12.2017
	FIRST STAGE	SECOND STAGE	THIRD STAGE		
<b>1. Commitments to grant finance</b>	<b>2,737</b>	<b>487</b>	<b>-</b>	<b>3,224</b>	<b>165</b>
a) Central Banks	-	-	-	-	-
b) Public entities	-	-	-	-	-
c) Banks	-	-	-	-	8
d) Other Financial Institutions	29	28	-	57	-
e) Non-financial companies	319	352	-	671	-
f) Households	2,389	107	-	2,496	157
<b>2. Financial guarantees issued</b>	<b>207</b>	<b>58</b>	<b>-</b>	<b>265</b>	<b>225</b>
a) Central Banks	-	-	-	-	-
b) Public entities	-	-	-	-	-
c) Banks	1	-	-	1	1
d) Other Financial Institutions	1	9	-	10	-
e) Non-financial companies	45	38	-	83	-
f) Households	160	11	-	171	224

### 2. Other commitments and guarantees issued

	NOMINAL VALUE	
	31.12.2018	31.12.2017
<b>1. Other guarantees issued</b>	<b>-</b>	<b>-</b>
of which: non-performing credit exposures	-	-
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other Financial Institutions	-	-
e) Non-financial companies	-	-
f) Households	-	-
<b>2. Other commitments</b>	<b>372</b>	<b>363</b>
of which: non-performing credit exposures	-	-
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	363	363
d) Other Financial Institutions	-	-
e) Non-financial companies	-	-
f) Households	9	-

### 3. Assets pledged as security for own liabilities and commitments

	31.12.2018	31.12.2017
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	1,279	1,962
3. Financial assets measured at amortised cost	5,182	4,479
4. Property and equipment	-	-
of which: property and equipment constituting inventory	-	-

## 6. Administration and trading on behalf of third parties

	31.12.2018
<b>1. Execution of customer instructions</b>	<b>1,165</b>
a) Purchases	651
1. Settled	651
2. Not settled	-
b) Sales	514
1. Settled	514
2. Not settled	-
<b>2. Portfolio management</b>	<b>88,397</b>
a) Individual	46,902
b) Collective	41,495
<b>3. Custody and administration of securities</b>	
a) Third-party securities held on deposit: connected with activities as depositary bank (excluding portfolio management)	43,952
1. Securities issued by companies included in the consolidation	-
2. Other securities	43,952
b) Third-party securities held on deposit (excluding portfolio management): other	34,543
1. Securities issued by companies included in the consolidation	-
2. Other securities	34,543
c) Third-party securities deposited with third parties	38,475
d) Portfolio securities deposited with third parties	15,063
<b>4. Other transactions</b>	<b>40,488</b>

## 7. 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 31.12.2018	NET AMOUNT AT 31.12.2017
				FINANCIAL INSTRUMENTS	CASH DEPOSITS HELD AS COLLATERAL		
1. Derivatives	19	-	19	1	-	18	9
2. Repurchase agreement	726	-	726	726	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
<b>Total 31.12.2018</b>	<b>745</b>	<b>-</b>	<b>745</b>	<b>727</b>	<b>-</b>	<b>18</b>	<b>X</b>
<b>Total 31.12.2017</b>	<b>24</b>	<b>-</b>	<b>24</b>	<b>6</b>	<b>9</b>	<b>X</b>	<b>9</b>



## 8. 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 31.12.2018	NET AMOUNT AT 31.12.2017
				FINANCIAL INSTRUMENTS	CASH DEPOSITS PLEDGED AS COLLATERAL		
1. Derivatives	815	-	815	129	688	(2)	14
2. Repurchase agreement	654	-	654	654	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other transactions	-	-	-	-	-	-	-
<b>Total 31.12.2018</b>	<b>1,469</b>	<b>-</b>	<b>1,469</b>	<b>783</b>	<b>688</b>	<b>(2)</b>	<b>X</b>
<b>Total 31.12.2017</b>	<b>1,637</b>	<b>-</b>	<b>1,637</b>	<b>881</b>	<b>742</b>	<b>X</b>	<b>14</b>

The Group subordinates Over-The-Counter (OTC) derivatives transactions and most of its repurchase and reverse repurchase agreement transactions to ISDA Master Agreements 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 Part A – Accounting Policies.

Schedule 7 presents the financial derivatives subject to netting agreements recognised in balance sheet assets and the repurchase agreements recognised in Loans and advances to customers subject to netting agreements.

Schedule 8 presents the financial derivatives recognised in balance sheet liabilities and the repurchase agreements recognised in Due to banks subject to netting agreements.

## 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	31.12.2018	31.12.2017
1. Financial assets measured at fair value through profit or loss	-	-	-	-	-
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets measured at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	39	-	X	39	69
3. Financial assets measured at amortised cost	183	106	-	289	247
3.1 Loans and advances to banks	105	24	X	129	125
3.2 Loans and advances to customers	78	82	X	160	122
4. Hedging derivatives	X	X	(94)	(94)	-
5. Other assets	X	X	1	1	1
6. Financial liabilities	X	X	X	7	14
<b>Total</b>	<b>222</b>	<b>106</b>	<b>(93)</b>	<b>242</b>	<b>331</b>
of which: interest income on impaired financial assets	-	1	-	-	-

#### 1.2 Interest income and similar income: other information

##### 1.2.1 Interest income on financial assets denominated in foreign currencies

	2018	2017
On financial assets denominated in foreign currencies	25	9

#### 1.3 Interest expense and similar expense: analysis

	DEBTS	SECURITIES	OTHER TRANSACTIONS	2018	2017
1. Financial liabilities measured at amortised cost	51	-	-	51	48
1.1 Due to Central Banks	-	X	X	-	-
1.2 Due to banks	18	X	X	18	16
1.3 Due to customers	33	X	X	33	32
1.4 Debt on issue	X	-	X	-	-
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities measured at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	1	1	-
5. Hedging derivatives	X	X	-	-	94
6. Financial assets	X	X	X	31	18
<b>Total</b>	<b>51</b>	<b>-</b>	<b>1</b>	<b>83</b>	<b>160</b>

## 1.4 Interest expense and similar expense: other information

### 1.4.1 Interest expenses on liabilities denominated in foreign currencies

	2018	2017
On liabilities denominated in foreign currencies	15	7

## 1.5 Hedging gains and losses

	2018	2017
A. Hedging gains	19	25
B. Hedging losses	113	119
<b>C. Net gains / losses (A-B)</b>	<b>(94)</b>	<b>(94)</b>

## SECTION 2 - FEE AND COMMISSION INCOME AND EXPENSE - ITEMS 40 AND 50

### 2.1 Fees and commission income: analysis

	2018	2017
a) Guarantees given	1	1
b) Credit derivatives	-	-
c) Management, brokerage and advisory services:	2,407	2,369
1. Trading in financial instrument	5	5
2. Currency trading	2	2
3. Portfolio management:	1,008	979
3.1 Individual	413	383
3.2 Collective	595	596
4. Custody and administration of securities	24	28
5. Depository bank	22	10
6. Placement of securities	95	78
7. Receipt and transmission of instructions	31	37
8. Advisory services	125	126
8.1 Regarding investments	125	126
8.2 Regarding investment structure	-	-
9. Supply of third-party services	1,095	1,104
9.1 Portfolio management	511	530
9.1.1 Individual	72	89
9.1.2 Collective	439	441
9.2 Insurance products	578	570
9.3 Other products	6	4
d) Collection and payment services	7	6
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	21	20
k) Securities lending transactions	15	14
<b>Total</b>	<b>2,457</b>	<b>2,416</b>

## 2.2 Fees and commission expense: analysis

	2018	2017
a) Guarantees received	9	13
b) Credit derivatives	-	-
c) Management and brokerage services:	728	706
1. Trading in financial instrument	1	1
2. Currency trading	-	-
3. Portfolio management:	51	49
3.1 Owned	11	10
3.2 On behalf of third parties	40	39
4. Custody and administration of securities	14	12
5. Placement of financial instruments	-	-
6. Sales of financial products, products and services through non-branch channels	662	644
d) Collection and payment services	10	6
e) Other services	5	10
f) Securities lending transactions	11	8
<b>Total</b>	<b>763</b>	<b>743</b>

## SECTION 4 - NET PROFIT (LOSS) ON TRADING ACTIVITIES - ITEM 80

### 4.1 Net profit (loss) on trading activities: analysis

	PROFIT	TRADING PROFITS	LOSS	TRADING LOSSES	NET PROFITS OR LOSSES
<b>1. Financial assets held for trading</b>	-	1	-	(2)	(1)
1.1 Debt securities	-	1	-	(2)	(1)
1.2 Equities	-	-	-	-	-
1.3 Units in mutual funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
<b>2. Financial liabilities held for trading</b>	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
<b>Other financial assets and liabilities: exchange rate differences</b>	X	X	X	X	19
<b>3. Derivatives</b>	-	1	-	(3)	(9)
3.1 Financial derivatives:	-	1	-	(3)	(9)
- Debt securities and interest rate derivatives	-	1	-	(3)	(2)
- Equities and index derivatives	-	-	-	-	-
- Currencies and gold	X	X	X	X	(7)
- Other	-	-	-	-	-
3.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected with fair value option	X	X	X	X	-
<b>Total</b>	-	2	-	(5)	9

**SECTION 5 - NET PROFIT (LOSS) ON HEDING DERIVATIVES - ITEM 90**

## 5.1 Net profit (loss) on hedging derivatives: analysis

	2018	2017
<b>A. Profit on:</b>		
A.1 Fair value hedge derivatives	27	122
A.2 Hedged financial assets (fair value)	13	10
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Financial derivatives hedging financial flows	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
<b>Total profit on hedging derivatives (A)</b>	<b>40</b>	<b>132</b>
<b>B. Loss on:</b>		
B.1 Fair value hedge derivatives	(13)	(11)
B.2 Hedged financial assets (fair value)	(27)	(120)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Financial derivatives hedging financial flows	-	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
<b>Total loss on hedging derivatives (B)</b>	<b>(40)</b>	<b>(131)</b>
<b>C. Net profit (loss) on hedging derivatives (A-B)</b>	<b>-</b>	<b>1</b>
of which: net profit (loss) of hedges on net positions	-	-

**SECTION 6 - NET PROFIT (LOSS) ON SALES/REPURCHASES - ITEM 100**

## 6.1 Net profit (loss) on sales/repurchases: analysis

	2018			2017		
	PROFITS	LOSSES	NET PROFITS OR LOSSES	PROFITS	LOSSES	NET PROFITS OR LOSSES
<b>Financial assets</b>						
1. Financial assets measured at amortised cost	11	-	11	6	-	6
1.1 Loans and advances to banks	11	-	11	6	-	6
1.2 Loans and advances to customers	-	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	17	(4)	13	17	(18)	(1)
2.1 Debt securities	17	(4)	13	17	(18)	(1)
2.2 Loans	-	-	-	-	-	-
<b>Total assets</b>	<b>28</b>	<b>(4)</b>	<b>24</b>	<b>23</b>	<b>(18)</b>	<b>5</b>
<b>Financial liabilities measured at amortised cost</b>						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt on issue	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## SECTION 7 - NET PROFIT (LOSS) ON OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - ITEM 110

### 7.2 Net change in the value of other financial assets and liabilities measured at fair value through profit or loss: analysis of the other financial assets mandatorily measured at fair value

	PROFIT	PROFIT ON DISPOSAL	LOSS	LOSS ON DISPOSAL	NET PROFITS OR LOSSES
<b>1. Financial assets</b>	<b>1</b>	<b>-</b>	<b>(18)</b>	<b>-</b>	<b>(17)</b>
1.1 Debt securities (*)	1	-	(16)	-	(15)
1.2 Equities	-	-	(2)	-	(2)
1.3 Units in mutual funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
<b>2. Financial assets: exchange rate differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-</b>
<b>Total</b>	<b>1</b>	<b>-</b>	<b>(18)</b>	<b>-</b>	<b>(17)</b>

(\*) The losses mainly regarded the insurance policies taken out as part of the Personal Financial Adviser loyalty schemes.

## SECTION 8 - NET IMPAIRMENT FOR CREDIT RISK - ITEM 130

### 8.1 Net impairment for credit risk related to financial assets measured at amortised cost: analysis

	WRITE-DOWNS			WRITE-BACKS		2018	2017
	FIRST AND SECOND STAGE	THIRD STAGE		FIRST AND SECOND STAGE	THIRD STAGE		
		WRITE-OFF	OTHER				
A. Loans and advances to banks	(8)	-	-	8	-	-	-
- Loans	(6)	-	-	7	-	1	-
- Debt securities	(2)	-	-	1	-	(1)	-
of which: purchased or originated impaired loans	-	-	-	-	-	-	-
B. Loans and advances to customers	(7)	-	(3)	11	3	4	2
- Loans	(6)	-	(3)	10	3	4	2
- Debt securities	(1)	-	-	1	-	-	-
of which: purchased or originated impaired loans	-	-	-	-	-	-	-
Total	(15)	-	(3)	19	3	4	2

### 8.2 Net impairment for credit risk related to financial assets measured at fair value through other comprehensive income: analysis

	WRITE-DOWNS			WRITE-BACKS		2018	2017
	FIRST AND SECOND STAGE	THIRD STAGE		FIRST AND SECOND STAGE	THIRD STAGE		
		WRITE-OFF	OTHER				
A. Debt securities	-	-	-	1	-	1	(3)
B. Loans	-	-	-	-	-	-	-
- Due to customers	-	-	-	-	-	-	-
- Due to banks	-	-	-	-	-	-	-
of which: impaired financial assets that are purchased or originated	-	-	-	-	-	-	-
Total	-	-	-	1	-	1	(3)

**SECTION 12 - ADMINISTRATIVE EXPENSES - ITEM 190****12.1 Personnel expenses: analysis**

	<b>2018</b>	<b>2017</b>
<b>1) Employees</b>	<b>358</b>	<b>355</b>
a) Wages and salaries	242	214
b) Social security contributions	60	53
c) Termination indemnities	2	2
d) Pension costs	-	-
e) Provision for employee termination indemnities	1	1
f) Provision for retirement benefits and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments to external supplementary pension funds:	18	15
- defined contribution	16	15
- defined benefit	2	-
h) Costs arising from payment agreement based on own equity instruments	-	-
i) Other employee benefits (*)	35	70
<b>2) Other staff</b>	<b>1</b>	<b>2</b>
<b>3) Directors and auditors</b>	<b>3</b>	<b>3</b>
<b>4) Retired staff</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>362</b>	<b>360</b>

(\*) For the breakdown of this item, see section 12.4 below.

**12.2 Average number of employees by category**

	<b>2018</b>	<b>2017</b>
<b>Employees:</b>	<b>3,176</b>	<b>2,909</b>
a) Directors	96	85
b) Executive Management	1,975	1,816
c) Other employees	1,105	1,008
<b>Other staff</b>	<b>24</b>	<b>29</b>

**12.4 Other employee benefits**

This item mainly consists of the variable component of the remuneration of employees (including the sales Network of subsidiary Intesa Sanpaolo Private Banking) and the costs for exit incentives in the Private Banking Division, connected with the transaction in which the Intesa Sanpaolo Group acquired certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca. For more information on this item, see section 10.6 of the Provisions for risks and charges – other provisions.

## 12.5 Other administrative expenses: analysis

	2018	2017
<b>IT costs</b>	<b>23</b>	<b>21</b>
- Software maintenance and upgrades	16	15
- Maintenance and rental of electronic equipment	1	1
- Data transmission	-	-
- Rental of office equipment	5	4
- Telephone	1	1
- Recovery of IT costs	-	-
<b>Property management costs</b>	<b>56</b>	<b>54</b>
- Property rent	42	42
- Maintenance of rented property	2	2
- Maintenance of own property	-	-
- Security	1	1
- Cleaning	3	2
- Power	4	4
- Miscellaneous building costs	4	3
- Recovery of property management costs	-	-
<b>General expenses</b>	<b>50</b>	<b>33</b>
- Postage and telegraphic expenses	5	3
- Office supplies	3	3
- Transport and counting of valuables	1	1
- Couriers and transport	3	3
- Search and information services	12	8
- Other expenses	26	15
- Recovery of general expenses	-	-
<b>Professional and insurance costs</b>	<b>23</b>	<b>18</b>
- Professional fees	8	8
- Legal advice and court fees	9	4
- Bank and customer insurance premiums	6	6
- Recovery of professional and insurance costs	-	-
<b>Promotional and advertising expenses</b>	<b>10</b>	<b>7</b>
- Advertising and entertainment	10	7
- Recovery of promotional and advertising expenses	-	-
<b>Indirect personnel expenses</b>	<b>7</b>	<b>6</b>
- Indirect personnel expenses	7	6
- Recovery of indirect personnel expenses	-	-
<b>Services by third parties</b>	<b>105</b>	<b>105</b>
- Expenses for services by third parties	105	105
- Recovery of services by third parties	-	-
<b>Total other administrative costs net of indirect taxes</b>	<b>274</b>	<b>244</b>
<b>Indirect taxes</b>		
- Stamp duty	236	230
- Substitute tax (Italian Presidential Decree No. 601/73)	1	1
- Local council property tax	-	1
- Other indirect taxes	4	3
- Recovery of indirect taxes	(4)	(4)
<b>Total Indirect taxes</b>	<b>237</b>	<b>231</b>
<b>Total other administrative expenses</b>	<b>511</b>	<b>475</b>

**SECTION 13 - NET PROVISIONS FOR RISKS AND CHARGES - ITEM 200****13.1 Net provisions for credit risk associated with commitments to grant funds and financial guarantees issued: analysis**

	2018
<b>1. Commitments to grant finance</b>	<b>(1)</b>
Provisions	(1)
Use for excess provisions	-
<b>2. Financial guarantees issued</b>	<b>2</b>
Provisions	-
Use for excess provisions	2
<b>Total</b>	<b>1</b>

**13.3 Net provisions to other provisions for risks and charges: analysis**

	2018		
	PROVISIONS	REALLOCATIONS	TOTAL
Termination of Personal Financial Adviser agency agreements	(18)	1	(17)
Lawsuits and tax disputes	(14)	13	(1)
Costs relating to the Personal Financial Adviser Networks' Loyalty Schemes	(2)	3	1
Other	(1)	3	2
<b>Total</b>	<b>(35)</b>	<b>20</b>	<b>(15)</b>

**SECTION 14 - DEPRECIATION OF PROPERTY AND EQUIPMENT - ITEM 210****14.1 Depreciation of property and equipment: analysis**

	DEPRECIATION	NET ADJUSTMENTS FOR IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFITS OR LOSSES
<b>A. Property and equipment</b>				
A.1 Owned	(5)	-	-	(5)
- Functional property and equipment	(5)	-	-	(5)
- Investment property and equipment	-	-	-	-
- Inventories	X	-	-	-
A.2 Purchased under finance lease arrangements	-	-	-	-
- Functional property and equipment	-	-	-	-
- Investment property and equipment	-	-	-	-
<b>Total</b>	<b>(5)</b>	<b>-</b>	<b>-</b>	<b>(5)</b>

**SECTION 15 - AMORTISATION OF INTANGIBLE ASSETS - ITEM 220**

## 15.1 Amortisation of intangible assets: analysis

	AMORTISATION	NET ADJUSTMENTS FOR IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFITS OR LOSSES
<b>A. Intangible assets</b>				
A.1 Owned	(17)	-	-	(17)
- Generated internally	(1)	-	-	(1)
- Other	(16)	-	-	(16)
A.2 Purchased under finance lease arrangements	-	-	-	-
<b>Total</b>	<b>(17)</b>	<b>-</b>	<b>-</b>	<b>(17)</b>

**SECTION 16 - OTHER INCOME (EXPENSE) - ITEM 230**

## 16.1 Other expense: analysis

	2018	2017
Depreciation of leasehold improvements	3	3
Personal Financial Advisers - related expenses	1	1
Settlement of litigation	-	1
Other	3	3
<b>Total</b>	<b>7</b>	<b>8</b>

## 16.2 Other income: analysis

	2018	2017
Recovery of indirect taxes	236	231
Other income	11	27
<b>Total</b>	<b>247</b>	<b>258</b>



**SECTION 17 - PROFIT (LOSS) ON EQUITY INVESTMENTS - ITEM 250**

## 17.1 Profit (loss) on equity investments: analysis

	2018	2017
<b>1) Jointly-controlled entities</b>		
A. Income	-	-
1. Revaluations	-	-
2. Profit on sales	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expenses	-	-
1. Write-downs	-	-
2. Impairment	-	-
3. Losses from sales	-	-
4. Other	-	-
<b>Net profit (loss)</b>	-	-
<b>2) Entities subject to significant influence</b>		
A. Income	10	11
1. Revaluations (*)	10	11
2. Profit on sales	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expenses	1	2
1. Write-downs	1	2
2. Impairment	-	-
3. Losses from sales	-	-
4. Other	-	-
<b>Net profit (loss)</b>	<b>9</b>	<b>9</b>
<b>Total</b>	<b>9</b>	<b>9</b>

(\*) The item regards the holding in Fideuram Vita S.p.A. carried at equity.

**SECTION 20 - NET PROFIT (LOSS) ON SALES OF INVESTMENTS - ITEM 280**

## 20.1 Net profit (loss) on sales of investments: analysis

	2018	2017
<b>A. Properties</b>	-	<b>8</b>
- Profit on sales	-	8
- Losses from sales	-	-
<b>B. Other assets</b>	-	-
- Profit on sales	-	-
- Losses from sales	-	-
<b>Net profit (loss)</b>	-	<b>8</b>

**SECTION 21 - INCOME TAXES - ITEM 300****21.1 Income taxes: analysis**

	2018	2017
1. Current taxes (-)	(334)	(315)
2. Changes to current taxes for prior years (+/-)	(23)	(3)
3. Reduction in current taxes (+)	6	-
3.bis Reduction in current taxes due to tax credit pursuant to Italian Law No. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	10	(17)
5. Change in deferred tax liabilities (+/-)	(39)	(25)
<b>6. Taxes for the year (-)</b>	<b>(380)</b>	<b>(360)</b>

**21.2 Reconciliation of theoretical tax burden and actual financial statement tax burden**

	2018
<b>Taxable income</b>	<b>1,214</b>
Standard tax rate applicable	33%
Theoretical tax burden	401
<b>Tax impact with respect to:</b>	
Different tax rates applying to foreign subsidiaries	(53)
Consolidation adjustments	(5)
Changes to current taxes for prior years	23
Non-deductible costs	7
IRAP regional business tax and minor effects	7
<b>Actual tax burden</b>	<b>380</b>

**SECTION 24 - OTHER INFORMATION**

To comply with the provisions of Article 1, paragraph 125 of Law 124/2017 - Annual Competition Law, and in anticipation of the clarifying interpretations that are still being prepared, while excluding from this disclosure any forms of remuneration received for the provision of credit intermediation services or activities, we have decided to report that in

2018, contributions have been granted to the Italian companies of the Group - which are contained and detailed in the National Register of State Aid which the public may consult on the relevant website - totalling €541,720. All of those contributions may be classified as Training Aid (Article 31 of Regulation (EU) No. 651/2014).

**SECTION 25 - EARNINGS PER SHARE****25.1 Average number of diluted capital ordinary shares**

	2018		2017	
	ORDINARY SHARES	SAVINGS SHARES	ORDINARY SHARES	SAVINGS SHARES
Weighted average shares (number)	1,500,000,000	-	1,500,000,000	-
Income attributable to different share classes (€m)	834	-	871	-
Basic earnings per share (€)	0.556	-	0.581	-
Diluted earnings per share (€)	0.556	-	0.581	-

## PART D - TOTAL COMPREHENSIVE INCOME

## Components of total comprehensive income

	2018	2017
	834	871
<b>10. Net profit (Loss) for the year</b>		
<b>Other comprehensive income not transferred to the income statement:</b>	<b>(1)</b>	<b>12</b>
20. Equity instruments measured at fair value through other comprehensive income	-	-
a) Changes in fair value	-	-
b) Transfers to other components of shareholders' equity	-	-
30. Financial liabilities measured at fair value through profit or loss (changes in own credit rating)	-	-
c) Changes in fair value	-	-
b) Transfers to other components of shareholders' equity	-	-
40. Hedging of equity instruments measured at fair value through other comprehensive income	-	-
a) Changes in fair value (hedged instrument)	-	-
b) Changes in fair value (hedging instrument)	-	-
50. Property and equipment	-	21
60. Intangible assets	-	-
70. Defined-benefit plans	(1)	(3)
80. Non-current assets held for sale and discontinued operations	-	-
90. Valuation reserves related to investments carried at equity	-	-
100. Income tax on comprehensive income not transferred to the income statement	-	(6)
<b>Other comprehensive income that may be transferred to the income statement</b>	<b>(61)</b>	<b>16</b>
110. Hedging of net investments in foreign operations:	-	-
a) Changes in fair value	-	-
b) Transfers to income statement	-	-
c) Other changes	-	-
120. Exchange rate differences:	5	(4)
a) Changes in value	-	-
b) Transfers to income statement	-	-
c) Other changes	5	(4)
130. Cash flow hedges:	4	(6)
a) Changes in fair value	-	(6)
b) Transfers to income statement	-	-
c) Other changes	4	-
of which: result of net positions	-	-
140. Hedging instruments (undesignated elements):	-	-
a) Changes in value	-	-
b) Transfers to income statement	-	-
c) Other changes	-	-
150. Financial assets (other than equity instruments) measured at fair value through other comprehensive income:	(141)	33
a) Changes in fair value	(80)	33
b) Transfers to income statement	(14)	(6)
- Adjustments for credit risk	-	-
- Income/losses on disposal	(14)	(6)
c) Other changes	(47)	6
160. Non-current assets held for sale and discontinued operations:	-	-
a) Changes in fair value	-	-
b) Transfers to income statement	-	-
c) Other changes	-	-
170. Valuation reserves related to investments carried at equity:	(7)	(2)
a) Changes in fair value	(5)	(1)
b) Transfers to income statement	(1)	(1)
- Adjustments for impairment losses	-	-
- Income/losses on disposal	(1)	(1)
c) Other changes	(1)	-
180. Income tax on comprehensive income transferred to the income statement	78	(5)
<b>190. Total other comprehensive income</b>	<b>(62)</b>	<b>28</b>
<b>200. Total comprehensive income (Item 10+190)</b>	<b>772</b>	<b>899</b>
<b>210. Total comprehensive income attributable to non-controlling interests</b>	<b>-</b>	<b>-</b>
<b>220. Total comprehensive income attributable to parent company</b>	<b>772</b>	<b>899</b>

## PART E - INFORMATION ON RISK AND RELATED HEDGING POLICIES

### INTRODUCTION

The Fideuram 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 adequate capital, 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 Fideuram Group 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 General Manager and functionally to Intesa Sanpaolo's 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.

## SECTION 1 - RISKS FROM CONSOLIDATION

### QUANTITATIVE INFORMATION

#### A. CREDIT QUALITY

##### A.1 Non-performing and performing exposures: amounts, adjustments, changes, and financial 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	PERFORMING PAST DUE EXPOSURES	PERFORMING EXPOSURES	TOTAL
1. Financial assets measured at amortised cost	2	7	3	79	35,040	35,131
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	3,294	3,294
3. Financial assets measured at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	251	251
5. Financial assets held for sale	-	-	-	-	-	-
<b>Total 31.12.2018</b>	<b>2</b>	<b>7</b>	<b>3</b>	<b>79</b>	<b>38,585</b>	<b>38,676</b>
<b>Total 31.12.2017</b>	<b>1</b>	<b>9</b>	<b>1</b>	<b>88</b>	<b>36,894</b>	<b>36,993</b>

###### A.1.2 Analysis of financial assets by asset class and credit quality (gross and net amounts)

ASSET CLASS/ QUALITY	NON-PERFORMING				PERFORMING			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL PARTIAL WRITE-OFFS	GROSS EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	
1. Financial assets measured at amortised cost	26	(14)	12	-	35,150	(31)	35,119	35,131
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	3,295	(1)	3,294	3,294
3. Financial assets measured at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	251	251
5. Financial assets held for sale	-	-	-	-	-	-	-	-
<b>Total 31.12.2018</b>	<b>26</b>	<b>(14)</b>	<b>12</b>	<b>-</b>	<b>38,445</b>	<b>(32)</b>	<b>38,664</b>	<b>38,676</b>
<b>Total 31.12.2017</b>	<b>23</b>	<b>(12)</b>	<b>11</b>	<b>-</b>	<b>36,734</b>	<b>(4)</b>	<b>36,982</b>	<b>36,993</b>

ASSET CLASS/QUALITY	ASSETS WITH LOW CREDIT QUALITY		OTHER ASSETS
	ACCRUED LOSSES	NET EXPOSURE	
1. Financial assets held for trading	-	-	27
2. Hedging derivatives	-	-	-
<b>Total at 31.12.2018</b>	<b>-</b>	<b>-</b>	<b>27</b>
<b>Total at 31.12.2017</b>	<b>-</b>	<b>-</b>	<b>48</b>



## B. DISCLOSURES ON STRUCTURED ENTITIES (OTHER THAN SECURITISATION VEHICLES)

### B.2 Unconsolidated structured entities

#### B.2.2 Other structured entities

##### QUANTITATIVE INFORMATION

BALANCE SHEET ITEMS / TYPE OF STRUCTURED ENTITY	ACCOUNTING PORTFOLIOS UNDER ASSETS	TOTAL ASSETS (A)	ACCOUNTING PORTFOLIOS UNDER LIABILITIES	TOTAL LIABILITIES (B)	NET BOOK VALUE (C = A-B)	MAXIMUM EXPOSURE TO RISK OF LOSS (D)	DIFFERENCE BETWEEN EXPOSURE TO RISK OF LOSS AND BOOK VALUE (E = D - C)
	Other financial assets mandatorily measured at fair value						
Mutual Fund		11		-	11	11	-

## SECTION 2 - RISKS FROM PRUDENTIAL CONSOLIDATION

### 1.1 CREDIT RISK

#### QUALITATIVE INFORMATION

##### 1. 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. Lines of credit are normally secured by collateral in the form of pledges on products distributed by the Group (mutual funds and discretionary accounts), or equities or bonds listed on major regulated markets, or to a marginal extent by irrevocable mandates to sell financial instruments selected from those distributed by the Group. Loans and advances to banks consist of short-term interbank loans, principally to leading banks in the eurozone.

In the Fideuram Group, the authorisation levels for granting and managing loans are determined according to the face value of the granted loans (except for the subsidiary Intesa Sanpaolo Private Banking). A project is underway for alignment with the decision-making RWA analogously to what has been adopted in the Intesa Sanpaolo Group, where the components that contribute to determination of the Risk Weighted Assets (RWA) constitute the key elements for determining the Authority to Grant and Manage Loans, within the limits of the Credit Risk Appetite (CRA) and the credit limit, pricing of the loan, calculation of the impairment on performing and non-performing exposures, and calculation of the economic and regulatory capital. The authority levels limit the decision-making authority at the time the loan is granted, by specifying the delegated professionals and the decision-making procedures for the loans made to individual counterparties. If the granted loan exceeds specific limits, a "Compliance Opinion" must be requested from the delegated bodies of Intesa Sanpaolo.

#### 2. CREDIT RISK MANAGEMENT POLICIES

##### 2.1 Organisational aspects

The credit risk management policy, which is integrated and consistent with the guidelines issued by Intesa Sanpaolo, is subject to approval by the Corporate Bodies of Fideuram, which have the prerogative of making strategic risk management decisions for the Fideuram Group. The Group's credit risk policies are formulated by the Board of Directors and governed by internal lending regulations. 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.

##### 2.2 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.

### 2.3 Methods for measuring expected losses

The expected loss is the product of the exposure, the probability of default and the Loss Given Default.

In the Group, the probability of default is measured with rating models that differ according to the operating segment of the counterparty (Corporate, SME Retail, Retail, Sovereign States, Public Sector Entities and Banks). These models – developed by Intesa Sanpaolo – make it possible to summarise the counterparty's credit quality in a single measure, called the rating, which reflects the probability of default with a one-year horizon, calibrated to the average level of the business cycle. Moreover, the calculated rates are reconciled with the classifications of official ratings agencies on the basis of a uniform reference scale.

The LGD models are based on the notion of "Economic LGD", i.e. the discounted value of cash flows received during the various phases of the recovery process net of any directly applicable administrative costs and the indirect management costs borne by the Group. The calculation of the LGD relies on models that are differentiated according to operating segment (Corporate, SME Retail, Retail, Factoring, Leasing, Public Entities and Banks). For banks, the model used to determine the Loss Given Default (LGD) diverges partly from the models developed for the other segments insofar as the model used to make estimates is based on the prices of the debt instruments observed 30 days after the official default date and related to a sample of banks that have defaulted worldwide, acquired from an external source.

Calculation of the exposure at default (EAD) uses specialised models that differ according to the operating segment (Corporate, SME Retail, Retail, Factoring, Leasing, Public Entities and Banks) and also considers the percentage of available but unused margin of a certain credit line that will be transformed into an exposure over a given time horizon (the Credit Conversion Factor – CCF).

The expected loss (EL) estimation process is implemented consistently with supervisory regulations and is based on the same risk parameters used for the AIRB models described above. When determining the impairment of credit exposures, these parameters are adapted to assure full compliance with the requirements imposed by the accounting standard, which requires adoption of a point-in-time approach to incorporate in the calculation process all information available at the time of the measurement, including prospective information, such as macroeconomic scenarios and estimates, when the approach adopted in development of the internal models used to determine regulatory capital instead requires that the ratings be calibrated on the expected average level of the business cycle over the long-term ("Through the Cycle"), and thereby only partially reflecting current conditions.

In particular, the adjustments made for performing credit risk require comparing the exposure risk determined at the current valuation date and the originally measured exposure risk, at the time of the disbursement/purchase. The significance of any increase in risk occurring during the period constitutes the key factor determining whether to calculate the expected loss over the entire remaining life of the financial instrument or limited to the 12 subsequent months.

The illustrated measurement method is also extended to endorsement credit and commitments. In regard to the latter, the unused margins on irrevocable credit lines are not included in the calculation base.

### 2.4 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 major 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 distributed 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 uses bilateral netting agreements, which offset creditor and debtor positions in the event of the default of one counterparty, to mitigate the counterparty risk in Security Financing Transactions (SFT), specifically securities lending transactions and repurchase agreements. Aside from what has already been indicated (bilateral netting), when OTC (unregulated) derivatives are subject to a Clearing House, counterparty risk is mitigated through an additional level of collateralization represented by centralised margining. 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 the supervisory regulations.

As part of credit risk mitigation activities, the "Collateral Assets Portal" has been operational since September 2018. This has made proper treatment possible for the purpose of calculating the RWA of the guarantees comprised by pledges on the Group's discretionary accounts. The look-through of the underlying assets can now be managed, in compliance with a mandatory requirement for regulatory recognition of mitigation activities. This approach has made it possible to recover about €2.4bn in risk-weighted assets, corresponding to about €200m in lower regulatory capital needed to cover the credit risk.

With the implementation of the "Collateral Assets Portal" (Portale Garanzie Attive – PGA) by Fideuram too, the guarantees, as is done at Intesa Sanpaolo, are subjected to punctual and period control through a specific application, named the

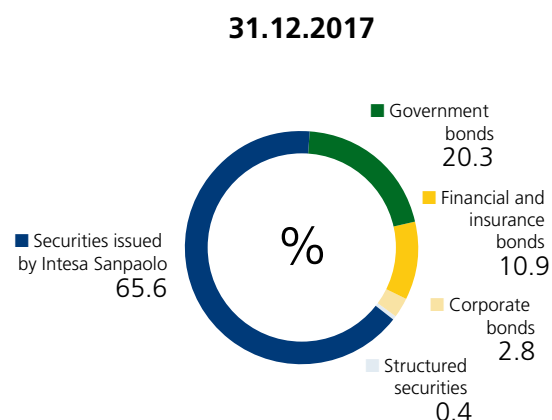
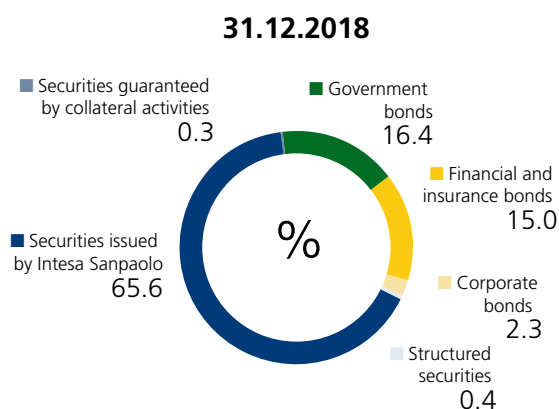
"CRM checker", in which a series of tests have been implemented to determine effective satisfaction of the requirements imposed by supervisory regulations.

The supporting application makes it possible to determine whether the received guarantee is eligible or not according to the methods allowed under capital requirement calculation regulations. According to the specific peculiarities of each

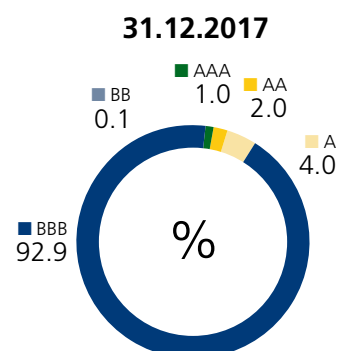
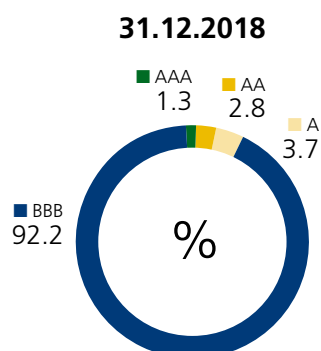
category, the result of the eligibility test is defined for each individual guarantee for unfunded guarantees (typically unsecured guarantees) or, in the case of collateral, for each asset or financial instrument.

At 31 December 2018, the Group portfolio was broken down as follows by product type and rating.

### Analysis by product type



### Analysis by rating



### 3. NON-PERFORMING EXPOSURES

#### 3.1 Management strategies and policies

The potential impairment of non-performing assets undergoes detailed ongoing monitoring, examining overdue/past due positions 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.

Exposures to insolvent parties (even if insolvency has not been declared by court order) or parties in substantially equivalent situations are classified as doubtful loans, regardless of any loss estimates prepared by the intermediary.

Exposures where the borrower is assessed as being unlikely to meet their payment obligations in full (principal and/or interest) are classified as unlikely to pay loans.

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 adjustments, accounted for a very small percentage of total loans (0.02% 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.

#### 3.2 Write-off

Finally, we recall that in the case of non-performing loans, the Fideuram Group uses full or partial removal/cancellation of bad debts (write-off), and consequently recognises a loss on the remaining part that has not yet been adjusted in the following cases:

- a) irrecoverability of the loan, resulting from certain and precise elements (e.g. the debtor has disappeared and has no assets, failure to recover anything from forfeiture of assets and property, failed foreclosures, collective creditor actions that end without complete recovery, if there are no additional guarantees that can be effectively enforced, etc.);
- b) waiver of claim, consequent to unilateral forgiveness of the debt or the remaining debt when settlement agreements are made;
- c) assignments of loans.

Any recoveries from collection after the write-off are recognised under reversals of impairment on the income statement.

#### 3.3 Purchased or originated credit-impaired financial assets

In accordance with IFRS9, the loans that are considered impaired from the very moment of their initial recognition in the balance sheet, due to the high credit risk associated with

them, are defined as Purchased or Originated Credit-Impaired Asset (POCI). If they fall within the scope of application of impairment under IFRS9, these loans are measured by creating, from their initial recognition date, provisions to cover the losses that cover the entire remaining lifetime of the loan (Expected Credit Loss lifetime). Since these are impaired loans, they initially have to be recognised as Stage 3, notwithstanding the possibility of being moved during their lifetime to Stage 2 if, according to the credit risk analysis, they are no longer impaired.

There were no POCI positions in the portfolio of the Fideuram Group at 31 December.

### 4. FINANCIAL ASSETS SUBJECT TO COMMERCIAL RENEGOTIATION AND FORBORNE EXPOSURES

Forbearance measures represent the forbearance offered to a debtor who is facing, or is about to face difficulties in satisfying his own payment obligations (troubled debt). The term "forbearance" means the contractual amendments that are accorded to the debtor in financial difficulty (modification), and the disbursement of a new loan so that the pre-existing obligation can be satisfied (refinancing). Forbearance also refers to the contractual modifications which the debtor may freely request in the ambit of a contract that has already been signed, but only if the creditor believes that that debtor is in financial difficulty ("embedded forbearance clauses"). Therefore, the notion of "forborne" has to exclude renegotiation of contracts for commercial reasons/practice that are made irrespective of the debtor's financial difficulties.

The exposures subject to forbearance measures ("forborne assets" or "forborne exposures") are necessarily identified on the basis of a "by transaction" approach, in accordance with the provisions of EBA regulations. In this context, "exposure" refers to the renegotiated contract and not to all of the exposures to the same debtor.

Unlike the forbearance measures, which concern the outstanding loans to counterparties in financial difficulty, renegotiations for commercial reasons involve debtors who are not in financial difficulty and include all the transactions aimed at adjusting the cost of the debt to market conditions.

These commercial renegotiations of loans involve a change in the original conditions of the contract, usually requested by the borrower and generally relating to aspects concerning the cost of the debt (or its duration), with a consequent economic benefit for the borrower. In general, whenever the bank carries out a renegotiation to avoid losing its customer, that renegotiation should be considered as substantial because, if it were not carried out, the customer would borrow from another intermediary and the bank would incur a decrease in expected future revenues.

Under specific conditions, these transactions are similar in accounting terms to the premature repayment of the original debt and the opening of a new loan.

## Loans and advances to customers: credit quality

(€m)

	31.12.2018		31.12.2017		CHANGE
	NET EXPOSURE	%	NET EXPOSURE	%	NET EXPOSURE
Doubtful loans	2	-	1	-	1
Unlikely to pay	7	-	9	-	(2)
Past due loans or overdue loans	3	-	1	-	2
<b>Non-performing assets</b>	<b>12</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>1</b>
Performing loans	9,519	79	7,767	81	1,752
Debt instruments	2,535	21	1,867	19	668
<b>Loans and advances to customers</b>	<b>12,066</b>	<b>100</b>	<b>9,645</b>	<b>100</b>	<b>2,421</b>

## QUANTITATIVE INFORMATION

## A. CREDIT QUALITY

## A.1 Non-performing and performing exposures: amounts, adjustments, changes, and financial distribution

## A.1.1 Prudential consolidation - Analysis of financial assets by past-due bands (book value)

ASSET CLASS/QUALITY	FIRST STAGE			SECOND STAGE			THIRD STAGE		
	BETWEEN 1 AND 30 DAYS	BETWEEN MORE THAN 30 DAYS AND 90 DAYS	OVER 90 DAYS	BETWEEN 1 AND 30 DAYS	BETWEEN MORE THAN 30 DAYS AND 90 DAYS	OVER 90 DAYS	BETWEEN 1 AND 30 DAYS	BETWEEN MORE THAN 30 DAYS AND 90 DAYS	OVER 90 DAYS
1. Financial assets measured at amortised cost	31	21	11	6	4	6	1	-	11
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
<b>Total 31.12.2018</b>	<b>31</b>	<b>21</b>	<b>11</b>	<b>6</b>	<b>4</b>	<b>6</b>	<b>1</b>	<b>-</b>	<b>11</b>



## A.1.2 Prudential consolidation - Financial assets, commitments to grant funds and financial guarantees issued: changes in comprehensive adjustments and comprehensive provisions

REASONS/RISK STAGES	TOTAL NET ADJUSTMENTS							
	ASSETS FALLING IN FIRST STAGE				ASSETS FALLING IN SECOND STAGE			
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS
<b>Opening balance</b>	<b>14</b>	<b>2</b>	-	<b>16</b>	<b>21</b>	-	-	<b>21</b>
Increases in purchased or originated financial assets	-	-	-	1	-	-	-	1
Cancellations other than write-offs	-	-	-	(1)	-	-	-	(1)
Net impairment for credit risk	-	(1)	1	(1)	(4)	-	-	(4)
Contractual changes without cancellation	-	-	-	-	-	-	-	-
Changes in estimation method	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-
Other changes	-	-	-	(1)	-	-	-	-
<b>Closing balance</b>	<b>14</b>	<b>1</b>	<b>1</b>	<b>14</b>	<b>17</b>	-	-	<b>17</b>
Recoveries from collection on financial assets subject to write-off	-	-	-	-	-	-	-	-
Write-offs recognised directly in income statement	-	-	-	-	-	-	-	-

## A.1.3 Prudential consolidation - Financial assets, commitments to grant funds and financial guarantees issued: transfers between different credit risk stages (gross and face values)

	GROSS VALUES/FACE VALUE					
	TRANSFERS BETWEEN FIRST STAGE AND SECOND STAGE		TRANSFERS BETWEEN SECOND STAGE AND THIRD STAGE		TRANSFERS BETWEEN FIRST STAGE AND THIRD STAGE	
	FROM FIRST STAGE TO SECOND STAGE	FROM SECOND STAGE TO FIRST STAGE	FROM SECOND STAGE TO THIRD STAGE	FROM THIRD STAGE TO SECOND STAGE	FROM FIRST STAGE TO THIRD STAGE	FROM THIRD STAGE TO FIRST STAGE
1. Financial assets measured at amortised cost	2,769	3,400	11	5	6	5
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Commitments to grant funds and financial guarantees issued	921	1,154	2	2	-	2
<b>Total 31.12.2018</b>	<b>3,690</b>	<b>4,554</b>	<b>13</b>	<b>7</b>	<b>6</b>	<b>7</b>

TOTAL NET ADJUSTMENTS									
ASSETS FALLING IN THIRD STAGE				OF WHICH: PURCHASED OR ORIGINATED NON- PERFORMING FINANCIAL ASSETS	TOTAL PROVISIONS ON COMMITMENTS TO GRANT FUNDS AND FINANCIAL GUARANTEES ISSUED			TOTAL	
FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS		FIRST STAGE	SECOND STAGE	THIRD STAGE		
14	-	14	-	-	-	-	-	51	
1	-	1	-	-	-	-	-	1	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	(5)	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
(1)	-	(1)	-	-	(1)	1	-	(1)	
14	-	14	-	-	(1)	1	-	46	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	

## A.1.4 Prudential consolidation - On- and off-balance sheet exposure of loans and advances to banks: gross and net values

TYPE OF EXPOSURE/VALUE	GROSS EXPOSURE		TOTAL NET ADJUSTMENTS AND TOTAL PROVISIONS	NET EXPOSURE	TOTAL PARTIAL WRITE-OFFS
	NON- PERFORMING	PERFORMING			
A. Cash exposure					
a) Doubtful loans	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
c) Non-performing past due exposures	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past due exposures	X	-	-	-	-
- of which: forborne exposures	X	-	-	-	-
e) Other performing exposures	X	24,810	(12)	24,798	-
- of which: forborne exposures	X	-	-	-	-
Total A	-	24,810	(12)	24,798	-
B. Off-balance-sheet exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	518	-	518	-
Total B	-	518	-	518	-
Total (A+B)	-	25,328	(12)	25,316	-

## A.1.5 Prudential consolidation - On- and off-balance sheet exposure of loans and advances to customers: gross and net values

TYPE OF EXPOSURE/VALUE	GROSS EXPOSURE		TOTAL NET ADJUSTMENTS AND TOTAL PROVISIONS	NET EXPOSURE	TOTAL PARTIAL WRITE-OFFS
	NON- PERFORMING	PERFORMING			
A. Cash exposure					
a) Doubtful loans	10	X	(8)	2	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to pay	12	X	(5)	7	-
- of which: forborne exposures	4	X	(2)	2	-
c) Non-performing past due exposures	4	X	(1)	3	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past due exposures	X	80	(1)	79	-
- of which: forborne exposures	X	-	-	-	-
e) Other performing exposures	X	13,806	(19)	13,787	-
- of which: forborne exposures	X	1	-	1	-
Total A	26	13,886	(34)	13,878	-
B. Off-balance-sheet exposures					
a) Non-performing	1	X	-	1	-
b) Performing	X	3,488	(1)	3,487	-
Total B	1	3,488	(1)	3,488	-
Total (A+B)	27	17,374	(35)	17,366	-

### A.1.7 Prudential consolidation - On-balance sheet exposure of loans and advances to customers: changes in gross non-performing loans

REASONS/CATEGORIES	DOUBTFUL LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST DUE EXPOSURES PAST DUE
<b>A. Gross exposure at beginning of period</b>	<b>10</b>	<b>12</b>	<b>1</b>
- of which: loans disposed of but not written off	-	-	-
<b>B. Increases</b>	<b>-</b>	<b>9</b>	<b>16</b>
B.1 Transfers from performing exposures	-	4	13
B.2 Transfers from impaired financial assets that are purchased or originated	-	-	-
B.3 Transfers from other categories of non-performing exposures	-	3	1
B.4 Contractual changes without cancellation	-	-	-
B.5 Other increases	-	2	2
<b>C. Decreases</b>	<b>-</b>	<b>(9)</b>	<b>(13)</b>
C.1 Transfers to performing exposures	-	(5)	(5)
C.2 Write-off	-	-	-
C.3 Collections	-	(3)	(5)
C.4 Disposals	-	-	-
C.5 Losses on sales	-	-	-
C.6 Transfers to other categories of non-performing exposures	-	(1)	(3)
C.7 Contractual changes without cancellation	-	-	-
C.8 Other decreases	-	-	-
<b>D. Gross exposure at end of period</b>	<b>10</b>	<b>12</b>	<b>4</b>
- of which: loans disposed of but not written off	-	-	-

### A.1.7bis Prudential consolidation - On-balance sheet exposure of loans and advances to customers: changes in gross loans ranked by credit quality

REASONS/QUALITY	FORBORNE EXPOSURES: NON-PERFORMING	FORBORNE EXPOSURES: PERFORMING
<b>A. Gross exposure at beginning of period</b>	<b>3</b>	<b>1</b>
- of which: loans disposed of but not written off	-	-
<b>B. Increases</b>	<b>1</b>	<b>-</b>
B.1 Transfers from performing exposures	-	-
B.2 Transfers from performing forborne exposures	-	X
B.3 Transfers from non-performing forborne exposures	X	-
B.4 Other increases	1	-
<b>C. Decreases</b>	<b>-</b>	<b>-</b>
C.1 Transfers to performing exposures	X	-
C.2 Transfers to performing forborne exposures	-	X
C.3 Transfers to forborne exposures	X	-
C.4 Write-off	-	-
C.5 Collections	-	-
C.6 Disposals	-	-
C.7 Losses on sales	-	-
C.8 Other decreases	-	-
<b>D. Gross exposure at end of period</b>	<b>4</b>	<b>1</b>
- of which: loans disposed of but not written off	-	-

## A.1.9 Prudential consolidation - On-balance sheet exposure of non-performing loans and advances to customers: changes in total adjustments

REASONS/CATEGORIES	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
<b>A. Total adjustments at beginning of period</b>	<b>9</b>	-	<b>5</b>	<b>1</b>	-	-
- of which: loans disposed of but not written off	-	-	-	-	-	-
<b>B. Increases</b>	-	-	<b>3</b>	<b>1</b>	<b>2</b>	-
B.1 Adjustments to impaired financial assets that are purchased or originated	-	X	-	X	-	X
B.2 Other adjustments	-	-	2	1	2	-
B.3 Losses on sales	-	-	-	-	-	-
B.4 Transfers from other categories of non-performing exposures	-	-	1	-	-	-
B.5 Contractual changes without cancellation	-	X	-	X	-	X
B.6 Other increases	-	-	-	-	-	-
<b>C. Decreases</b>	<b>(1)</b>	-	<b>(3)</b>	-	<b>(1)</b>	-
C.1 Write-backs from year-end valuations	-	-	(1)	-	-	-
C.2 Write-backs following collections	-	-	(1)	-	-	-
C.3 Profit on sales	-	-	-	-	-	-
C.4 Write-off	(1)	-	-	-	-	-
C.5 Transfers to other categories of non-performing exposures	-	-	(1)	-	(1)	-
C.6 Contractual changes without cancellation	-	X	-	X	-	X
C.7 Other decreases	-	-	-	-	-	-
<b>D. Total adjustments at end of period</b>	<b>8</b>	-	<b>5</b>	<b>2</b>	<b>1</b>	-
- of which: loans disposed of but not written off	-	-	-	-	-	-



## A.2 Classification of exposures by external and internal rating

### A.2.1 Prudential consolidation - Analysis of financial assets, commitments to grant funds and financial guarantees issued by external rating classes (gross values)

EXPOSURES	EXTERNAL RATING CLASS						NO RATING	TOTAL
	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6		
<b>A) Financial assets measured at amortised cost</b>	<b>85</b>	<b>1,951</b>	<b>23,593</b>	<b>1</b>	<b>15</b>	<b>-</b>	<b>9,531</b>	<b>35,176</b>
- First stage	85	293	23,488	-	15	-	8,018	31,899
- Second stage	-	1,658	105	1	-	-	1,487	3,251
- Third stage	-	-	-	-	-	-	26	26
<b>B) Financial assets measured at fair value through other comprehensive income</b>	<b>345</b>	<b>764</b>	<b>2,035</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>131</b>	<b>3,295</b>
- First stage	345	764	2,025	20	-	-	131	3,285
- Second stage	-	-	10	-	-	-	-	10
- Third stage	-	-	-	-	-	-	-	-
<b>TOTAL (A+B)</b>	<b>430</b>	<b>2,715</b>	<b>25,628</b>	<b>21</b>	<b>15</b>	<b>-</b>	<b>9,662</b>	<b>38,471</b>
of which: impaired financial assets that are purchased or originated	-	-	-	-	-	-	-	-
<b>C. Commitments to grant funds and financial guarantees issued</b>								
- First stage	-	-	1	-	-	-	2,936	2,937
- Second stage	-	-	-	-	-	-	545	545
- Third stage	-	-	-	-	-	-	1	1
<b>TOTAL C</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,482</b>	<b>3,483</b>
<b>TOTAL (A+B+C)</b>	<b>430</b>	<b>2,715</b>	<b>25,629</b>	<b>21</b>	<b>15</b>	<b>-</b>	<b>13,144</b>	<b>41,954</b>

		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.3.1 Prudential consolidation - On- and off-balance sheet guaranteed exposure of loans and advances to banks

	GROSS EXPOSURE	NET EXPOSURE	COLLATERAL			
			BUILDINGS - MORTGAGES	BUILDINGS - FINANCIAL LEASING	SECURITIES	OTHER COLLATERAL
<b>1. Cash exposure of secured loans</b>	-	-	-	-	-	-
1.1 Fully secured	-	-	-	-	-	-
- including impaired	-	-	-	-	-	-
1.2 Partially secured	-	-	-	-	-	-
- including impaired	-	-	-	-	-	-
<b>2. Off-balance-sheet exposures of secured loans</b>	<b>1</b>	<b>1</b>	-	-	-	<b>1</b>
2.1 Fully secured	-	-	-	-	-	-
- including impaired	-	-	-	-	-	-
2.2 Partially secured	1	1	-	-	-	1
- including impaired	-	-	-	-	-	-

### A.3.2 Prudential consolidation - On- and off-balance sheet guaranteed exposure of loans and advances to customers

	GROSS EXPOSURE	NET EXPOSURE	COLLATERAL			
			BUILDINGS - MORTGAGES	BUILDINGS - FINANCIAL LEASING	SECURITIES	OTHER COLLATERAL
<b>1. Cash exposure of secured loans</b>	<b>8,121</b>	<b>8,107</b>	<b>552</b>	-	<b>6,761</b>	<b>471</b>
1.1 Fully secured	7,726	7,718	551	-	6,536	371
- including impaired	7	5	1	-	4	-
1.2 Partially secured	395	389	1	-	225	100
- including impaired	9	3	-	-	2	-
<b>2. Off-balance-sheet exposures of secured loans</b>	<b>2,795</b>	<b>2,795</b>	<b>1</b>	-	<b>2,519</b>	<b>235</b>
2.1 Fully secured	2,594	2,594	1	-	2,430	154
- including impaired	-	-	-	-	-	-
2.2 Partially secured	201	201	-	-	89	81
- including impaired	-	-	-	-	-	-

PERSONAL GUARANTEES										TOTAL
CREDIT LINKED NOTES	CREDIT DERIVATIVES				ENDORSEMENT CREDIT					
	OTHER DERIVATIVES				PUBLIC ENTITIES	BANKS	OTHER FINANCIAL INSTITUTIONS	OTHER PARTIES		
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL INSTITUTIONS	OTHER PARTIES						
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	1	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	1	
-	-	-	-	-	-	-	-	-	-	

PERSONAL GUARANTEES										TOTAL
CREDIT LINKED NOTES	CREDIT DERIVATIVES				ENDORSEMENT CREDIT					
	OTHER DERIVATIVES				PUBLIC ENTITIES	BANKS	OTHER FINANCIAL INSTITUTIONS	OTHER PARTIES		
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL INSTITUTIONS	OTHER PARTIES						
-	-	-	-	-	-	224	-	40	8,048	
-	-	-	-	-	-	224	-	34	7,716	
-	-	-	-	-	-	-	-	-	5	
-	-	-	-	-	-	-	-	6	332	
-	-	-	-	-	-	-	-	-	2	
-	-	-	-	-	-	1	-	8	2,764	
-	-	-	-	-	-	1	-	7	2,593	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	1	171	
-	-	-	-	-	-	-	-	-	-	

## B. DISTRIBUTION AND CONCENTRATION OF LOANS

### B.1 Prudential consolidation - Analysis of on- and off-balance sheet exposure of loans and advances to customers by sector

EXPOSURES/ COUNTERPARTIES	PUBLIC ENTITIES		FINANCIAL INSTITUTIONS		OTHER FINANCIAL INSTITUTIONS (OF WHICH: INSURANCE COMPANIES)		NON-FINANCIAL COMPANIES		HOUSEHOLDS	
	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
<b>A. Cash exposure</b>										
A.1 Doubtful loans	-	-	1	(3)	-	-	-	(1)	1	(4)
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	2	(1)	5	(4)
- of which: forborne exposures	-	-	-	-	-	-	-	-	2	(1)
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-	3	(1)
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	3,094	(10)	2,585	(1)	432	-	2,087	(5)	6,100	(4)
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
<b>Total A</b>	<b>3,094</b>	<b>(10)</b>	<b>2,586</b>	<b>(4)</b>	<b>432</b>	<b>-</b>	<b>2,089</b>	<b>(7)</b>	<b>6,109</b>	<b>(13)</b>
<b>B. Off-balance-sheet exposures</b>										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	-	-	68	-	-	-	754	(1)	2,660	(1)
<b>Total B</b>	<b>-</b>	<b>-</b>	<b>68</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>754</b>	<b>(1)</b>	<b>2,660</b>	<b>(1)</b>
<b>Total (A+B) 31.12.2018</b>	<b>3,094</b>	<b>(10)</b>	<b>2,654</b>	<b>(4)</b>	<b>432</b>	<b>-</b>	<b>2,843</b>	<b>(8)</b>	<b>8,769</b>	<b>(14)</b>
<b>Total (A+B) 31.12.2017</b>	<b>3,435</b>	<b>-</b>	<b>1,662</b>	<b>(3)</b>	<b>420</b>	<b>-</b>	<b>2,620</b>	<b>(2)</b>	<b>5,187</b>	<b>(10)</b>

## B.2 Prudential consolidation - Analysis of territorial distribution of on- and off-balance sheet exposure of loans and advances to customers

EXPOSURES/ GEOGRAPHICAL AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
<b>A. Cash exposure</b>										
A.1 Doubtful loans	2	(8)	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	7	(5)	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	3	(1)	-	-	-	-	-	-	-	-
A.4 Performing exposures	12,465	(20)	770	-	565	-	5	-	61	-
<b>Total A</b>	<b>12,477</b>	<b>(34)</b>	<b>770</b>	<b>-</b>	<b>565</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>61</b>	<b>-</b>
<b>B. Off-balance-sheet exposures</b>										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	3,474	(1)	6	-	2	-	-	-	-	-
<b>Total B</b>	<b>3,474</b>	<b>(1)</b>	<b>6</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B) 31.12.2018</b>	<b>15,951</b>	<b>(35)</b>	<b>776</b>	<b>-</b>	<b>567</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>61</b>	<b>-</b>
<b>Total (A+B) 31.12.2017</b>	<b>11,286</b>	<b>(15)</b>	<b>1,060</b>	<b>-</b>	<b>548</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>

## B.2 bis Prudential consolidation - Breakdown by geographical area of business with customers domiciled in Italy (book value)

EXPOSURES/GEOGRAPHICAL AREAS	NORTH-WEST		NORTH-EAST		CENTRAL ITALY		SOUTH AND ISLANDS	
	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
<b>A. Cash exposure</b>								
A.1 Doubtful loans	1	(1)	-	-	1	(6)	-	(1)
A.2 Unlikely to pay	1	(1)	3	(3)	1	-	2	(1)
A.3 Non-performing past due exposures	-	-	-	-	1	-	2	(1)
A.4 Performing exposures	3,550	(4)	1,632	(2)	6,208	(12)	1,075	(2)
<b>Total A</b>	<b>3,552</b>	<b>(6)</b>	<b>1,635</b>	<b>(5)</b>	<b>6,211</b>	<b>(18)</b>	<b>1,079</b>	<b>(5)</b>
<b>B. Off-balance-sheet exposures</b>								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	1,391	-	811	-	780	(1)	492	-
<b>Total B</b>	<b>1,391</b>	<b>-</b>	<b>811</b>	<b>-</b>	<b>780</b>	<b>(1)</b>	<b>492</b>	<b>-</b>
<b>Total (A+B) 31.12.2018</b>	<b>4,943</b>	<b>(6)</b>	<b>2,446</b>	<b>(5)</b>	<b>6,991</b>	<b>(19)</b>	<b>1,571</b>	<b>(5)</b>
<b>Total (A+B) 31.12.2017</b>	<b>3,279</b>	<b>(3)</b>	<b>1,755</b>	<b>(1)</b>	<b>5,260</b>	<b>(7)</b>	<b>992</b>	<b>(4)</b>



### B.3 Prudential consolidation - Analysis of territorial distribution of on- and off-balance sheet exposure of loans and advances to banks

EXPOSURES/ GEOGRAPHICAL AREAS	ITALIA		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
<b>A. Cash exposure</b>										
A.1 Doubtful loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	23,494	(11)	1,008	(1)	219	-	33	-	44	-
<b>Total A</b>	<b>23,494</b>	<b>(11)</b>	<b>1,008</b>	<b>(1)</b>	<b>219</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>44</b>	<b>-</b>
<b>B. Off-balance-sheet exposures</b>										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	1	-	1	-	-	-	-	-	-	-
<b>Total B</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B) 31.12.2018</b>	<b>23,495</b>	<b>(11)</b>	<b>1,009</b>	<b>(1)</b>	<b>219</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>44</b>	<b>-</b>
<b>Total (A+B) 31.12.2017</b>	<b>23,278</b>	<b>-</b>	<b>1,028</b>	<b>(1)</b>	<b>199</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>2</b>	<b>-</b>

### B.3 bis Prudential consolidation - Analysis of territorial distribution of on- and off-balance sheet exposure of loans and advances to banks resident in Italy (book value)

EXPOSURES/ GEOGRAPHICAL AREAS	NORTH-WEST		NORTH-EAST		CENTRAL ITALY		SOUTH AND ISLANDS	
	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
<b>A. Cash exposure</b>								
A.1 Doubtful loans	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	23,151	(11)	20	-	323	-	-	-
<b>Total A</b>	<b>23,151</b>	<b>(11)</b>	<b>20</b>	<b>-</b>	<b>323</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>B. Off-balance-sheet exposures</b>								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	1	-	-	-	-	-	-	-
<b>Total B</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B) 31.12.2018</b>	<b>23,152</b>	<b>(11)</b>	<b>20</b>	<b>-</b>	<b>323</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B) 31.12.2017</b>	<b>22,621</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>656</b>	<b>-</b>	<b>-</b>	<b>-</b>

## C. SECURITISATIONS

### QUALITATIVE INFORMATION

At 31 December, the loan portfolios of the Group still contained the mezzanine and junior tranches of the notes issued by a securitisation vehicle which acquired the non-performing loan portfolio of Casse Cr Cesena, Cr Rimini, and Cr San Miniato, as part of the bail-out of the three banks which the Group joined in 2016 through its participation in the Voluntary Scheme (VS) and the establishment of a dedicated fund. The entire exposure was fully written down in 2017.

## D. 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 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. At 31 December 2018 three of these contracts had expired.

The cost of these guarantees recorded in the 2018 income statement was €8m. 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 on the basis of which the transaction is substantially the same as a derivative contract and a credit default swap in particular.

The aforementioned transactions clearly differ in certain aspects from term-structured repurchase agreement 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.

## QUANTITATIVE INFORMATION

### D.1 Prudential consolidation - Financial assets disposed of recognised in full and associated financial liabilities: book value

	FINANCIAL ASSETS DISPOSED OF RECOGNISED IN FULL				ASSOCIATED FINANCIAL LIABILITIES		
	BOOK VALUE	OF WHICH: OBJECT OF SECURITISATIONS	OF WHICH: OBJECT OF SALES CONTRACTS WITH BUYBACK CLAUSE	INCLUDING IMPAIRED	BOOK VALUE	OF WHICH: OBJECT OF SECURITISATIONS	OF WHICH: OBJECT OF SALES CONTRACTS WITH BUYBACK CLAUSE
<b>A. Financial assets held for trading</b>	-	-	-	X	-	-	-
1. Debt securities	-	-	-	X	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
<b>B. Other financial assets mandatorily measured at fair value</b>	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
<b>C. Financial assets measured at fair value</b>	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
<b>D. Financial assets measured at fair value through other comprehensive income</b>	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
<b>E. Financial assets measured at amortised cost</b>	<b>1,132</b>	-	<b>1,132</b>	-	<b>700</b>	-	<b>700</b>
1. Debt securities	1,132	-	1,132	-	700	-	700
2. Loans	-	-	-	-	-	-	-
<b>Total 31.12.2018</b>	<b>1,132</b>	-	<b>1,132</b>	-	<b>700</b>	-	<b>700</b>
<b>Total 31.12.2017</b>	<b>2,954</b>	-	<b>2,954</b>	-	<b>661</b>	-	<b>661</b>

## D.3 Prudential consolidation - Disposal transactions with transfer of liabilities exclusively for assets disposed of and not entirely cancelled: fair value

	RECOGNISED IN FULL	PARTIALLY RECOGNISED	TOTAL	
			31.12.2018	31.12.2017
<b>A. Financial assets held for trading</b>				
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
<b>B. Other financial assets mandatorily measured at fair value</b>				
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
<b>C. Financial assets measured at fair value</b>				
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
<b>D. Financial assets measured at fair value through other comprehensive income</b>				
1. Debt securities	-	-	-	1,444
2. Equities	-	-	-	-
3. Loans	-	-	-	-
<b>E. Financial assets measured at amortised cost</b>				
1. Debt securities	1,132	-	1,132	1,500
2. Loans	-	-	-	-
<b>Total financial assets</b>	<b>1,132</b>	<b>-</b>	<b>1,132</b>	<b>2,944</b>
<b>Total associated financial liabilities</b>	<b>(700)</b>	<b>-</b>	<b>X</b>	<b>X</b>
<b>Net value at 31.12.2018</b>	<b>432</b>	<b>-</b>	<b>432</b>	<b>X</b>
<b>Net value at 31.12.2017</b>	<b>2,274</b>	<b>-</b>	<b>X</b>	<b>2,274</b>

## 1.2 MARKET RISK

### 1.2.1 - INTEREST RATE RISK AND PRICE RISK - REGULATORY TRADING BOOK

#### QUALITATIVE INFORMATION

##### A. General information

The trading book mainly serves Group customers. The trading book also includes a securities component resulting from market transactions and foreign exchange and exchange rate derivative transactions, which are likewise engaged in to meet the needs of the Group's customers and asset management companies.

### 1.2.2 - INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

#### QUALITATIVE INFORMATION

##### A. General aspects, management procedures, and methods for measuring interest rate risk and price risk

Fideuram complies with the instructions 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 Group's related departments.

As a rule, the Risk Committee meets quarterly 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 Financial Portfolio 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 portfolio 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 Financial Portfolio Policy splits investments in securities into a liquidity portfolio, an investment portfolio and a service portfolio.

The liquidity portfolio has a prudent 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 serves mainly for the investment of surplus liquidity realised through trading Intesa Sanpaolo Group issues on the primary and secondary market.

The Fideuram Group has developed a pricing methodology for the measurement of financial instruments which rigorously implements the provisions of the IAS/IFRS. 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 fair value of financial instruments is calculated 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 measurement 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 presen-

ted 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.

The entire portfolio of financial assets measured at fair value through comprehensive income was 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 consists of the insurance policies that the Bank 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.

The derivatives in the banking book consist principally of Interest Rate Swaps. As a rule, Fideuram 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.

The Group uses derivatives (mainly interest rate swaps) to hedge interest rate risk following a strategy that involves buying swaps linked to the individual fixed-coupon bonds in the portfolio. This strategy has 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 Financial Portfolio Policy, which limits the maximum exposure to any single corporate Group to 5% of the total holdings, with the sole exception of the parent company Intesa Sanpaolo.

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 valued using special pricing models.

A generic hedge (Macro Fair Value Hedge) of fixed rate loans was executed at the end of June 2018 with the purchase of an amortizing Interest Rate Swap with a 30-year maturity. The hedge is characterised by the missing identification of the individual underlying assets that are hedged. This choice, determined by the natural fractioning (both in terms of number and amount) of the mortgage exposures, entails periodic checks that the sensitivity and fair value of the he-

ding derivative are sufficient to cover the same measures calculated on the hedged assets. The size of the hedge, with a total notional of about €80 million, requires equal quarterly amortisation for both the pay fixed and receive floating legs, with the latter being indexed to the 3-month Euribor benchmark. The hedge was fully effective and adequate both in terms of sensitivity and fair value during the first six months of valuation.

The banking book comprises long-term investment securities and interest rate hedging derivatives, short and medium-long term loans, and customer demand deposits, and by deposits and current accounts at financial institutions, mainly within the Group. The banking book totalled €38.4bn at 31 December 2018.

## QUANTITATIVE INFORMATION

### Banking Book

(€m)

	31.12.2018	31.12.2017	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through other comprehensive income	3,294	4,596	(1,302)	-28
Debt securities classified as loans and advances to banks	10,764	8,058	2,706	34
Debt securities classified as loans and advances to customers	2,535	1,867	668	36
Hedging derivatives	-	5	(5)	-100
<b>Total securities and derivatives</b>	<b>16,593</b>	<b>14,526</b>	<b>2,067</b>	<b>14</b>
Loans to customers	9,531	7,778	1,753	23
Loans to banks	12,301	14,452	(2,151)	-15
<b>Total loans</b>	<b>21,832</b>	<b>22,230</b>	<b>(398)</b>	<b>-2</b>
<b>Total Bank Portfolio</b>	<b>38,425</b>	<b>36,756</b>	<b>1,669</b>	<b>5</b>

The internal system used to measure interest rate risk evaluates and describes the effect of changes in interest rates on the economic value and interest income and identifies all significant sources of risk that influence the banking book:

- *repricing risk*: risk originating from mismatches in due dates (for fixed rate positions) and the rate revision date (for variable rate positions) of the financial items due to parallel movements in the yield curve;
- *yield curve risk*: risk originating from mismatches in due dates and the rate revision date due to changes in the inclination and shape of the yield curve;
- *basis risk*: risk originating from the imperfect correlation in the adjustment of the interest income and interest expense rates of variable rate instruments, which may differ due to their indexing parameter, rate revision procedure, indexing algorithm, etc. This risk arises after non-parallel changes in market rates.

The interest rate risk of the banking book is measured using the following methods:

1. shift sensitivity of the economic value ( $\Delta$ EVE);
2. net interest income:
  - shift sensitivity of net interest income ( $\Delta$ NI);
  - dynamic simulation of net interest income (NI);
3. Value at Risk (VaR).

#### Shift sensitivity

The shift sensitivity of the economic value (or shift sensitivity of the fair value) measures the change in the economic value of the banking book and is calculated at the level of individual cash flow for each financial instrument, on the basis of different instantaneous rate shocks and reflects the changes in the discounted value of the cash flows of positions already carried on the balance sheet for the entire remaining duration until maturity (run-off balance sheet).

In the measurements, the balance sheet items are represented according to their contractual profile, with the exception of those categories of instruments that feature risk profiles different from the contractually envisaged ones. For these transactions, it was consequently decided to use a behavioural representation in order to calculate the risk measurements. In particular:

- for loans, prepayments are taken into account so as to reduce the exposure to rate risk (overhedge) and liquidity risk (overfunding);
- for those items that are contractually payable on demand, a financial representation model is implemented to reflect the behavioural characteristics of stability of the assets and partial and delayed reaction to the changes in market rates, in order to stabilise net interest income both in absolute and variable terms over time;
- the cash flows used both for the contractual and the behavioural type are developed at the contractual rate or at TIT.

A multicurve system is used to determine the present value. This calls for the use of different discounting curves and "forwarding" according to the type of instrument and the tenor of its indexing. To determine the shift sensitivity, the shock standard to which all the curves are subject is defined as the parallel and uniform shift of the curves by +100 basis points. In addition to the +100 standard scenario, the measure of economic value (EVE) is also calculated on the basis of the six scenarios prescribed by the BCBS document and on the basis of historic stress simulations aimed at identifying the works and best cases.

The shift sensitivity of net interest income quantifies the impact on short-term net interest income of a parallel, instantaneous, and permanent shock in the interest rate curve. The sensitivity of net interest income is measured with a method that permits estimating the expected change in net interest income, after a shock in the curves generated by items that are subject to a revision of the rate on a time horizon ("gapping period") set at 12 months from the analysis date.

This measure highlights the effect of changes in market rates on the net interest income generated by the measured portfolio in the perspective of a constant balance sheet, excluding any potential effects deriving from the new transactions and from future changes in the mix of assets and liabilities. Therefore, it cannot be considered a forecasting indicator of the future level of net interest income.

To determine the changes in net interest income ( $\Delta NII$ ), the standard scenarios of a parallel rate shock of + 50 basis points, referring to a time horizon of twelve months. Moreover, dynamic simulations are run on the net interest income that combine shifts in the yield curves with changes in the base and liquidity differentials, and the changes in behaviour of customers in different market scenarios.

The changes in net interest income and economic value are subject to monthly monitoring in accordance with the limits and sub-limits approved by the Group Financial Risk Committee (GFRC).

Accordingly, the measurements are shown according to the details used to run the test, in terms of credit limit and sub-credit limit, time buckets (short, medium, and long-term), company, and currency. The scenarios used to check the limits are:

- to check exposure in terms of  $\Delta EVE$ : instantaneous and parallel shock of +100 bps;
- to check exposure in terms of  $\Delta NII$ : instantaneous and parallel shock of +/- 50 bps.

For a parallel upward movement in the rate curve by 100 bps, the sensitivity value at 31 December was a negative -€23.6m; likewise, even the interest margin sensitivity was negative -€99.2m in the event of a -50 bps shock.

### Value at Risk

The Value at Risk is calculated as the maximum potential loss of the market value of the portfolio that might occur during the following ten business days with a statistical confidence level of 99% (parametric VaR). The VaR is used not only to measure the equity investment portfolio, but also to consolidate the exposure to financial risks assumed after banking book activities, and thus also considering the benefits generated by the diversification effect. The VaR calculation models feature several limits, since they are based on the statistical assumption of a normal distribution of yields and on the observation of historic data, which might not be followed in future. Therefore, the results of the VaR do not guarantee that any possible future losses cannot exceed the calculated statistical estimates.

At 31 December 2018, the Value at Risk calculated for a one-day time horizon was €2.6m.

### 1.2.3 EXCHANGE RATE RISK

#### QUALITATIVE INFORMATION

##### A. General aspects, management processes, and methods for measuring exchange rate risk

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.

##### B. Hedging of exchange rate risk

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

ITEMS	CURRENCIES					
	US DOLLAR	STERLING	YEN	CANADIAN DOLLAR	SWISS FRANC	OTHER CURRENCIES
<b>A. Financial assets</b>	<b>734</b>	<b>20</b>	<b>25</b>	<b>1</b>	<b>65</b>	<b>31</b>
A.1 Debt securities	466	-	-	-	16	-
A.2 Equities	-	-	-	-	-	-
A.3 Loans to banks	236	17	22	1	17	26
A.4 Loans to customers	31	3	3	-	30	5
A.5 Other financial assets	1	-	-	-	2	-
<b>B. Other assets</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>-</b>
<b>C. Financial liabilities</b>	<b>844</b>	<b>54</b>	<b>34</b>	<b>4</b>	<b>97</b>	<b>43</b>
C.1 Due to banks	143	1	-	-	1	-
C.2 Due to customers	701	53	34	4	92	43
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	4	-
<b>D. Other liabilities</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>-</b>
<b>E. Financial derivatives</b>						
- Options						
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other derivatives						
+ Long positions	699	108	83	8	15	19
+ Short positions	1,023	63	64	4	8	19
<b>Total assets</b>	<b>1,434</b>	<b>128</b>	<b>108</b>	<b>9</b>	<b>84</b>	<b>50</b>
<b>Total liabilities</b>	<b>1,868</b>	<b>117</b>	<b>98</b>	<b>8</b>	<b>110</b>	<b>62</b>
<b>Balance (+/-)</b>	<b>(434)</b>	<b>11</b>	<b>10</b>	<b>1</b>	<b>(26)</b>	<b>(12)</b>

## 1.3 DERIVATIVES AND HEDGING POLICIES

### 1.3.1 TRADING DERIVATIVES

#### A. FINANCIAL DERIVATIVES

##### A.1 Financial trading derivatives: notional values at the end of the period

UNDERLYING ASSETS/ TYPES OF DERIVATIVES	31.12.2018				31.12.2017			
	OVER THE COUNTER			REGULATED MARKETS	OVER THE COUNTER			REGULATED MARKETS
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES			CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		
		WITH NETTING AGREEMENTS	WITHOUT NETTING AGREEMENTS			WITH NETTING AGREEMENTS	WITHOUT NETTING AGREEMENTS	
1. Debt securities and interest rate derivatives	-	-	-	-	-	-	23	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	23	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity derivatives and index derivatives	-	-	513	-	-	-	-	-
a) Options	-	-	513	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	-	3,157	3,489	-	-	2,111	3,846	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	2,548	1,845	-	-	-	-	-
c) Forward	-	609	1,644	-	-	2,111	3,846	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	-	3,157	4,002	-	-	2,111	3,869	-

## A.2 Financial trading derivatives: gross positive and negative fair value - distribution by product

TYPES OF DERIVATIVES	31.12.2018				31.12.2017			
	OVER THE COUNTER			REGULATED MARKETS	OVER THE COUNTER			REGULATED MARKETS
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES			CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		
		WITH NETTING AGREEMENTS	WITHOUT NETTING AGREEMENTS			WITH NETTING AGREEMENTS	WITHOUT NETTING AGREEMENTS	
1. Positive fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	17	4	-	-	15	14	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	2	4	-	-	12	1	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	-	19	8	-	-	27	15	-
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	4	12	-	-	1	24	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	3	9	-	-	-	20	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	-	7	21	-	-	1	44	-



### A.3 OTC financial trading derivatives: notional values, gross positive and negative fair value by counterparties

UNDERLYING ASSETS	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL INSTITUTIONS	OTHER PARTIES
<b>Contracts other than netting agreements</b>				
<b>1. Debt securities and interest rate derivatives</b>				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>2. Equity derivatives and index derivatives</b>				
- notional values	X	495	-	18
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>3. Currencies and gold</b>				
- notional values	X	288	3,146	55
- positive fair value	X	1	7	-
- negative fair value	X	2	19	-
<b>4) Commodities</b>				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>5) Other</b>				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>Netting agreements</b>				
<b>1. Debt securities and interest rate derivatives</b>				
- notional values	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
<b>2. Equity derivatives and index derivatives</b>				
- notional values	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
<b>3. Currencies and gold</b>				
- notional values	-	3,157	-	-
- positive fair value	-	19	-	-
- negative fair value	-	7	-	-
<b>4) Commodities</b>				
- notional values	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
<b>5) Other</b>				
- notional values	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

### A.4 Residual life of OTC financial derivatives: notional values

UNDERLYING/RESIDUAL LIFE	UP TO 1 YEAR	OVER 1 YEAR AND UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Debt derivatives and interest rate derivatives	-	-	-	-
A.2 Equity derivatives and index derivatives	-	495	18	513
A.3 Currency and gold derivatives	6,646	-	-	6,646
A.4 Commodity derivatives	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
<b>Total 31.12.2018</b>	<b>6,646</b>	<b>495</b>	<b>18</b>	<b>7,159</b>
<b>Total 31.12.2017</b>	<b>5,980</b>	<b>-</b>	<b>-</b>	<b>5,980</b>

### 1.3.2 ACCOUNTING HEDGES

#### QUALITATIVE INFORMATION

Upon first-time adoption of IFRS9, the Group exercised the option allowed by the standard to continue applying all the rules of IAS39 for all types of hedges (micro and macro). Therefore, the provisions of IFRS9 for hedging do not apply.

#### A. Fair value hedging

The Fideuram Group engages in hedging to immunise its banking book from changes in the fair value of inflows and investments caused by movements in the interest rate curve (interest rate risk).

The Group adopts both specific hedges (micro fair value hedge) and generic hedges (macro fair value hedge).

The micro fair value hedges mainly hedge bonds that are purchased.

In the macro fair value hedges, generic hedges are applied to a portion of the fixed rate loans. For this type, an open portfolio generic hedge has been adopted using the bottom-layer approach which, consistently with the interest rate measurement method, envisages modelling the prepayment phenomenon. It is more correlated with the activity of risk management and changes in client assets.

The principal types of derivatives used are represented by interest rate swaps (IRS) that are plain bullet or have an accreting notional, inflation linked, overnight index swap (OIS), cross currency swap (CCS) realised with independent counterparties or with other Group companies which, in turn, hedge the risk on the market to comply with imposed requirements to qualify the hedges as IAS compliant at the consolidated level.

The derivatives are not listed on regulated markets, but traded on OTC circuits. The OTC contracts also include those that are intermediated through clearing houses.

#### D. Hedging instruments

The principal causes for the ineffectiveness of the model adopted by the Fideuram Group to check the effectiveness of the hedges are attributable to the following phenomena:

- mismatching between the notional amount of the derivative and the underlying recognised at the time of initial designation or generated subsequently, as in the case of partial repayments of loans or the buyback of bonds;
- application of different curves on the hedging derivative and the hedged item. Derivatives, which are normally collateralised, are discounted on the Eonia curve, while the hedged objects are discounted on the indexing curve of the hedging instrument;
- inclusion in the effectiveness test of the value of the variable leg of the hedging derivative, in the case of a fair value hedge.

The ineffectiveness of the hedge is promptly recognised in order to:

- determine the effect in the income statement;
- assessment of the possibility of continuing to apply hedge accounting rules.

The Fideuram Group does not use dynamic hedges, as defined in IFRS 7, paragraph 23C.

#### E. Hedged items

The principal types of hedged items are:

- debt securities carried as assets;
- fixed rate loans;
- previously set coupons of variable rate loans.

##### E.1 Debt securities carried as assets

These are hedged in micro fair value hedge relationships, using IRS, OIS and CCS as hedging instruments.

Interest rate risk is hedged for the entire duration of the bond. The Dollar Offset Method is used to test the effectiveness of the hedge. This method is based on the relationship between the accumulated changes (since the beginning of the hedge) in fair value of the hedging instrument, attributable to the hedged risk, and the changes in fair value of the hedged item (delta fair value), net of accrued interest.

##### E.2 Fixed rate loans

The Group has designated micro fair value hedge or macro fair value hedge relationships, mainly using IRS as hedging instruments. Interest rate risk is hedged for the entire duration of the underlying.

The Dollar Offset Method is used to test the effectiveness of the micro hedges.

For macro hedges, the hedged loan portfolio is of the open type, i.e. it is composed of a changing base of fixed rate instruments managed at the aggregate level through the hedging derivatives that are stipulated over time. The effectiveness of the macro hedges on fixed rate loans is periodically tested with specific prospective and retrospective tests aimed at demonstrating that the portfolio which might be hedged contains an amount of assets whose sensitivity profile and changes in fair value for interest rate risk reflect those of the derivatives used for the hedge.

##### E.3 Previously set coupons of variable rate loans

These are hedged in micro fair value hedge relationships, using OIS as hedging instruments. The purpose of this type of hedging is to immunise the interest rate risk determined by the previously set coupons of variable rate loans.

The Dollar Offset Method is used to test the effectiveness of the hedge, while the effective amount of the hedged items is tested with a capacity test.

## QUANTITATIVE INFORMATION

## A. FINANCIAL HEDGING DERIVATIVES

## A.1 Financial hedging derivatives: notional values at the end of the period

UNDERLYING ASSETS/ TYPES OF DERIVATIVES	31.12.2018				31.12.2017			
	OVER THE COUNTER			REGULATED MARKETS	OVER THE COUNTER			REGULATED MARKETS
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES			CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		
		WITH NETTING AGREEMENTS	WITHOUT NETTING AGREEMENTS			WITH NETTING AGREEMENTS	WITHOUT NETTING AGREEMENTS	
1. Debt securities and interest rate derivatives	-	5,076	-	-	-	6,851	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	5,076	-	-	-	6,851	-	-
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	-	114	-	-	-	108	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	114	-	-	-	108	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	-	5,190	-	-	-	6,959	-	-

## A.2 Financial hedging derivatives: gross positive and negative fair value - distribution by product

POSITIVE AND NEGATIVE FAIR VALUE				
TYPES OF DERIVATIVES	CENTRAL COUNTERPARTIES	31.12.2018		REGULATED MARKETS
		OVER THE COUNTER		
		WITHOUT CENTRAL COUNTERPARTIES		
		WITH NETTING AGREEMENTS	WITHOUT NETTING AGREEMENTS	
1. Positive fair value				
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	-	-	-	-
2. Negative fair value				
a) Options	-	-	-	-
b) Interest rate swap	-	786	-	-
c) Cross currency swap	-	22	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	-	808	-	-

POSITIVE AND NEGATIVE FAIR VALUE					CHANGE IN VALUE USED TO DETERMINE INEFFECTIVENESS OF HEDGE	
CENTRAL COUNTERPARTIES	31.12.2017		REGULATED MARKETS	TOTAL 31.12.2018	TOTAL 31.12.2017	
	OVER THE COUNTER					
	WITHOUT CENTRAL COUNTERPARTIES					
	WITH NETTING AGREEMENTS	WITHOUT NETTING AGREEMENTS				
-	-	-	-	-	-	
-	5	-	-	-	2	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	5	-	-	-	2	
-	-	-	-	-	-	
-	964	-	-	(18)	(105)	
-	17	-	-	5	(17)	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	981	-	-	(13)	(122)	

## A.3 OTC financial hedging derivatives: notional values, gross positive and negative fair value by counterparties

UNDERLYING ASSETS	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL INSTITUTIONS	OTHER PARTIES
<b>Contracts other than netting agreements</b>				
<b>1. Debt securities and interest rate derivatives</b>				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>2. Equity derivatives and index derivatives</b>				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>3. Currencies and gold</b>				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>4. Commodities</b>				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>5. Other</b>				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>Netting agreements</b>				
<b>1. Debt securities and interest rate derivatives</b>				
- notional values	-	5,076	-	-
- positive fair value	-	-	-	-
- negative fair value	-	786	-	-
<b>2. Equity derivatives and index derivatives</b>				
- notional values	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
<b>3. Currencies and gold</b>				
- notional values	-	114	-	-
- positive fair value	-	-	-	-
- negative fair value	-	22	-	-
<b>4. Commodities</b>				
- notional values	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
<b>5. Other</b>				
- notional values	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-



## A.4 Residual life of OTC financial hedging derivatives: notional values

UNDERLYING/RESIDUAL LIFE	UP TO 1 YEAR	OVER 1 YEAR AND UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Debt derivatives and interest rate derivatives	1,117	1,473	2,486	5,076
A.2 Equity derivatives and index derivatives	-	-	-	-
A.3 Currency and gold derivatives	48	-	66	114
A.4 Commodity derivatives	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
<b>Total 31.12.2018</b>	<b>1,165</b>	<b>1,473</b>	<b>2,552</b>	<b>5,190</b>
<b>Total 31.12.2017</b>	<b>2,175</b>	<b>2,441</b>	<b>2,839</b>	<b>7,455</b>

## D. HEDGED INSTRUMENTS

## D.1 Hedging of fair value

	SPECIFIC HEDGES: BOOK VALUE	SPECIFIC HEDGES - NET POSITIONS: BOOK VALUE OF ASSETS OR LIABILITIES (BEFORE NETTING)	ACCUMULATED CHANGES IN FAIR VALUE OF HEDGED INSTRUMENT	SPECIFIC HEDGES TERMINATION OF HEDGE: RESIDUAL ACCUMULATED CHANGES IN FAIR VALUE	CHANGE IN VALUE USED TO DETERMINE INEFFECTIVENESS OF HEDGE	GENERIC HEDGES: BOOK VALUE
<b>A. Assets</b>						
<b>1. Financial assets measured at fair value through other comprehensive income - Hedging of:</b>	<b>628</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>11</b>	<b>-</b>
1.1. Debt securities and interest rate derivatives	514	-	8	-	6	X
1.2. Equity derivatives and index derivatives	-	-	-	-	-	X
1.3. Currencies and gold	114	-	4	-	5	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
<b>2. Financial assets measured at amortised cost - Hedging of:</b>	<b>3,936</b>	<b>-</b>	<b>767</b>	<b>-</b>	<b>(24)</b>	<b>109</b>
1.1. Debt securities and interest rate derivatives	3,936	-	767	-	(24)	X
1.2. Equity derivatives and index derivatives	-	-	-	-	-	X
1.3. Currencies and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
<b>Total 31.12.2018</b>	<b>4,564</b>	<b>-</b>	<b>779</b>	<b>-</b>	<b>(13)</b>	<b>109</b>
<b>Total 31.12.2017</b>	<b>4,511</b>	<b>-</b>	<b>796</b>	<b>-</b>	<b>(129)</b>	<b>-</b>
<b>B. Liabilities</b>						
<b>1. Financial liabilities measured at amortised cost - Hedging of:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1.1. Debt securities and interest rate derivatives	-	-	-	-	-	X
1.2. Currencies and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
<b>Total 31.12.2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total 31.12.2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## D.2 Cash flow and net foreign investment hedges

	CHANGE IN VALUE USED TO DETERMINE INEFFECTIVENESS OF HEDGE	HEDGE RESERVES	TERMINATION OF HEDGE: RESIDUAL VALUE OF HEDGE RESERVES
<b>A. Cash flow hedge</b>			
1. Assets	-	-	-
1.1. Debt securities and interest rate derivatives	-	-	-
1.2. Equity derivatives and index derivatives	-	-	-
1.3. Currencies and gold	-	-	-
1.4. Loans	-	-	-
1.5. Other	-	-	-
2. Liabilities	-	-	-
2.1. Debt securities and interest rate derivatives	-	-	-
2.2. Currencies and gold	-	-	-
2.3. Other	-	-	-
<b>Total 31.12.2018</b>	-	-	-
<b>Total 31.12.2017</b>	-	<b>4</b>	-
<b>B. Hedge of investments outside Italy</b>	<b>X</b>	-	-
<b>Total (A+B) 31.12.2018</b>	-	-	-
<b>Total (A+B) 31.12.2017</b>	-	<b>4</b>	-

## E. EFFECTS OF HEDGING IN SHAREHOLDERS' EQUITY

## E.1 Reconciliation of components of shareholders' equity

	RESERVE FOR CASH FLOW HEDGES					RESERVE FOR HEDGES OF INVESTMENTS OUTSIDE ITALY				
	DEBT SECURITIES AND INTEREST RATE DERIVATIVES	EQUITY DERIVATIVES AND INDEX DERIVATIVES	CURRENCIES AND GOLD	LOANS	OTHER	DEBT SECURITIES AND INTEREST RATE DERIVATIVES	EQUITY DERIVATIVES AND INDEX DERIVATIVES	CURRENCIES AND GOLD	LOANS	OTHER
<b>Opening balance</b>	-	-	<b>4</b>	-	-	-	-	-	-	-
Changes in fair value (effective portion)	-	-	-	-	-	-	-	-	-	-
Transfers to income statement	-	-	-	-	-	-	-	-	-	-
of which: future transactions no longer expected	-	-	-	-	-	X	X	X	X	X
Other changes	-	-	(4)	-	-	-	-	-	-	-
of which: transfers to initial book value of hedged instruments	-	-	(4)	-	-	X	X	X	X	X
<b>Closing balance</b>	-	-	-	-	-	-	-	-	-	-

### 1.3.3 OTHER INFORMATION ABOUT DERIVATIVES (FOR TRADING AND HEDGING)

#### C. FINANCIAL AND CREDIT DERIVATIVES

##### A.1 OTC financial and credit derivatives: net fair values by counterparty

	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL INSTITUTIONS	OTHER PARTIES
<b>A. Financial derivatives</b>				
<b>1. Debt securities and interest rate derivatives</b>				
- notional values	-	5,076	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	35	-	-
<b>2. Equity derivatives and index derivatives</b>				
- notional values	-	495	-	18
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-
<b>3. Currencies and gold</b>				
- notional values	-	3,559	3,146	55
- net positive fair value	-	1	2	-
- net negative fair value	-	1	14	-
<b>4. Commodities</b>				
- notional values	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-
<b>5. Other</b>				
- notional values	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	761	-	-
<b>B. Credit derivatives</b>				
<b>1. Purchase of protection</b>				
- notional values	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-
<b>2. Sale of protection</b>				
- notional values	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-

## 1.3 LIQUIDITY RISK

### QUALITATIVE INFORMATION

#### A. General aspects, management processes, and methods for measuring liquidity risk

Liquidity risk is the risk that the Bank will fail to satisfy its own payment commitments due to its inability both to obtain funds on the market (funding liquidity risk) and to unwind its own assets (market liquidity risk).

The internal system for control and management of liquidity risk is developed within the Group Risk Appetite Framework and in compliance with the maximum limits of tolerance of liquidity risk approved in that Framework, which require that the Group has to maintain adequate liquidity so as to deal with periods of tension, including extended ones, on different funding markets, inter alia through the formation of adequate liquidity reserves represented by marketable securities that can be refinanced at central banks. Accordingly, a balanced relationship has to be maintained between inflows

and outflows in both the short and medium-to-long term. This objective is developed by the "Group Guidelines for Governance of Liquidity Risk" approved by the Corporate Bodies of Intesa Sanpaolo.

These guidelines incorporate the latest regulatory provisions covering liquidity risk and illustrate the duties of the various corporate functions, the rules and set of control and management processes designed to assure prudent monitoring of that risk, by preventing crisis situations from arising. In particular, from the organisational point of view, the duties assigned to the Board of Directors have been defined in detail, and top management is delegated with several important compliance measures, such as approval of the measurement methods, definition of the principal assumptions underlying the stress scenarios, and the composition of the attention indicators used to activate emergency plans.

In regard to measurement metrics and tools to attenuate liquidity risk, aside from defining the methodological framework used to measure the short-term and structural liquidity indicators, the maximum tolerance limit for liquidity risk (risk

appetite), the methods used to define the Liquidity Reserves, and the rules and parameters for performing the stress tests are formalised.

The short-term liquidity indicators aim to assure an adequate and balanced level between negative and positive cash flows having a certain or estimated due date falling within a 12-month time horizon, with the aim of confronting periods of tension, including extended ones, on the different funding markets, inter alia through the formation of adequate liquidity reserves represented by liquid assets on private markets or which can be refinanced at central banks. Accordingly and consistently with the maximum limit on tolerance for liquidity risk, the system of limits is defined by envisaging two short-term indicators over a one-week time horizon (estimated accumulated imbalance of wholesale operations) and a one-month time horizon (Liquidity Coverage Ratio – LCR), respectively.

The indicator of the estimated accumulated imbalances of wholesale operations measures the independence of the bank from unsecured wholesale funding if the monetary market is blocked and aims to assure financial independence by assuming use of only higher quality liquidity reserves on the market. The LCR indicator, whose minimum limit has been 100% since 1 January 2018, has the purpose of reinforcing the short-term liquidity risk profile, assuring that it holds sufficient, unrestricted high-quality liquid assets (HQLA) that may be easily and immediately converted into cash on private markets to satisfy liquidity requirements at 30 days in a liquidity stress scenario as defined in the Delegated Regulation (EU) No. 2015/61.

The structural Liquidity Policy requires adoption of the structural requirement mandated by the Basel III Net Stable Funding Ratio (NSFR) regulation. That indicator aims to promote greater use of stable inflows, preventing medium and long-term operations from causing excessive imbalances to be financed on a short-term basis. Accordingly, it sets a minimum “acceptable” amount of funding for more than one year according to the needs originating from the liquidity and residual duration characteristics of off-balance sheet assets and exposures. The Group Guidelines for Governing Liquidity Risk also envisage extending the time of the stress scenario envisaged by the regulatory framework for the purposes of the LCR indicator, by measuring for up to three months the effect of specific acute liquidity tensions combined with an extended and generalised market crisis. Accordingly, the internal governance guidelines also require a warning threshold (“Stressed soft ratio”) on the LCR of up to three months, aimed at requiring a total level of reserves capable of handling the greater cash outflows over an adequate time interval so as to take the necessary operational measures to restore balanced conditions for the Group.

In that context, the Contingency Funding Plan (CFP) has been implemented. This contains different lines of action that can be activated to deal with potential stress situations, indicating

the dimension of the mitigating effects that could be pursued over a short-term time horizon.

Moreover, it is required that governance procedures be in place to govern a possible liquidity crisis, defined as a situation of difficulty or incapacity to meet one's own cash commitments as they fall due, unless procedures are activated and/or tools are used in a way that cannot be associated with ordinary administration in terms of their intensity or procedures. The Contingency Liquidity Plan, which sets itself the goals of protecting Group assets and, at the same time, guaranteeing the continuation of operations in the face of a grave liquidity emergency, assures that warning signs are identified, that they are continuously monitored, that the procedures to be activated are defined in the case that liquidity tensions occur, the immediate lines of action and the tools for intervening to resolve the emergency.

Adequate and timely disclosures on the development of market conditions and the Group's position have been issued to the Corporate Bodies and to the internal Committees, to assure full awareness and the governability of the different risk factors.

The Fideuram Group manages liquidity risk in accordance with Intesa Sanpaolo's Liquidity Risk Governance Guidelines, which ensure prompt implementation of national and supranational legal and regulatory changes. The cardinal principles of said regulatory changes introduce prudential rules regarding 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 inflows 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 inflows, 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 Financial Portfolio 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 that the operational limits and relevant regulations are respected. 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
<b>Cash assets</b>	<b>12,534</b>	<b>862</b>	<b>407</b>	<b>197</b>	<b>1,626</b>	<b>2,095</b>	<b>2,074</b>	<b>9,786</b>	<b>7,937</b>	<b>315</b>
A.1 Government securities	-	-	4	-	31	50	219	522	1,938	-
A.2 Other debt securities	1	-	11	2	346	110	250	7,354	5,526	-
A.3 Units in mutual funds	11	-	-	-	-	-	-	-	-	-
A.4 Loans	12,522	862	392	195	1,249	1,935	1,605	1,910	473	315
- Banks	5,496	55	245	72	900	1,761	1,543	1,591	-	315
- Customers	7,026	807	147	123	349	174	62	319	473	-
<b>Cash liabilities</b>	<b>30,502</b>	<b>1,470</b>	<b>34</b>	<b>149</b>	<b>654</b>	<b>91</b>	<b>278</b>	<b>941</b>	<b>428</b>	<b>-</b>
B.1 Deposits and current accounts	30,388	22	19	136	637	91	152	614	229	-
- Banks	869	-	-	-	-	-	130	-	229	-
- Customers	29,519	22	19	136	637	91	22	614	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	114	1,448	15	13	17	-	126	327	199	-
<b>Off-balance-sheet transactions</b>										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	46	48	52	521	1	-	-	66	-
- Short positions	-	45	-	6	589	5	2	-	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	-	2	9	11	-	-	-
- Short positions	-	-	-	3	9	4	28	-	-	-
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	34	-	1	2	8	9	24	31	13	-
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
<b>Cash assets</b>	<b>324</b>	<b>2</b>	<b>57</b>	<b>5</b>	<b>92</b>	<b>102</b>	<b>72</b>	<b>179</b>	<b>72</b>	<b>1</b>
A.1 Government securities	-	-	-	-	40	30	65	97	3	1
A.2 Other debt securities	-	-	51	2	2	46	4	80	69	-
A.3 Units in mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	324	2	6	3	50	26	3	2	-	-
- Banks	270	2	3	-	45	22	-	-	-	-
- Customers	54	-	3	3	5	4	3	2	-	-
<b>Cash liabilities</b>	<b>815</b>	<b>22</b>	<b>10</b>	<b>22</b>	<b>76</b>	<b>13</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>
B.1 Deposits and current accounts	815	22	10	22	76	13	5	-	-	-
- Banks	14	-	-	-	-	-	-	-	-	-
- Customers	801	22	10	22	76	13	5	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
<b>Off-balance-sheet transactions</b>										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	146	-	6	593	5	3	-	-	-
- Short positions	-	146	51	52	526	12	2	-	66	-
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	2	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

## 1.5 OPERATIONAL RISK

### QUALITATIVE INFORMATION

#### A. General aspects, management processes, and methods for the measurement of operational risk

Operational risk is defined as the risk of loss arising from inadequate or ineffective internal processes, human resources or systems, or from external events. Operational risk also includes legal and non-compliance risk, model risk, information technology risk, and financial disclosure risk; instead, strategic and reputational risks are not included.

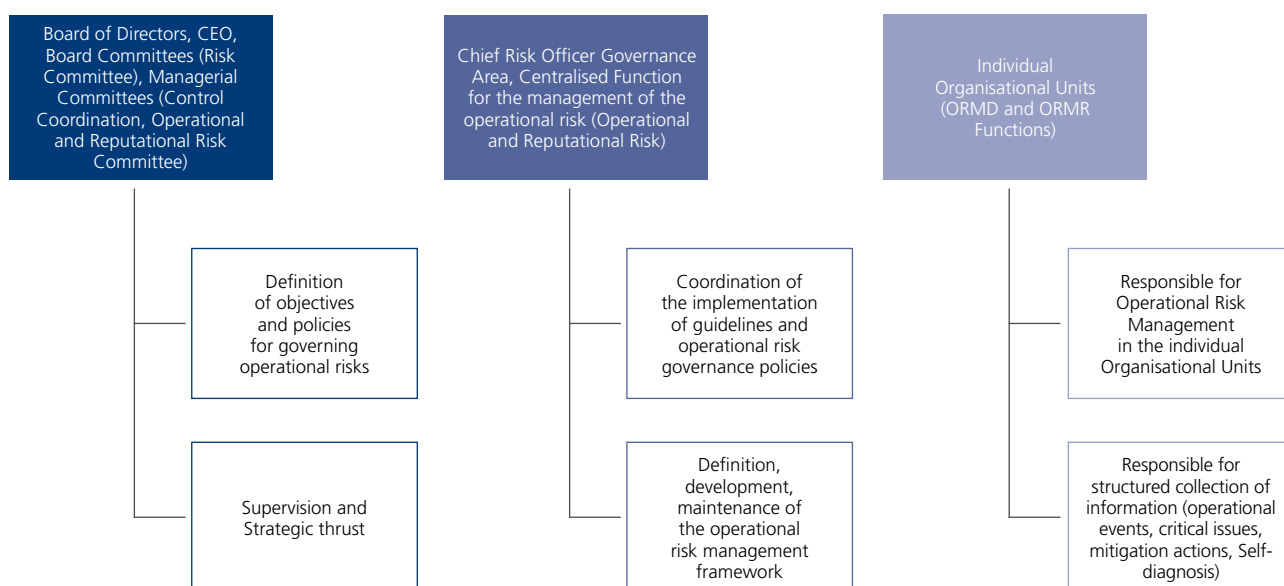
The Group implements an operational risk assumption and management strategy based on the principles of prudent management and is aimed at guaranteeing its long-term soundness and business continuity. Moreover, the Group devotes special attention to striking an optimal balance between growth and earnings targets and the consequent risks.

To that end, Intesa Sanpaolo drew up a framework for the management of operational risks some time ago, establishing rules and organisational processes for measuring, managing and monitoring operational risk.

The Group calculates its capital requirement using the Advanced Measurement Approach (AMA or internal model) in partial use with the standardised approach (TSA) and basic indicator approach (BIA) to meet its supervisory requirements.

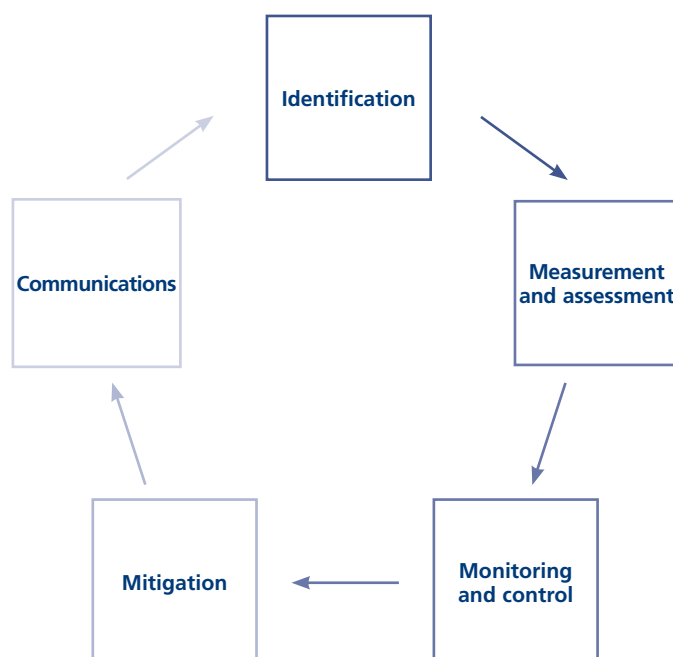
#### Governance Model

The Group's Operational Risk Management activities are monitored by Bodies, Committees, and units that interact with different responsibilities and roles to create an effective operational risk management system that is integrated in decision-making processes and in the management of business operations.



## OPERATIONAL RISK MANAGEMENT PROCESS

The Group's Operational Risk Management Process is broken down into the following phases:



### Identification

The identification phase calls for:

- the structured collection and timely updating of data about operational events, with this activity being delegated to the Organisational Units;
- the detection of operational problems;
- performance of the annual self-diagnosis process;
- the identification of potential operational risks deriving from the introduction of new products and services, the start-up of new activities and entry into new markets, and the risks associated with outsourcing;
- the analysis of operational events and indicators coming from external consortia (O.R.X. - Operational Riskdata eXchange Association);
- the identification of operational risk indicators (including information technology and cyber risks, non-compliance risks, etc.) by the individual Organisational Units.

### Measurement and assessment

Measurement is the activity of transformation, by means of a special model, of elementary readings (internal and external data of operational loss, Scenario Analyses and Assessment of the Operational Context) in concise risk measures. These measurements present an adequate level of detail to become familiar with the overall risk profile of the Group and permit quantification of the risk capital for the units of the Group itself.

### Monitoring and control

The monitoring of operational risks consists of analysis and structured organisation of the results obtained from identification and/or measurement activity for timely checks and monitoring of changes in the exposure to operational risk (including ICT and cyber risk) and to prevent the occurrence of harmful events.

### Mitigation

Mitigation activities, which are defined on the basis of what is revealed during identification, measurement, and monitoring, consist:

- in identifying and implementing mitigation measures and transfer of the risk, consistently with the established tolerance for risk;
- in the analysis and acceptance of residual operational risks;
- in the rationalisation and streamlining in a cost/benefit perspective of insurance coverage and any other forms of risk transfer adopted by the Group.

In that regard, aside from relying on a traditional insurance program (for protection against unlawful acts such as employee misconduct, theft, or damage, transport of cash and cash equivalents, computer fraud, counterfeiting, cyber crime, fire and earthquake, and for civil liability), while complying with all the related regulatory requirements and leveraging the financial benefits envisaged by law, the Group has taken out an insurance policy known as an Operational Risk Insurance Programme, which provides greater cover and significantly higher limits, transferring the risk of substantial operational losses to the insurance market.

In addition, the Group has its own business 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.

### Communications

The communication activities consist in the preparation of adequate information flows connected with the management of operational risks among the various players involved, aimed at allowing the process to be monitored and adequate knowledge of the exposure to those risks.

## SELF-DIAGNOSIS

Self-diagnosis is the annual process through which the Organisational Units identify their own level of exposure to operational risks through assessment of the level of monitoring of the elements characterising their own operational context (Assessment of the Operational Context – AOC) and the estimate of contingent losses if potentially harmful operational events occur (Scenario Analysis, SA). This assessment takes into account the identified problem areas and the operational events that effectively occurred. This assessment does not substitute for specific risk surveys performed by the specialised and control functions in the course of fulfilling their own responsibilities (e.g. assessments made by the Chief Audit Officer, the Manager responsible for the preparation of the company accounts, and the Chief Compliance Officer), but it does make it possible to make the interested functions aware of the assessments reached during the process and to discuss those findings with the head of the affected Organisational Unit.

The recognition of operational problems permits the identification and definition of adequate mitigation measures, whose implementation is monitored over time to reduce exposure to operational risk.

## IT RISK

Information technology or IT risk means the risk of incurring economic losses, reputational harm, and loss of market share in connection with the use of information and communication technology. In the integrated representation of business risks, this type of risk is prudently considered according to specific aspects, including operational, reputational, and strategic risks, and includes the risk of violation the confidentiality, integrity, or availability characteristics of the information.

Consistently with the methodological framework defined for the governance of business risks and, in particular, for operational risks, the Group IT Risk management model is developed in view of integration and coordination of the specific skills of the units involved.

Annually, the Technical Functions (e.g. Head Office Department for Information Systems, IT departments of the principal Italian and foreign subsidiaries), and the Cybersecurity Function identify the level of exposure to IT risk (and the IT security risk included in it) of the managed information technology assets through top-down assessment of the level of monitoring the assigned Risk Factors. Aside from that analysis, which is performed in reference to the whole range of applications and corporate processes, in the face of situations that can modify the overall level of risk or, in the case of innovative projects or modifications to significant components of the Information System, the Technical Functions and the Cybersecurity Function identify the level of exposure to IT risk of specific components of the information system.

This assessment is flanked, as part of the Self-diagnosis process, by the bottom-up assessment prepared by the individual Organisational Units of the Group, which analyse their own exposure to IT risk by expressing their opinion on the level of monitoring of risk factors relevant for this purpose (e.g. referring to the adequacy of software, the operations of the Unit itself, etc.).

## Internal model for the measurement of operational risk

The internal model for calculating capital absorption of the Group has been designed to combine all the main sources of information, whether quantitative (operational loss: internal and external events) or qualitative (Self-Diagnosis: Scenario Analysis and Assessment of the Operational Context).

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. It 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 99.90%. This method also involves applying a correction factor obtained from qualitative risk analyses of the operating context (AOC) in order to take the effectiveness of the internal controls in the various different Organisational Units into account.

Our internal model's insurance mitigation component has been authorised by the Bank of Italy in 2013, and it started benefiting management and fulfilling the capital requirement from the same date.

Fideuram - Intesa Sanpaolo Private Banking, in accordance with the framework of Intesa Sanpaolo, is responsible for identifying, assessing, managing and mitigating risks. 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 a system of governance for the operational risk management process which assigns responsibility as follows:

- 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 determining the bank's capital requirement;
- the Audit Coordination Committee is responsible for monitoring the adequacy of the operational risk management and control system, and for ascertaining its compliance with the related regulatory requirements;
- the Managing Director is responsible for ensuring the suitability and effectiveness over time of the risk management and control systems, and the procedures used by the Bank to determining the capital requirement;
- the Internal Audit Department is responsible for periodically auditing the operational risk management system, and for reporting on it to the Company Bodies;
- the Operational Risk Committee is a consultative body that is responsible for analysing the reports on the operational risk profile of the Bank and for proposing any actions required to prevent and mitigate operational risk;
- the Decentralised Operational Risk Management (ORM) Unit, which reports to the Chief Risk Officer of Fideuram, is responsible for organising and maintaining the set of activities provided for by the operational risk management system.

## QUANTITATIVE INFORMATION

Fideuram calculates its capital requirement using the Advanced Measurement Approaches (AMA) authorised by the Supervisory Authority. The resulting capital absorption amounted to €163m at 31 December 2018, down slightly from 31 December 2017 (€168m).

The allocation of operating losses recognised during the year according to type of event (and whose amount exceeds the reporting limits set for the Group) shows that most of them can be classified as "Internal Misconduct", mainly consisting of losses due to the misappropriation of customer assets by Personal Financial Advisers and to the risk class "Execution, delivery and process management", which largely consisted of non-recurring charges connected with penalties and interest from tax assessments against Fideuram by the Guardia di Finanza. A smaller portion is attributable to the losses related to customer complaints and disputes over the sales relationship, the costs generated by illegal use of payment cards, disputes over relationships with human resources, anomalies in computer flows and errors in the performance and management of processes.

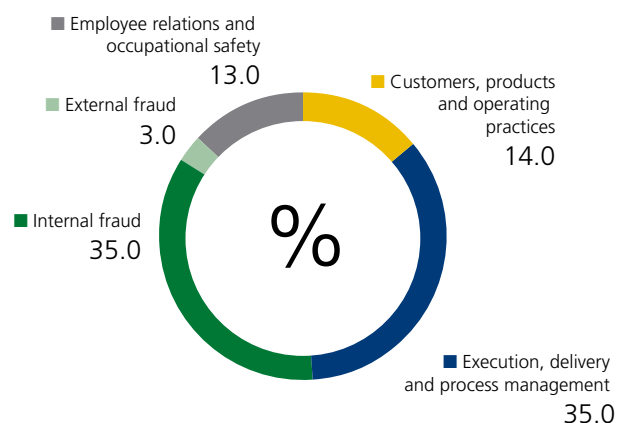
In particular, the item "internal fraud", which typically represents the most significant risk class for the Private Banking Division, showed a loss of €4.3m.

This item comprised the following:

- €5.8m for compensation/provisions to cover fraudulent events involving nine Personal Financial Advisers, of which the most important refer to a crime committed by a former Personal Financial Adviser at the HNWI Branch of Intesa Sanpaolo Private Banking in Milan for €2.4m and a crime committed by a former Personal Financial Adviser of Fideuram for €2.3m;
- €1.2m for compensation and legal expenses awarded on pre-existing claims;
- €4m for additional provisions;
- -€6.7m for release of provisions for risks and charges.

The Private Banking Division continued its work on improving the processes and controls in place to mitigate risk and contain loss, and participated fully in every initiative launched by Intesa Sanpaolo.

## Analysis of operational losses 2018





## 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 cover, among other things, the liabilities that could, according to internal and external legal advice, be incurred as a result of pending legal and other disputes.

At 31 December 2018, these provisions totalled €88m. 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. At 31 December 2018, the number and value of pending proceedings were not sufficient to have any potential significant impact on the business, assets or financial situation of the Group. More specifically, existing litigation 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 regards claims for compensation of damages in response to alleged unlawful conduct by former financial advisers authorised to offer products and services outside Fideuram and Sanpaolo Invest 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 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 liable for any damages to third parties caused by a personal 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 2018, Fideuram renewed a personal financial adviser misconduct insurance policy with Generali Italia, 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

Two lawsuits are pending in this regard. These 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. After a long judicial process, the Court of Cassation ultimately referred the case to the Rome Court of Appeal. The Company and managers therefore resumed the proceedings in the Rome Court of Appeal on 21 November 2016, where the case is still pending.

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 with the Court of Cassation. On 26 November 2015, the Court found in favour of their appeal, overturning

ned 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 Lazio Regional Tax Police (Nucleo Regionale di Polizia Tributaria del Lazio) had 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. After receiving assessment notices for direct taxes and VAT for the two years, the company appealed to the Tax Courts. The disputes are still pending before the Court of Cassation.

The provisions for risks and charges are more than sufficient to cover any negative outcomes in these disputes.

After inspections carried out in 2014 and 2015, the Lazio Regional Office of the Italian Revenue Agency, Large Taxpayers Office, alleged non-compliance in 2009, 2010, and 2011 with respect to withholding tax on interest earned on accounts outside Italy linked to mutual funds distributed by the bank, for a total of €5.1m in taxes plus financial penalties and interest. The assessment notices were appealed by the company, and the cases are currently pending before the Regional Tax Court and the Court of Cassation.

Since these claims are groundless, no amount has been set aside in the provisions for tax disputes.

At the end of an audit with inspection of the company premises carried out for the 2013 tax year, the Rome Tax Police Squad of the Guardia di Finanza served a notice of assessment of direct taxes on 18 October 2018. The claim concerns the recalculation of prices applied in transactions

executed with the French subsidiary Euro-Trésorerie and the deductibility of costs incurred for the organisation of conventions for Personal Financial Advisers, with one part due to failure to meet the standard for tax materiality and another part due to failure to meet the standard of accrual. On 21 December 2018 the process of settlement in compliance with the assessment was completed with the Lazio Regional Office of the Italian Revenue Agency – Large Taxpayers Office to settle the entire claim, with the payment of taxes, penalties, and interest totalling €8.5m.

The site inspection with an audit by the aforementioned Tax Police Squad has continued during 2019 in reference to the direct taxes owed for the years 2014, 2015, and 2016. After the results for the 2013 tax year, provisions for possible charges for the subsequent years deriving from the ongoing audit have been accrued on the balance sheet.

At the end of an audit with inspection of company premises carried out in 2012, the Lombardy Regional Office of the Italian Revenue Agency - Large Taxpayers Office served Intesa Sanpaolo Private Banking with several notices of assessment of direct taxes, challenging the deductibility of the amortisation charge for goodwill resulting from the deeds of transfer of the business unit.

Given the multi-year nature of the item, that adjustment covered the years 2011, 2012, and 2013, for a total of €12.7m in tax claims, plus penalties and interest.

The appeals filed by the company against the assessment notices for the 2011 and 2012 tax years were accepted by the Provincial Tax Court. A similar appeal for the 2013 tax year is still waiting for a hearing.

Since the tax office's claim is groundless, no amount has been set aside in the provision for tax disputes.

## PART F - INFORMATION ON CONSOLIDATED SHAREHOLDERS' EQUITY

### 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 Fideuram and its banking and financial subsidiaries are consistent with their risk profiles and capital requirements and allow adequate allocation of the capital to the value creation process.

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 implement 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 scope of consolidation and of non-controlling interest shareholders.

At 31 December 2018, Fideuram – Intesa Sanpaolo Private Banking's share capital was €300,000,000 divided into 1,500,000,000 ordinary shares with no par value.

The Group did not hold any treasury shares at 31 December 2018.

**B. QUANTITATIVE INFORMATION****B.1 Consolidated shareholders' equity: analysis by type of company**

EQUITY ITEMS	PRUDENTIAL CONSOLIDATION	INSURANCE COMPANIES	OTHER COMPANIES	ELIMINATIONS AND ADJUSTMENTS FROM CONSOLIDATION	TOTAL
1. Share capital	300	-	-	-	300
2. Share premium reserve	206	-	-	-	206
3. Reserves	1,476	-	-	-	1,476
4. Equity instruments	-	-	-	-	-
5. Treasury shares	-	-	-	-	-
6. Valuation reserves	(12)	-	-	-	(12)
- Equity instruments measured at fair value through other comprehensive income	-	-	-	-	-
- Hedging of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-
- Financial assets (other than equity instruments) measured at fair value through other comprehensive income	(28)	-	-	-	(28)
- Property and equipment	14	-	-	-	14
- Intangible assets	-	-	-	-	-
- Hedging of net investments in foreign operations	-	-	-	-	-
- Cash flow hedges	-	-	-	-	-
- Hedging instruments (undesignated elements):	-	-	-	-	-
- Exchange rate differences	6	-	-	-	6
- Non-current assets held for sale and discontinued operations	-	-	-	-	-
- Financial liabilities measured at fair value through profit or loss (changes in own credit rating)	-	-	-	-	-
- Actuarial gains (losses) on defined benefit pension plans	(12)	-	-	-	(12)
- Valuation reserves related to investments carried at equity	2	-	-	-	2
- Special revaluation laws	6	-	-	-	6
7. Net profit (loss) for the year (+/-) for the Group and non-controlling interests	834	-	-	-	834
<b>Total</b>	<b>2,804</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,804</b>

**B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: analysis**

ACTIVITIES/ VALUES	PRUDENTIAL CONSOLIDATION		INSURANCE COMPANIES		OTHER COMPANIES		ELIMINATIONS AND ADJUSTMENTS FROM CONSOLIDATION		TOTAL	
	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	6	(34)	-	-	-	-	-	-	6	(34)
2. Equities	-	-	-	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-	-	-	-
<b>Total 31.12.2018</b>	<b>6</b>	<b>(34)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>(34)</b>
<b>Total 31.12.2017</b>	<b>47</b>	<b>(122)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47</b>	<b>(122)</b>

### B.3 Valuation reserves for financial assets measured at fair value through other comprehensive income: annual changes

	DEBT SECURITIES	EQUITIES	LOANS
<b>1. Opening balance</b>	<b>36</b>	-	-
<b>2. Increases</b>	<b>47</b>	-	-
2.1 Increases in fair value	1	-	-
2.2 Impairment for credit risk	-	X	-
2.3 Transfers to income statement of negative reserves from realisation	-	X	-
2.4 Transfers to other components of shareholders' equity (equity securities)	-	-	-
2.5 Other increases	46	-	-
<b>3. Decreases</b>	<b>111</b>	-	-
3.1 Decreases in fair value	54	-	-
3.2 Reversal of impairment for credit risk	1	-	-
3.3 Transfers to income statement from positive reserves: from realisation	9	X	-
3.4 Transfers to other components of shareholders' equity (equity securities)	-	-	-
3.5 Other decreases	47	-	-
<b>4. Closing balance</b>	<b>(28)</b>	-	-

### B.4 Valuation reserves for defined-benefit plans: changes in the year

	ACTUARIAL GAINS/ LOSSES
<b>1. Opening balance</b>	<b>(11)</b>
<b>2. Increases</b>	-
2.1 Actuarial gains	-
2.2 Other changes	-
<b>3. Decreases</b>	<b>1</b>
3.1 Actuarial losses	1
3.2 Other changes	-
<b>4. Closing balance</b>	<b>(12)</b>



## PART G - BUSINESS COMBINATION TRANSACTIONS OF COMPANIES OR COMPANY DIVISIONS

### SECTION 1 - TRANSACTIONS COMPLETED IN THE YEAR

#### 1.1 Business combination transactions

COMPANY	DATE OF THE TRANSACTION	COST OF THE TRANSACTION	EQUITY STAKE %	TOTAL NET INTEREST AND TRADING INCOME	NET PROFIT (LOSS) FOR THE YEAR
1. Morval Vonwiller Group (*)	10-apr-18	165	94.6%	21	(6)

(\*) Fideuram holds put/call options on the remaining shares held by third parties.

On 10 April 2018, Fideuram acquired of 94.6% of the share capital of Morval Vonwiller Holding, a financial company that controls the Swiss group by the same name which operates in the private banking and wealth management segment. The transaction was executed as part of the foreign development project outlined in the Business Plan 2018-2021. That plan identified the acquisition of the Morval Vonwiller Group as strategic. Based in Switzerland but with an international reach, the group is active in private banking and wealth management, and will be used to expand the scope of Fideuram Group activities outside Italy.

Fideuram acquired the shares of Morval Vonwiller Holding at a total price of €165m. On 10 April 2018, it paid an initial price of €156m, and on 2 October 2018 it paid the balance of €9m as a contractual price adjustment to reflect the net value of the assets at the acquisition date. The contractual agreements also provide for put/call options on the stake in Morval owned by company managers as minority shareholders. Those options are exercisable beginning 2020 (except for certain cases of early exercise) at an exercise price equal to the fair value of the underlying shares.

The transaction was recognised pursuant to IFRS3, while also considering the existence of the option on shares owned by third parties. Therefore, the total cost of the acquisition comes to €174m, i.e. the price paid for acquisition of 94.6% of the shares of Morval (€165m), to which are added €9m representing the estimated debt towards the minority shareholders for the commitment underlying the put option. A comparison of the total cost and the shareholders' equity of the acquired entity (which has been revalued to account for the fair value of the acquired assets and liabilities) has resulted in the recognition of an intangible asset with a finite useful life connected with client asset management relationships valued at €34m net of the tax effect. The amortisation period has been set at 15 years on the basis of the useful life of the underlying assets.

The combination of the two fiduciary companies controlled by Fideuram, with the merger of Fideuram Fiduciaria S.p.A. with Sirefid S.p.A., which was subsequently renamed Siref Fiduciaria S.p.A., was completed on 30 June 2018 (effective 1 January 2018 for tax and accounting purposes). This operation constitutes a business combination between companies under common control exclusively for the purposes of reorganisation. Therefore, it was recognised keeping the financial statement values unchanged without recognising the effects in the consolidated financial statements.

### SECTION 2 - TRANSACTIONS COMPLETED AFTER THE YEAR

Several non-recurring intercompany transactions were executed after the year, and thus without any impact on the consolidated financial statements. Those transactions, which are excluded from the scope of application of IFRS3, involved the combination of companies belonging to the Group and, in view of their exclusively reorganizational purpose, they were recognised keeping the financial statement values of the companies involved unchanged without recognising the effects in profit or loss.

As part of the project to integrate the Swiss banks in the Group, the Fideuram Board of Directors meeting held on 16 January 2019 approved:

- the contribution to Morval Vonwiller Holding of the 100% stake held by Fideuram in Intesa Sanpaolo Private Bank (Suisse), at the value of CHF45m. This was to be accomplished through the issue of new shares wholly subscribed by Fideuram, with the non-controlling shareholders of Morval Vonwiller Holding waiving their pre-emptive rights. The transfer of the shareholding took effect on the following 22 January 2019, causing the ordinary share capital of Morval Vonwiller Holding to increase by CHF 396,500, while the remaining amount, about CHF 42.4m, was allocated to the capital reserve of Morval Vonwiller Holding. By subscribing the newly issued shares, the shareholding of Fideuram in Morval Vonwiller Holding rose from 94.6% to 95.8%;
- the merger of Intesa Sanpaolo Private Bank (Suisse) with Banque Morval;
- the merger of Morval Vonwiller Holding with the entity that will result from the previously mentioned merger.

After these transactions, which were all executed with retroactive effect for tax and accounting purposes to 1 January 2019, the new Swiss company that will guide the foreign development of the Group assumed the company name of "Intesa Sanpaolo Private Bank (Suisse) Morval S.A."

Finally, again effective 1 January 2019, the merger of FI.GE. Fiduciaria S.p.A. with Siref Fiduciaria S.p.A. became operational.

## PART H - TRANSACTIONS WITH RELATED PARTIES

### OPERATING ASPECTS

The Board of Directors of Fideuram – Intesa Sanpaolo Private Banking adopted, most recently with a resolution on 22 February 2018, following the procedures provided for by Italian law, the 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 (hereinafter, the "Regulations").

The Regulations 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 (Testo Unico Bancario - TUB) 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.

The Regulations govern the following for the entire Intesa Sanpaolo 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 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 the 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 instead comprised of the associated parties of each bank in the Group (including Fideuram - Intesa Sanpaolo Private Banking) and each significant authorised intermediary with regulatory capital 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; and 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 IAS24.

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 Insiders in accordance with article 136 of the Italian Banking Consolidation Act (Testo Unico Bancario - TUB), to satisfy the need for the substantial propriety of the transactions and requiring, among other things, a detailed examination of the reasons and interests, of the asset-related, economic and financial effects, and of the conditions of the transaction. Consistently with the rules adopted by CONSOB and the Bank of Italy, a system of full or partial exemptions from application of the rules also applies.

The decision-making procedures for transactions with Intesa Sanpaolo Related Parties and Group Associated Parties are differentiated as follows:

- transactions of negligible amount: with a value of €250k or less for natural persons and €1m or less for parties that are not natural persons (exempted from application of the regulations);
- transactions of minor significance: with a value above the thresholds for transactions of negligible amount (€250k or less for natural persons and €1m or less for parties that are not natural persons) or less than or equal to the thresholds for transactions of major significance indicated as follows;
- 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 Related Parties Committee (which, pursuant to the current provisions of the Addendum of Fideuram - Intesa Sanpaolo Private Banking, is 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. When deemed appropriate, the Committee may use independent experts according to the significance, special economic or structural characteristics of the transaction or the nature of the related party or associated party. 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 that are not exempted pursuant to the Regulations are subject to the parent company's consent and a resolution of the Board of Directors, following consultation with the Related Parties Committee. Moreover, transactions with Related Parties or Associated Parties are conditioned on an opinion by the aforesaid Committee and a resolution by the Board of Directors, even if they are ordinary and made on an arm's length basis, if those transactions are subject to resolution by the Board of Directors according to the corporate rules of the Bank.

The Regulations envisage specific safeguards if the Board of Directors approves a transaction of greater or lesser magnitude, notwithstanding the negative opinion of the independent 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 by the Bank in the reference period, to give a complete overview of the most significant transactions that are executed, and of the volumes and principal characteristics of all delegated transactions. The reports must detail all the transactions, even if they are exempt from the decision-making process, with a value above the thresholds for transactions of negligible amount. These exclude financing transactions of minor significance and banking inflows between group companies (provided that they do not involve a subsidiary with significant interests of another related party or associated party and feature non-market or standard conditions). Ordinary transactions of minor significance between group companies under arm's length conditions, on the other hand, are to be reported 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 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 Statutory 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

(€m)

	31.12.2018
Short-term benefits	6
Post-employment benefits	-
Other long-term benefits	1
Employment termination indemnity	-
Payment in shares	1
<b>Total</b>	<b>8</b>

## 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 the bank, all transactions with related parties during 2018 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 the 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 Board of Directors meeting of 7 May 2018 approved the renewal of the service contract in place with Intesa Sanpaolo Group Services S.C.p.A., as amended to take the revision of the services offered to the Bank for 2018 into account. Said Board of Directors meeting was also informed of the renewal of the service agreement with Intesa Sanpaolo S.p.A., which was likewise amended in anticipation of new direction, supervision and support services.

As part of the broader project for international development of the Private Banking Division, the Fideuram Board of Directors meeting held on 24 April 2018 approved the share capital increase of the subsidiary Intesa Sanpaolo Private Bank (Suisse) S.A. for CHF 25m. The transaction was completed on the following 14 June 2018 and at that date the amount subscribed by the Bank amounted to about €21.5 million.

Analogously, with a decision taken on 13 June 2018, Fideuram authorised the subscription of a capital increase in Qingdao Yicai Wealth Management Co. Ltd. totalling RMB 225m

(about €30m), of which RM 56.25m (about €7.5m) subscribed by Fideuram, as shareholder for 25% of the share capital. The capital increase was subscribed and paid in during the following month of September.

In relation to that investee, the Board of Directors meeting on 14 December 2018, acting in response to the request by the local Supervisory Authority to concentrate in a single shareholder the shareholdings owned in Qingdao Yicai, approved the sale to Intesa Sanpaolo of the entire shareholding owned by Fideuram for a total price of €12.1m, calculated at the Book Value of the shareholding in the books of Fideuram.

The merger of Fideuram Fiduciaria S.p.A. with Sirefid S.p.A. was completed effective 30 June 2018. On that date, Sirefid S.p.A. changed its name to Siref Fiduciaria S.p.A..

On 18 September 2018, the Board of Directors approved the proposal to exercise the option to form the VAT Group made by Intesa Sanpaolo, following which it is estimated that a tax savings of about €2m annually will be realised at the Private Banking Division level, gross of the recovery of direct taxes, in addition to about €12.7m in lower costs, as calculated on the VAT that would be applied to the services rendered hitherto by Intesa Sanpaolo Group Services S.C.p.A. to the Italian companies of the Private Banking Division after the merger of the latter company with Intesa Sanpaolo.

To implement the merger of Intesa Sanpaolo Group Services S.C.p.A. with Intesa Sanpaolo, the 40 shares in Intesa Sanpaolo

Group Services S.C.p.A. owned by the Italian companies of the Fideuram Group were sold to Intesa Sanpaolo.

On 5 November 2018, the Board of Directors of Fideuram, which had already approved the purchase of 40% of the share capital of FI.GE. Fiduciaria owned by the non-controlling shareholders, approved the acquisition of the remaining 60% of the share capital of the company from Banque Morval in order to proceed at the beginning of 2019 with the merger of FI.GE. Fiduciaria with Siref Fiduciaria S.p.A.. The transaction for acquisition of total control of that company was completed on the following 16 November 2018.

As part of the project to integrate the Swiss Banks of the Group, the same Board of Directors decided to increase the capital of the subsidiary Morval Vonwiller Advisors S.A. by up to €4.5m, to be converted into local currency at the exchange rate applicable at the time of the transaction. On 21 December 2018, Morval Vonwiller Advisors S.A. received from its direct parent company, Southern Group Ltd., €3m earmarked for a future capital increase, which will actually be carried out during 2019.

All Fideuram's other relations with its own subsidiaries and with other Intesa Sanpaolo Group companies 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 2018 regarding companies in the Intesa Sanpaolo Group are summarised below:

### Assets 31.12.2018

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Debt and equity securities	11,774	70
Loans and advances to banks	11,439	93
Loans and advances to customers	176	2
Financial derivatives	4	14
Other assets	14	1

### Liabilities 31.12.2018

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Due to banks	2,465	73
Due to customers	394	1
Financial derivatives	474	57
Other liabilities	179	17
Guarantees and commitments	364	10

### Income Statement 2018

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Interest income	94	39
Interest expense	(34)	41
Fee and commission income	762	31
Fee and commission expense	(22)	3
Net profit (loss) on financial assets	(18)	n.s.
Administrative expenses	(87)	10

n.s.: not significant

### Relationships with companies in the Intesa Sanpaolo Group

(€m)

	ASSETS	LIABILITIES	GUARANTEES AND COMMITMENTS	INCOME	EXPENSES
<b>Parent Company</b>					
Intesa Sanpaolo S.p.A.	22,341	738	364	158	71
<b>Companies controlled by the Parent Company</b>					
Banca IMI S.p.A.	513	2,373	-	5	26
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	-	-	2	-
Eurizon Capital S.A.	4	-	-	22	-
Eurizon Capital SGR S.p.A.	22	-	-	98	-
Fideuram Vita S.p.A.	355	377	-	457	5
Intesa Sanpaolo Bank Ireland Plc	30	-	-	-	-
Intesa Sanpaolo Bank Luxembourg S.A.	93	-	-	2	1
Intesa Sanpaolo Group Services S.C.p.A.	-	6	-	-	64
Intesa Sanpaolo Life dac	9	1	-	42	-
Intesa Sanpaolo Servitia S.A.	-	-	-	-	2
Intesa Sanpaolo Vita S.p.A.	39	17	-	79	1



## PART I - SHARE-BASED PAYMENT ARRANGEMENTS

### QUALITATIVE INFORMATION

#### 1. DESCRIPTION OF THE SHARE-BASED PAYMENT ARRANGEMENTS

##### 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 that end, at 31 December 2018 the Fideuram Group had a total of €5m in Intesa Sanpaolo stock in its portfolio, which is recognised in the balance sheet 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 grant 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 date of allocation of the shares was 1 December 2014, when the vesting period began, and which ended 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 was 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 capitalisation 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, were recognised over the entire vesting period, which is to say over the duration of the Plan.

### 1.3 Long-term investment plans 2018-2021: POP and LECOIP 2.0

At the same time that the Business Plan 2018-2021 was launched, two new long-term incentive plans were begun, targeting different population clusters:

- POP (Performance-based Option Plan) reserved for the Top Management, Risk Takers, and Key Managers;
- LECOIP 2.0 Plan reserved for the Managers and remaining staff.

In regard to Top Management, the Risk Takers, and Key Managers, who have a direct impact on Group results, it was deemed necessary to adopt a tool explicitly connected with achievement of the Business Plan targets and with an adequate risk/return profile reflecting the role played and the levels of ambition and challenge of the new Business Plan.

The POP Plan is based on financial instruments connected to the shares ("Call Option") and subject to achievement of key performance conditions of the Business Plan, as well as to activation and individual access conditions (compliance breach).

The entire amount accrued will be paid in shares and over a time horizon of 3-5 years, according to the cluster to which the beneficiary belongs, after checking the malus conditions, which are defined specularly to the activation conditions, over the years when these are envisaged.

Moreover, the Intesa Sanpaolo Group signed an assumption of obligations agreement with J.P. Morgan in June. That agreement transfers to the counterparty the obligation to deliver to the employees any ordinary shares due upon expiration of the POP Options and, consequently, assumption of all the volatility risks of the Plan by the counterparty itself.

In regard to the Managers and remaining staff, a 2018-2021 LECOIP 2.0 retention plan was introduced, substantially continuing the LECOIP 2014-2017.

The LECOIP 2.0 plan, which is intended to facilitate the sharing at all organisation levels of the value created over time after the Business Plan targets are met and to promote identification with and a spirit of belonging to the Group, is assigned in Certificates issued by J.P. Morgan, i.e. share-based financial instruments.

In particular, the LECOIP 2.0 Plan envisages:

- the free assignment to employees of newly issued Intesa Sanpaolo ordinary shares resulting from a bonus issue ("Free Shares");
- the free assignment to employees of additional Intesa Sanpaolo ordinary shares resulting from the same bonus issue ("Matching Shares"), and subscription by them of newly issued Intesa Sanpaolo ordinary shares in a cash capital increase reserved for employees in which the shares were discounted from their market value ("Discounted Shares").

The Certificates are broken down into two categories and have different characteristics according to whether they are allocated to "Professional" employees or "Managers"

within the Italian operations of the Group. The Certificates reflect the terms of certain options whose underlying consists of Intesa Sanpaolo ordinary shares and allow employees to receive on maturity, unless certain events occur, an amount in cash (or in Intesa Sanpaolo ordinary shares) equal to the original market value of the Free Shares and the Matching Shares for the "Professional" employees and 75% of that market value for the "Manager" employees, plus any gain from the original market value, connected with the amount of Free Shares, Matching Shares, and Discounted Shares.

In regard to the POP Plan, the fair value of the instruments representing the capital covered by the plan (represented by the fair value of the options adjusted for the availability restriction imposed on the shares after the options are exercised) was defined at the allocation date and not modified thereafter. The Plan requires satisfaction of non-market service and performance conditions (the activation and performance conditions), which were taken into account to determine the number of shares for measuring the cost of the plan. These estimates will be revised during the vesting period and until maturity. The cost of the plan as defined hereinabove is recognised in the income statement (as the cost of labour) pro rata temporis over the vesting period of the benefit, as a balancing entry for a specific shareholders' equity reserve. When events occur such as to cause employees to lose their right to the benefits of the POP Plan (performance conditions, activation conditions, and resignation or termination), cash revenue will be recognised in the financial statements. In regard to the right to assume obligations – since it can essentially be construed as the operational method adopted by the Group to fulfil its obligation to make physical delivery of the shares resulting from the Plan – they shall be represented in the accounts as an equity instrument recognised as a balancing entry in shareholders' equity.

In regard to the LECOIP 2.0 Plan, the fair value of the instruments representing the capital covered by the plan (equal to the sum of the fair value of the shares assigned for free and the fair value of the discount for the paid shares) was calculated at the allocation date and not modified thereafter. The Plan requires satisfaction of non-market service and performance conditions (trigger events), which were taken into account to determine the number of shares for measuring the cost of the plan. These estimates will be revised during the vesting period and until maturity. The cost of the plan as defined hereinabove is recognised in the income statement (as the cost of labour) pro rata temporis over the vesting period of the benefit, as a balancing entry for a specific shareholders' equity reserve.

When events occur such as to cause employees to lose their right to the benefits of the LECOIP 2.0 Certificates (trigger events and resignation or termination), a financial asset (the "sold receivable" representing the Certificates) will be recognised in the balance sheet as a balancing entry in shareholders' equity. In particular, under IFRS9, the Certificates recognised in the Group financial statements are classified as Financial assets measured at fair value through profit or loss.

## QUANTITATIVE INFORMATION

### 2. OTHER INFORMATION

#### 2.1 Bonus scheme based on financial instruments

	NUMBER OF SHARES	PER-SHARE FAIR VALUE (euro)
<b>Intesa Sanpaolo Shares at 31 December 2017</b>	<b>2,471,962</b>	<b>2.7700</b>
- Shares acquired in the year	1,105,296	2.3030
- Shares allocated in the year	1,220,887	2.6536
<b>Intesa Sanpaolo Shares at 31 December 2018</b>	<b>2,356,371</b>	<b>1.9398</b>

#### 2.2 LECOIP investment plan

	LECOIP PLAN									NUMBER OF LECOIP CERTIFICATES AT 31.12.2017	CHANGES IN THE YEAR	NUMBER OF LECOIP CERTIFICATES AT 31.12.2018	AVERAGE FAIR VALUE AT 31.12.2018
	FREE SHARES		MATCHING SHARES		DISCOUNTED SHARES		SELL TO COVER SHARES		TOTAL NUMBER OF SHARES ALLOCATED				
	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					
TOTAL EMPLOYEES	1,025,554	2.3284	2,961,603	2.3072	15,948,628	0.3699	2,919,114	2.4007	22,854,899	3,647,750	(3,647,750)	-	

The income statement effects of the Leveraged Co-Investment Plan (LECOIP) totalled €2.4m in 2018.

#### 2.3 Long-term investment plans 2018-2021: POP and LECOIP 2.0

	LECOIP PLAN									NUMBER OF LECOIP CERTIFICATES AT JULY 2018	CHANGES IN THE YEAR	NUMBER OF LECOIP CERTIFICATES AT 31.12.2018	AVERAGE FAIR VALUE AT 31.12.2018
	FREE SHARES		MATCHING SHARES		DISCOUNTED SHARES		SELL TO COVER SHARES		TOTAL NUMBER OF SHARES ALLOCATED				
	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					
TOTAL EMPLOYEES	1,166,440	2.4750	3,655,740	2.4750	33,755,260	0.3771	7,414,214	2.5416	45,991,654	4,822,180	(53,450)	4,768,730	2.4699

PERFORMANCE - BASED OPTION PLAN (POP)					
	NUMBER OF POP OPTIONS	AVERAGE PER-SHARE FAIR VALUE	CHANGES IN THE YEAR	NUMBER POP OPTIONS AT 31.12.2018	AVERAGE FAIR VALUE AT 31.12.2018
<b>TOTAL RISK TAKERS</b>	26,976,939	0.3980	-	26,976,939	0.0372







## 7. Certification of the consolidated financial statements



INGRESSO  
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FOTOGRAFIE  
QUADRI MODERNI



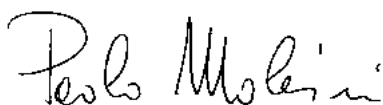


## 7. Certification of the consolidated financial statements

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 2018.
2. The verification of the suitability and effective application of the administrative and accounting procedures for preparing the consolidated financial statements at 31 December 2018 was carried out using methodologies developed in line with the COSO framework and, for the IT part, the COBIT framework, which are generally internationally accepted as reference frameworks for the internal audit system<sup>1</sup>.
3. In addition, the undersigned also certify as follows:
  - 3.1 The consolidated financial statements at 31 December 2018:
    - have been prepared in accordance with the applicable international financial reporting standards recognised in the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
    - correspond to the accounting books and records,
    - give a true and fair view of the financial position and results of the issuer and the group of companies included in the scope of consolidation.
  - 3.2 The Directors' Report includes a reliable analysis of operating performance and income, of the situation of the issuer and the consolidated group of entities, together with a description of the main risks and uncertainties to which they are exposed, as well as a reliable analysis of the information on significant transactions with related parties.

25 February 2019

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.





The background of the slide is a painting of a snowy street scene. On the left, there is a dark, ornate wooden door or window frame. To the right, a large, multi-story building with classical architectural features is visible. In the foreground, a horse-drawn carriage is being pulled by a horse. Several figures are visible, some holding umbrellas, suggesting a rainy or snowy day. The overall scene is depicted in a painterly style with visible brushstrokes.

## 8. Independent Auditors' Reports









(Translation from the Italian original which remains the definitive version)

**Independent auditors' report pursuant to article 14 of  
Legislative decree no. 39 of 27 January 2010 and article 10  
of Regulation (EU) no. 537 of 16 April 2014**

*To the sole shareholder of  
Fideuram - Intesa Sanpaolo Private Banking S.p.A.*

**Report on the audit of the consolidated financial statements**

***Opinion***

We have audited the consolidated financial statements of the Fideuram - Intesa Sanpaolo Private Banking Group (the "group"), which comprise the consolidated balance sheet as at 31 December 2018, 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, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Fideuram - Intesa Sanpaolo Private Banking Group as at 31 December 2018 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. 136/15.

***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of Fideuram - Intesa Sanpaolo Private Banking S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Measurement of provisions for risks and charges**

*Notes to the consolidated financial statements: PART A - Accounting policies, sections 10 "Provisions for risks and charges" and 16 "Other information - Utilisation of estimates and assumptions in financial reporting"; PART B - Notes to the statement of financial position, section 10 "Provisions for risks and charges"; PART C - Notes to the income statement, section 13 "Net accruals to provisions for risks and charges"; PART E - Risks and hedging policies*

<b>Key audit matter</b>	<b>Audit procedures addressing the key audit matter</b>
<p>The consolidated financial statements at 31 December 2018 include provisions for risks and charges of €468 million. They comprise provisions for pending disputes (€77 million), personal financial advisers' termination indemnities (€232 million) and loyalty schemes (€40 million).</p> <p>Measuring provisions for risks and charges for pending disputes is a complex activity, with a high degree of uncertainty, and entails directors' estimates about the outcome of the dispute, the risk of losing and the timing for its settlement.</p> <p>Measuring provisions for risks and charges for the personal financial advisers' termination indemnities and loyalty schemes is a complex activity, with a high degree of uncertainty, and entails directors' actuarial-based estimates about the probability of payments, the expected payment timing and the average personal financial advisers' (and related customers') retention rates.</p> <p>For the above reasons, we believe that measuring provisions for risks and charges is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— understanding the process for the measurement of the provisions for risks and charges and assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls;</li> <li>— analysing the discrepancies between past years' estimates of the provisions for risks and charges and actual figures resulting from the subsequent settlement of legal disputes, in order to check the accuracy of the estimation process;</li> <li>— sending written requests for information to the legal advisors assisting the group companies about the assessment of the risk of losing pending legal disputes and the quantification of the related liability and checking the consistency of the information obtained with the elements considered by the directors to measure the provisions for risks and charges;</li> <li>— analysing the reasonableness of the assumptions used to measure the provisions for risks and charges relating to the main legal disputes through discussions with the relevant internal departments and analysis of the supporting documentation;</li> <li>— analysing the reasonableness of the assumptions, actuarial assumptions and methods used by the directors to estimate the liability for personal</li> </ul>



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financial advisers' termination indemnities and loyalty schemes; we carried out these procedures with the assistance of experts of the KPMG network;

- assessing the appropriateness of the disclosures provided in the notes about the provisions for risks and charges.
- 

***Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements***

The 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. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

***Auditors' responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;



- obtain an understanding of internal control relevant to the audit 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 group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

#### ***Other information required by article 10 of Regulation (EU) no. 537/14***

On 20 March 2013, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2013 to 31 December 2021.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.





We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

## **Report on other legal and regulatory requirements**

### ***Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10***

The parent's directors are responsible for the preparation of the group's directors' report at 31 December 2017, which is comprised of paragraphs from 3.1 to 3.4 of section 3 "Operating context and the market", paragraphs from 4.1 to 4.4, 4.7.1 and 4.8 of section 4 "Performance" and paragraph 5.2 of section 5 "Governance" (the "directors' report"), and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the group's consolidated financial statements at 31 December 2018 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the group's consolidated financial statements at 31 December 2018 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

### ***Exemption from the preparation of the non-financial statement***

As disclosed in the directors' report, the parent's directors availed of the exemption from the preparation of the non-financial statement pursuant to article 6.1 of Legislative decree no. 254 of 30 December 2016.

Rome, 7 March 2019

KPMG S.p.A.

(signed on the original)

Giuseppe Scimone  
Director of Audit





KPMG S.p.A.  
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(Translation from the Italian original which remains the definitive version)

## Independent auditors' report on the non-financial information

To the board of directors of  
Fideuram – Intesa Sanpaolo Private Banking S.p.A.

We have performed a limited assurance engagement on the 2018 non-financial information (the "NFI") of the Fideuram – Intesa Sanpaolo Private Banking Group (the "group"), which is comprised of the following sections of the group's 2018 integrated annual report:

- "Highlights";
- section 1 "Business model";
- section 2: paragraphs 2 "Chairman's statement", 2.2 "Managing director's statement";
- section 3: paragraph 3.5 "Non-financial risk";
- section 4: paragraphs 4.5 "Customer segmentation", 4.7.1 "Financial capital" - "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";
- section 5: paragraphs 5.1 "The values and history of the Group", 5.2 "Organisational structure", 5.3 "Ownership structure", 5.4 "Role of sub-holding company", 5.5 "Company management" and 5.7 "Internal control system" - "Corruption risk monitoring";
- section 9: paragraphs 9.1 "Non-financial reporting methodology", 9.2 "Overview table of GRI indicators", 9.4 "Economic value statement".

## Directors' responsibilities for the NFI

The directors of are responsible for the preparation of the NFI in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" issued in 2016 by GRI - Global Reporting Initiative (the "GRI Standards") that are detailed in the "Non-financial reporting methodology" section of the integrated annual report, and for such internal control as they determine is necessary to enable the preparation of NFI that is free from material misstatement, whether due to fraud or error. They are also responsible for defining the objectives of Fideuram – Intesa Sanpaolo Private Banking S.p.A. (the "parent") regarding its non-financial performance, the reporting of the achieved results and the identification of the stakeholders and the significant aspects to report.



## **Auditors' responsibility**

Our responsibility is to prepare this report, based on the procedures performed. 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 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we comply the ethical and independence requirements provided for by applicable Italian laws and regulations, maintain a system of quality control (ISQC Italia 1) and that we plan and perform the engagement to obtain limited assurance about whether the NFI is free from material misstatement.

The procedures we performed on the NFI primarily of the parent's and group companies' personnel responsible for the preparation of the information presented in the NFI, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Our procedures included assessing compliance with standard GRI 101: Foundation that defines the content and quality of non-financial information and are summarised below:

- comparing the financial disclosures presented in the "Determination and distribution of economic value" section of the NFI with those included in the group's consolidated financial statements at 31 December 2018, on which we issued our report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010 on 7 March 2019;
- 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 aspects process, specifically how these aspects are identified and prioritised for each stakeholder category and how the process outcome is validated internally;
- analysing how the processes underlying the generation, recording and management of the quantitative information disclosed in the NFI operate. Specifically, we:
  - held interviews and discussions with the parent's management personnel 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 NFI, and on the processes and internal control procedures used to gather, combine, process and transmit data and information to the office that prepares the NFI;
  - performed a sample-based analysis of documentation supporting the preparation of the NFI 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 NFI;
- assessing the compliance and overall consistency of the qualitative information included in the NFI with the guidelines referred to herein in the "Directors' responsibility for the NFI" paragraph hereof;



- assessing 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 parent's legal representative on the compliance of the NFI with the guidelines indicated in the "Directors' responsibility for the NFI" paragraph and on the reliability and completeness of the information and data contained therein.

A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

### **Conclusion**

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2018 non-financial information of the Fideuram – Intesa Sanpaolo Private Banking Group has not been prepared, in all material respects, in accordance with the GRI Standards that are detailed in the "Non-financial reporting methodology" section of the integrated annual report.

Rome, 7 March 2019

KPMG S.p.A.

(signed on the original)

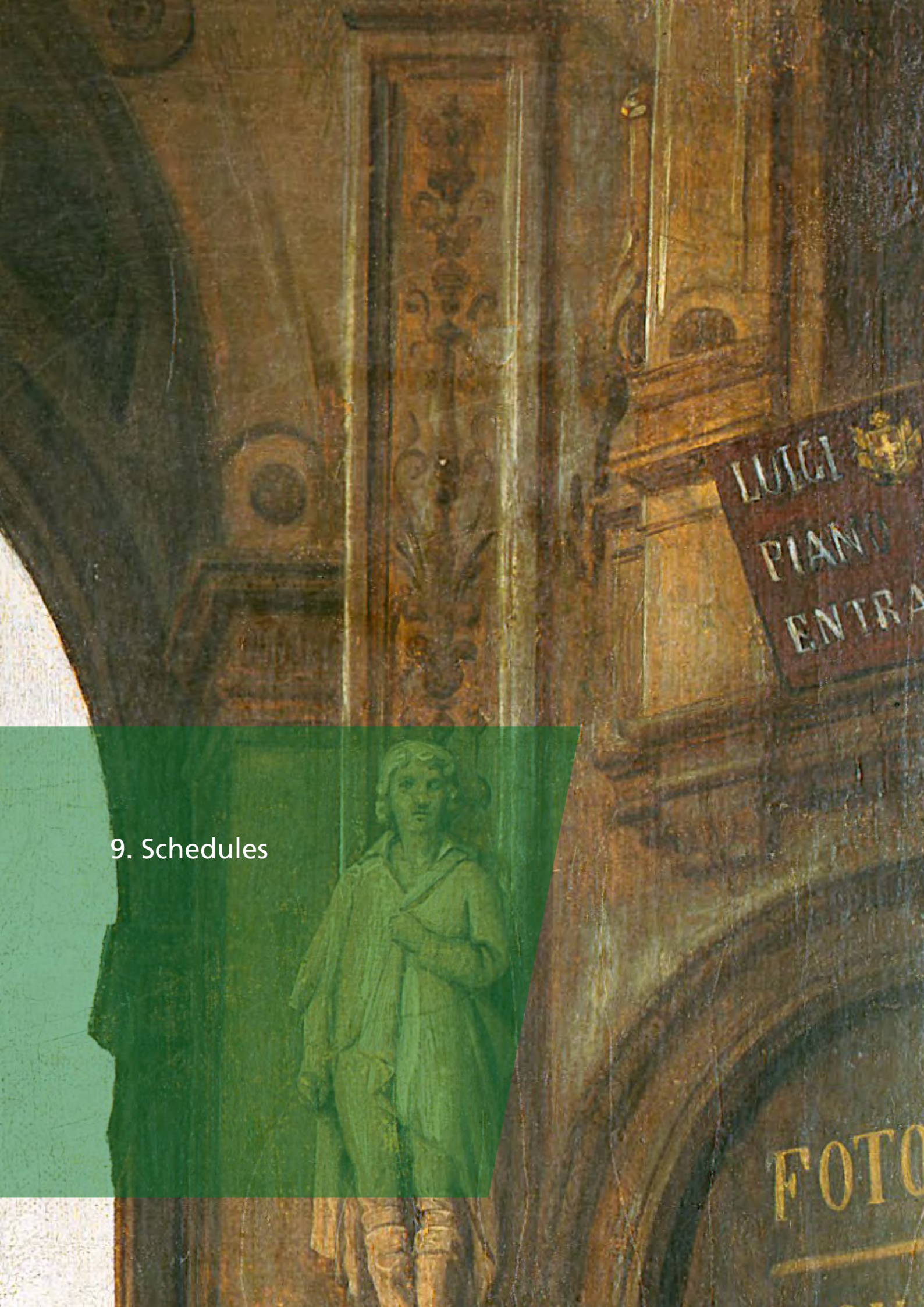
Marco Maffei  
Director of Audit



- 9.1 Non-financial reporting methodology
- 9.2 Overview tables of GRI indicators
- 9.3 Basis of preparation of the restated and reclassified financial statements
- 9.4 Value added statement



## 9. Schedules





## 9.1 Non-financial reporting methodology

The non-financial disclosures have been included in the Directors' Report to highlight the interconnectedness of the financial and environmental, social and governance information in the value creation process. These disclosures are addressed to all stakeholders identified in the Fideuram Group Code of Ethical Conduct.



The Integrated Annual Report is available in 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.

### CSR MANAGER

Formalising the Group's commitment to the integrated management of non-financial matters, Fideuram has appointed a Corporate Social Responsibility (CSR) Manager for the Private Banking Division.

### REFERENCE STANDARDS

The disclosure of non-financial and diversity information by large undertakings and groups is regulated by Italian Legislative Decree 254 of 30 December 2016, implementing Directive 2014/95/EU.

Although it is subject to the provisions of Legislative Decree 254/2016, the Group has not prepared a Non-financial Disclosure, by claiming the exemption allowed under that decree, insofar as it is included in the Consolidated Non-financial Disclosure made by Intesa Sanpaolo S.p.A..

Since 2013, our Group has reported financial and non-financial information in the Integrated Annual Report, which has also included the non-financial information required by Legislative Decree 254/2016. Continuing past practice, and confirming its innovative approach, the Fideuram Group presents the non-financial information in its Integrated Financial Report.

The non-financial disclosure has been prepared in accordance with the GRI Sustainability Reporting Standards drawn up by the Global Reporting Initiative (GRI) in 2016.

This year's Integrated Annual Report has been prepared on the same basis as the Integrated Annual Report 2017, confirming the Group's commitment to transparent performance reporting.

The GRI Standards guidelines offer two options for the preparation of compliant sustainability reporting: 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 Standards guidelines, and the AA1000APS AccountAbility standard.

In particular, the materiality principle set out in GRI Standards, 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.

The principles of 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 (accuracy, balance, clarity, comparability, reliability, and timeliness).

The non-financial reporting was reviewed (limited review) in accordance with the applicable criteria set out in the International Standard on Assurance Engagements ISAE 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 non-financial information reporting process has been formally established through the definition of a specific operating guide under the supervision of the Financial Management Governance Unit. All our company departments contribute to drafting the content of the Integrated Annual Report and operate to establish dialogue with stakeholders. 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 financial and non-financial performance, but also disseminates information on environmental, social and governance topics within the Group.

## MEASUREMENT SYSTEMS

The indicators used in our non-financial 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 non-financial reporting is published annually. The data presented refer to the 2018 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, with any limitations appropriately identified. The data (financial, social, environmental and governance) has been restated as necessary to take the amendments to the scope of consolidation into account and enable comparison of the data for different periods with 2017.

The Fideuram Group's non-financial reporting at 31 December 2018 is provided in the following sections and paragraphs of the Integrated Annual Report:

- Highlights
- Section 1. Business model
- Section 2. Strategies: paragraphs 2.1 and 2.2
- Section 3. Operating and market context: paragraph 3.5
- 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 5. Governance: paragraphs 5.1, 5.2, 5.3, 5.4, 5.5 and 5.7 (Corruption risk monitoring)
- Section 9. Schedules: paragraphs 9.1, 9.2 and 9.4.

## MATERIALITY ANALYSIS

The materiality analysis process involves Group Management and stakeholders and is 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, 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 is drawn up during this phase. The topics identified in the first phase are then assigned to the stakeholder categories: Customers, Shareholders, Colleagues (Personal Financial Advisers and Employees), Suppliers, the Community and Institutions and the Environment.
- 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 covers 16 material topics and the respondents are asked to assign a materiality (relevance) score of 1 to 7 to each of them. For the internal perspective, Management is 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 guide the stakeholders' scoring of priorities are 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 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 reviews 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"> <li>- Identify the material topics for the sector, for the Fideuram Group and for its stakeholders</li> <li>- Identify and prioritise significant stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>- Identify the material topics for the creation of value in the Fideuram Group through an internal analysis</li> </ul>	<ul style="list-style-type: none"> <li>- 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)</li> </ul>	<ul style="list-style-type: none"> <li>- Assess the importance of the main stakeholder categories in terms of influence on the Group and dependency on the Group</li> </ul>	<ul style="list-style-type: none"> <li>- Review prioritisation of the topics in relation to their impact on the Group's strategies</li> <li>- Report procedure followed and results obtained</li> </ul>
OUTPUTS	<ul style="list-style-type: none"> <li>- Tree of topics</li> <li>- Stakeholders tree</li> </ul>	<ul style="list-style-type: none"> <li>- Shortlist of material topics</li> </ul>	<ul style="list-style-type: none"> <li>- Preparation of materiality matrix</li> </ul>	<ul style="list-style-type: none"> <li>- Preparation of materiality matrix and stakeholder matrix</li> </ul>	<ul style="list-style-type: none"> <li>- Sharing of materiality matrix with Management</li> <li>- Publication of Integrated Annual Report focused on material aspects</li> </ul>

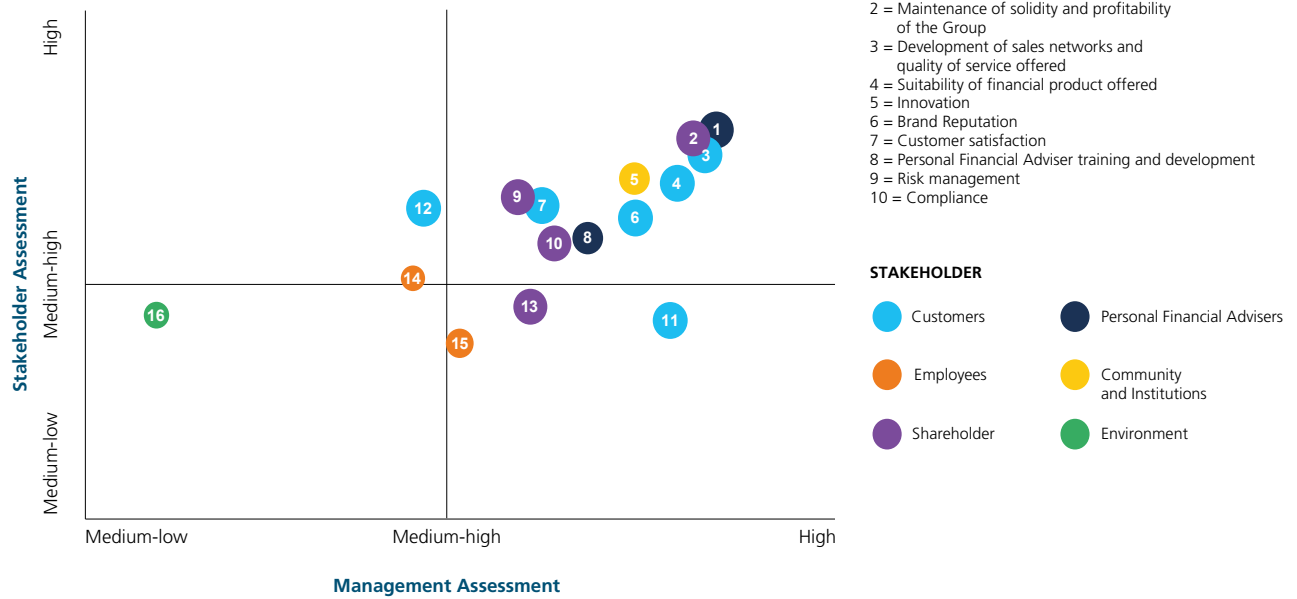
The materiality matrix below shows the positioning of topics in relation to their priority for the Group and relevance for stakeholders.

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 matrix,

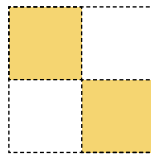
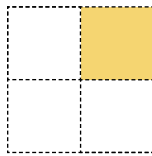
and it is on these that the Group has prevalently focused its sustainability performance monitoring and reporting.

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 RELEVANCE		MEDIUM-HIGH RELEVANCE		MEDIUM-LOW RELEVANCE	
1.	SECURITY AND MANAGEMENT OF CUSTOMER PORTFOLIOS	11.	HIGH NET WORTH INDIVIDUALS 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 SERVICE 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.	TRAINING AND DEVELOPMENT OF PERSONAL FINANCIAL ADVISERS				
9.	RISK MANAGEMENT				
10.	COMPLIANCE				



The table below shows the material topics and their related indicators when they are linked to given GRI standards aspects. Topics with medium to low materiality for both management

and stakeholders (in the lower left quadrant) are not shown in the table.

Table of impact scope of material aspects of GRI Standards Core option (High relevance)

MACRO-CATEGORY	TOPIC	RELATED GRI STD ASPECT	GRI STD INDICATORS	IMPACT INSIDE ORGANISATION	IMPACT OUTSIDE ORGANISATION
Security and management of customer portfolios	<ul style="list-style-type: none"> <li>- Transparent management of customer portfolios</li> <li>- Financial fraud prevention</li> <li>- Monitoring of Personal Financial Adviser-customer relations</li> <li>- Strengthening retention mechanisms (both for Personal Financial Advisers and customer portfolios)</li> </ul>	Marketing and Labelling Customer Privacy Socioeconomic Compliance Complaints	417-3, 418-1, 419-1, FS6, FS16	Fideuram Group Personal Financial Advisers	Customers Supervisory Authority Community
Maintenance of Group solidity and profitability	<ul style="list-style-type: none"> <li>- Market competitiveness</li> <li>- Continuity of customer services</li> </ul>	Economic Performance Market presence	201-1, 202-1, 201-4	Fideuram Group	Customers Supervisory Authority Community
Development of sales Networks and quality of service offered	<ul style="list-style-type: none"> <li>- Strengthening the sales network and dedicated channels for contacting existing and potential customers</li> <li>- Customisation of product offering to meet customer needs</li> <li>- Developing consulting services, so as to anticipate market requirements</li> <li>- Prompt and effective response to customer needs</li> <li>- Financial literacy and promotion of responsible investment management culture</li> </ul>	Economic Performance Employment Training and Education	201-1, 201-4 401-1, 404-2, 404-3	Fideuram Group Personal Financial Advisers	Customers Supervisory Authority Community
Suitability of financial product offered	<ul style="list-style-type: none"> <li>- Adequate cost of financial product in relation to the quality of service offered</li> <li>- Appropriate products offered in relation to customers' financial culture</li> <li>- Information provided is understandable and relevant (e.g. prospectuses)</li> <li>- Inclusion of ethical, social and environmental criteria in evaluation of investments (e.g. green bond and social venture fund)</li> </ul>	Marketing and Labelling Complaints	417-3	Fideuram Group Personal Financial Advisers	Customers Community
Innovation	<ul style="list-style-type: none"> <li>- New tools available to customers</li> <li>- Product innovation</li> <li>- Service innovation</li> </ul>	Product responsibility	FS14	Fideuram Group	Customers Community
Brand reputation	<ul style="list-style-type: none"> <li>- IT security in terms of preventing online fraud and personal data protection (privacy) of customers</li> <li>- Brand reputation</li> </ul>	Anti-corruption Anti-Competitive Behaviour Public Policy Customer Privacy Socioeconomic Compliance	205-2, 205-3, 206-1, 415-1, 418-1, 419-1	Fideuram Group	Customers Supervisory Authority Community
Customer satisfaction	<ul style="list-style-type: none"> <li>- Accessibility of services for customers with physical disabilities</li> <li>- Customer satisfaction surveys on quality of services offered by the Group</li> <li>- Effective management of customer reports and complaints to improve service</li> </ul>	Customer Privacy Compliance Customer satisfaction Socioeconomic Compliance Complaints	418-1, 419-1, FS14	Fideuram Group Personal Financial Advisers	Customers Supervisory Authority Community
Training and development of Personal Financial Advisers	<ul style="list-style-type: none"> <li>- Recruitment and induction of young talent in sales network through diverse systems of entry to the profession</li> <li>- Specialist training for Personal Financial Advisers</li> <li>- Further development of the tools supporting advisory services</li> </ul>	Training and Education	404-1	Fideuram Group Personal Financial Advisers	Customers Supervisory Authority Community
Risk management	<ul style="list-style-type: none"> <li>- Anti-competitive and antitrust policies</li> <li>- Management of business-related risks</li> </ul>	Anti-Competitive Behaviour Public Policy	206-1, 415-1	Fideuram Group	Supervisory Authority Community
Compliance	<ul style="list-style-type: none"> <li>- Regulatory compliance</li> <li>- Appropriate updating on developments in the reference regulatory framework</li> </ul>	Socioeconomic Compliance	419-1	Fideuram Group	Supervisory Authority Community

Table of impact scope of material aspects of GRI Standards Core option  
(Medium-high relevance)

MACRO-CATEGORY	TOPIC	RELATED GRI STD ASPECT	GRI STD INDICATORS	IMPACT INSIDE ORGANISATION	IMPACT OUTSIDE ORGANISATION
High Net Worth Individuals and Private Banking customers	<ul style="list-style-type: none"> <li>- Customers with financial assets potentially totalling between €500,000 and €10,000,000</li> <li>- Focus on HNWI customers to obtain economies of scale and ensure creation of value in a manner that is sustainable over time</li> <li>- Growth and development prospects in the market</li> </ul>	Economic Performance Marketing and Labelling	102-43, 201-1, 417-3	Fideuram Group Personal Financial Advisers	Customers Supervisory Authority
Internet and home banking	<ul style="list-style-type: none"> <li>- E-banking and services virtualization</li> <li>- Availability of diversified and interactive channels for Bank-customer communications</li> </ul>	Product responsibility	FS14	Fideuram Group	Customers Community
Corporate Governance	<ul style="list-style-type: none"> <li>- Management of changes in Italian and international regulatory frameworks</li> <li>- Transparency and clarity in management of decision-making processes</li> <li>- Conflict of interest management</li> <li>- Policies and initiatives to limit the risk of incidents of corruption occurring</li> <li>- Remuneration and compensation policies for members of the Board of Directors</li> </ul>	Anti-corruption Diversity and Equal Opportunities Socioeconomic Compliance	205-3, 405-1, 419-1	Fideuram Group	Supervisory Authority Community
Employee training	<ul style="list-style-type: none"> <li>- On-the-job training</li> <li>- Induction of new employees and young colleagues</li> <li>- Monitoring quality and effectiveness of training</li> <li>- Training programmes tailored to individual positions and needs</li> </ul>	Training and Education	404-1, 404-2, 404-3	Fideuram Group Employees	Customers
Performance management and career paths	<ul style="list-style-type: none"> <li>- Performance management system (assessment of employee performance and transparency of criteria used)</li> <li>- Remuneration systems with reward mechanisms for management and colleagues (MBO, bonuses, balanced management of remuneration differentials etc.)</li> <li>- Transfer and sharing of competencies between colleagues</li> <li>- Attraction capability, development and retention mechanisms</li> </ul>	Employment Labor/Management Relations Remuneration and incentives	202-1, 401-1, 401-2, 402-1, 403-2, 404-3	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, colleagues, suppliers and associations.

## 9.2 Overview tables of GRI indicators

KPMG S.p.A. has conducted a limited assurance engagement of the non-financial reporting of the Fideuram Group at 31 December 2018, in accordance with the provisions of ISAE 3000 (Revised). Information on the scope of the Independent Auditors' work and the procedures they followed is provided in the "Independent Auditors' Report".

The Overview table of GRI indicators (Content Index) is shown below.

The information in the tables is included in the scope of the limited external assurance engagement.

No other information has been included in the audit.

### OVERVIEW TABLE OF GRI INDICATORS

GRI STANDARDS	DISCLOSURE	PARAGRAPH
<b>GRI 101: FOUNDATION 2016</b>		
<b>GENERAL DISCLOSURES</b>		
<b>GRI 102: General disclosures 2016</b>	<b>ORGANISATIONAL PROFILE</b>	
	102-1 Name of the organization	Cover (Fideuram – Intesa Sanpaolo Private Banking Group)
	102-2 Activities, brands, products, and services	Business model Advanced Advisory Service Business segments Social, environmental, and reputational risk control The Fideuram Group does not finance or invest in the equities of companies which operate in sensitive or controversial sectors, or in blacklisted countries.
	102-3 Location of headquarters	Back cover
	102-4 Location of operations	Group structure
	102-5 Ownership and legal form	Ownership structure Role of sub-holding company
	102-6 Markets served	Business model Business segments Customer segmentation Segment reporting Geographical distribution of Networks
	102-7 Scale of the organization	Highlights
	102-8 Information on employees and other workers	Employees Personal Financial Advisers  Calculations made per "unit".
	102-9 Supply chain	Suppliers
	102-10 Significant changes to the organization and its supply chain	In 2018, there were no significant changes compared with the previous year.
	102-11 Precautionary Principle or approach	The Fideuram Group adopts a precautionary approach to the assessment and management of risks.
	102-12 External initiatives	The values and history of the Group
	102-13 Membership of associations	The financial system and other institutions
	<b>STRATEGY</b>	
	102-14 Statement from senior decision-maker	Chairman's Statement Managing Director's Statement
	102-15 Key impacts, risks, and opportunities	Highlights Non-financial risks Human capital (Monitoring of social, environmental, and reputational risks) Corruption risk monitoring Suppliers
	<b>ETHICS AND INTEGRITY</b>	
	102-16 Values, principles, standards, and norms of behavior	The values and history of the Group

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GRI STANDARDS	DISCLOSURE	PARAGRAPH
<b>GRI 102: General disclosures 2016</b>	<b>GOVERNANCE</b>	
	102-18 Governance structure	Organisational structure Company management Internal audit system
	102-22 Composition of the highest governance body and its committees	Organisational structure Company management  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.
	102-23 Chair of the highest governance body	Company management
	102-25 Conflicts of interest	Company management Audit system
	<b>STAKEHOLDER ENGAGEMENT</b>	
	102-40 List of stakeholder groups	Stakeholders
	102-41 Collective bargaining agreements	Contractual Relations
	102-42 Identifying and selecting stakeholders	Stakeholders Methodology: "Stakeholder engagement"
	102-43 Approach to stakeholder engagement	Tools supporting Advisory Services Network services Customer events Methodology: "Stakeholder engagement"
	102-44 Key topics and concerns raised	No significant topics or problems were reported by Group stakeholders over the last three years.
	<b>REPORTING PRACTICE</b>	
	102-45 Entities included in the consolidated financial statements	Group structure Role of sub-holding company Methodology: "Period and scope of reporting"
	102-46 Defining report content and topic Boundaries	Sustainability reporting methodology
	102-47 List of material topics	Methodology: "Materiality analysis" – "Materiality matrix"
	102-48 Restatements of information	The comparison data have been restated on a consistent basis to take account of the contribution of the Morval Vonwiller Group acquired in second quarter 2018.
	102-49 Changes in reporting	During 2018, no significant changes were made compared with the previous year's report.
	102-50 Reporting period	31.12.2018
	102-51 Date of most recent report	March 2018
	102-52 Reporting cycle	Methodology: "Period and scope of reporting"
	102-53 Contact point for questions regarding the report	Fideuram in a click
	102-54 Claims of reporting in accordance with the GRI Standards	About this Report Methodology: "Reference standards"
	102-55 GRI content index	Overview tables of GRI indicators
	102-56 External assurance	Independent Auditors' Report
<b>MATERIAL TOPICS</b>		
<b>ECONOMIC PERFORMANCE</b>		
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	Financial capital
	103-2 The management approach and its components	Financial capital
	103-3 Evaluation of the management approach	Governance
<b>GRI 201: Economic Performance 2016</b>	201-1 Direct economic value generated and distributed	Stakeholders Distribution of value Group donations by sector supported
	201-4 Financial assistance received from government	Notes to the consolidated financial statements (Section 24 – Other information) Ownership structure



GRI STANDARDS	DISCLOSURE	PARAGRAPH
<b>MARKET PRESENCE</b>		
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	Group structure Distribution of customers by geographical area Financial capital Productive capital
	103-2 The management approach and its components	Financial capital
	103-3 Evaluation of the management approach	Governance
<b>GRI 202: Market presence 2016</b>	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Contractual Relations (Employees) Contractual Relations (Personal Financial Advisers) Remuneration and incentives Geographical distribution of Networks
<b>PROCUREMENT PRACTICES</b>		
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	Suppliers
	103-2 The management approach and its components	Suppliers
	103-3 Evaluation of the management approach	Governance
<b>GRI 204: Procurement Policies 2016</b>	204-1 Proportion of spending on local suppliers	Suppliers
<b>ANTI-CORRUPTION</b>		
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	Governance
	103-2 The management approach and its components	Governance
	103-3 Evaluation of the management approach	Governance
<b>GRI 205: Anti-corruption 2016</b>	205-2 Communication and training about anti-corruption policies and procedures	Employees Corruption risk monitoring
	205-3 Confirmed incidents of corruption and actions taken	No episodes of corruption were reported during the last three years.
<b>ANTI-COMPETITIVE BEHAVIOUR</b>		
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	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.
<b>GRI 206: Anti-Competitive Behaviour 2016</b>	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No legal actions for unfair competition, antitrust or monopolistic behaviour were initiated against the Group over the last three years.
<b>EMPLOYMENT</b>		
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	Human capital
	103-2 The management approach and its components	Human capital
	103-3 Evaluation of the management approach	Governance
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	Personal Financial Advisers Employees
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee healthcare, pensions and services Supplementary pension funds Geographical distribution of Networks
	401-3 Parental leave	Parental leave
<b>LABOR/MANAGEMENT RELATIONS</b>		
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	Human capital
	103-2 The management approach and its components	Human capital
	103-3 Evaluation of the management approach	Governance
<b>GRI 402: Labor/Management Relations 2016</b>	402-1 Minimum notice periods regarding operational changes	Contractual Relations
<b>OCCUPATIONAL HEALTH AND SAFETY</b>		
<b>GRI 103: Management approach 2016</b>	103-1 Explanation of the material topic and its Boundary	Human capital
	103-2 The management approach and its components	Human capital
	103-3 Evaluation of the management approach	Governance
<b>GRI 403: Occupational Health And Safety 2016</b>	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Employee injuries  No data on Personal Financial Adviser accidents is available, as they are freelance professionals and, given the collaboration relationship established with Fideuram, they are not subject to the same disclosure requirements as employees.

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GRI STANDARDS	DISCLOSURE		PARAGRAPH
TRAINING AND EDUCATION			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	Human capital
	103-2	The management approach and its components	Human capital
	103-3	Evaluation of the management approach	Governance
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Development of human resources
	404-2	Programs for upgrading employee skills and transition assistance programs	Development of human resources Network training
	404-3	Percentage of employees receiving regular performance and career development reviews	Career development
DIVERSITY AND EQUAL OPPORTUNITY			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	Human capital
	103-2	The management approach and its components	Human capital
	103-3	Evaluation of the management approach	Governance
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Personal Financial Advisers Employees Vulnerable employees Board of Directors
PUBLIC POLICY			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	Governance
	103-2	The management approach and its components	Governance
	103-3	Evaluation of the management approach	Governance
GRI 415: Public Policy 2016	415-1	Political contributions	In accordance with internal policy, political parties and movements and their organisational arms cannot receive donations and sponsorships. The only form of loans that may be made to these types of borrowers is an annual advance on public contributions for the reimbursement of election expenses. No loans were made to political parties and movements in 2018.
MARKETING AND LABELLING			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	Relational capital
	103-2	The management approach and its components	Relational capital
	103-3	Evaluation of the management approach	Governance
GRI 417: Marketing And Labelling 2016	417-3	Incidents of non-compliance concerning marketing communications	No incidents of non-compliance with regulations or voluntary codes on marketing activities, including advertising, promotion and sponsorship, were reported over the last three years.
CUSTOMER PRIVACY			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	Intellectual capital Relational capital
	103-2	The management approach and its components	Intellectual capital Relational capital
	103-3	Evaluation of the management approach	Governance
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer feedback
SOCIOECONOMIC COMPLIANCE			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	Social, environmental, and reputational risk control, controversial sectors
	103-2	The management approach and its components	Governance
	103-3	Evaluation of the management approach	Governance
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	Notes to the consolidated financial statements

ADDITIONAL INDICATORS	PARAGRAPH
<b>CUSTOMERS</b>	
Customer complaints by type	Customer feedback
Customer complaints by reason	Customer feedback
<b>SHAREHOLDERS</b>	
Rating	Highlights
<b>LEVEL OF EDUCATION</b>	
Level of education	Employees, education
Number of participants (enrolled) in training activities.	Development of human resources
Training by subject matter	Development of human resources
Trade union freedom: days of work absence for trade union reasons	Relationships with trade union organisations
<b>PERSONAL FINANCIAL ADVISERS</b>	
Ratio of customers to Personal Financial Advisers	Personal Financial Advisers
Ratio of client assets to Personal Financial Advisers	Personal Financial Advisers
Size of distribution Networks	Size of Networks
Origin of professionals joining Networks (%)	Size of Networks
Turnover by staff age and gender	Size of Networks
Total number of Personal Financial Advisers by Network, area and geographical distribution, gender and rank, average age and length of service.	Geographical distribution of Networks Organisational structure
Training by subject matter	Network training
<b>NON-DISCRIMINATION</b>	
406-1 Episodes of discrimination and corrective measures taken	Non-financial risks
<b>CLIMATE CHANGE</b>	
301-1 Used materials broken down by weight and volume	Paper
301-2 Used materials resulting from recycling	Paper
302-1 Energy consumption in the organisation	Energy
306-2 Waste by type and disposal method	Other environmental objectives
307-1 Waste by type and disposal method	No significant fines or non-monetary penalties were reported during the last three years.
<b>FINANCIAL SERVICES SECTOR DISCLOSURES</b>	
FS1	Sustainable finance
FS2	Sustainable finance
FS6	(DMA 103-1, 103-2, 103-3) Client financial assets
FS9	The ethical fund, Sustainable wealth management
FS14	Accessibility of services (DMA 103-1, 103-2, 103-3)
FS16	Promoting a financial culture (DMA 103-1, 103-2, 103-3)

## 9.3 Basis of preparation of the restated and reclassified financial statements

The comparative analysis of the balance sheet and income statement data for 2018 compared with the corresponding figures for 2017 reflects:

- the impact of first-time adoption of IFRS 9 - Financial Instruments, which, beginning on 1 January 2018, replaced IAS 39 for the classification, measurement and impairment of financial instruments and hedging transactions. The introduction of IFRS 9 has caused the Bank of Italy fully to revise its templates, which have been published as new mandatory financial statements for banks in the 5th update to Bank of Italy Circular 262/2005;
- the acquisition by Fideuram on 10 April 2018 of 94.6% of the share capital of Morval Vonwiller Holding, a financial company that controls the Swiss group by the same name which operates in the private banking and wealth management sector.

So that comparisons may be made on a like-for-like basis and the effects from first-time adoption of IFRS 9 and acquisition of the Morval Group can be adequately represented, reconciliation statements of the official balance sheet and income statement and the corresponding restated balance sheet and restated income statement are provided as follows. They were prepared by making the adjustments to the historical data required to reflect retrospectively the changes which occurred in 2018, but without changing the operating profit and shareholders' equity stated in the official financial statements published in previous periods. The net effects of the adjustments have been stated under net profit attributable to non-controlling interests in the restated income statement and under equity attributable to non-controlling interests in the restated balance sheet. Specifically:

- the balance sheet at 31 December 2017 has been restated to include both the impact of first-time adoption of IFRS 9 and the contribution of the Morval Vonwiller Group for comparative purposes;
- The restated income statement was prepared to include the contribution of the Morval Vonwiller Group to the Group's results, both for the first three months of 2018 and for all of 2017.

The balance sheet and income statement at 31 December 2018 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 mandatorily 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, fee and commission expense and personnel expenses have been stated net of the change in fair value of the Intesa Sanpaolo shares purchased under the bonus schemes for risk takers.
- 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.
- The soft commissions have been reallocated to the administrative expenses that generated them.
- 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)".
- The economic effects of allocation of acquisition costs have been reattributed to a specific account item net of the tax effect.

## Reconciliation statements of the official and restated financial statements

### Reconciliation of published consolidated balance sheet at 31 December 2017 and restated consolidated balance sheet at 1 January 2018

(€m)

ASSETS	PUBLISHED BALANCE SHEET AT 31 DECEMBER 2017	EFFECT OF TRANSITION TO IFRS 9	CHANGE IN SCOPE OF CONSOLIDATION (*)	RESTATED BALANCE SHEET AT 1 JANUARY 2018
10. Cash and cash equivalents	78	-	94	172
20. Financial assets measured at fair value through profit or loss	302	321	8	631
a) financial assets held for trading	43	-	3	46
b) financial assets measured at fair value	259	(259)	-	-
c) financial assets mandatorily measured at fair value	-	580	5	585
30. Financial assets measured at fair value through other comprehensive income	4,596	(910)	100	3,786
40. Financial assets measured at amortised cost	32,155	615	185	32,955
a) loans and advances to banks	22,510	(3)	109	22,616
b) loans and advances to customers	9,645	618	76	10,339
50. Hedging derivatives	5	-	-	5
60. Adjustments to financial assets subject to macro-hedging (+/-)	-	-	-	-
70. Equity investments	148	-	-	148
80. Reinsurers' share of technical reserves	-	-	-	-
90. Property and equipment	53	-	29	82
100. Intangible assets	188	-	1	189
of which: goodwill	140	-	-	140
110. Tax assets	161	13	1	175
a) current	26	-	1	27
b) deferred	135	13	-	148
120. Non-current assets held for sale and discontinued operations	-	-	-	-
130. Other assets	1,045	-	13	1,058
<b>TOTAL ASSETS</b>	<b>38,731</b>	<b>39</b>	<b>431</b>	<b>39,201</b>

(\*) Net amounts for contribution by the Morval Vonwiller Group in 2017.



LIABILITIES AND SHAREHOLDERS' EQUITY	PUBLISHED BALANCE SHEET AT 31 DECEMBER 2017	EFFECT OF TRANSITION TO IFRS 9	CHANGE IN SCOPE OF CONSOLIDATION (*)	RESTATED BALANCE SHEET AT 1 JANUARY 2018
10. Financial liabilities measured at amortised cost	33,222	-	267	33,489
a) due to banks	2,641	-	3	2,644
b) due to customers	30,581	-	264	30,845
c) debt on issue	-	-	-	-
20. Financial liabilities held for trading	45	148	3	196
30. Financial liabilities measured at fair value	-	-	-	-
40. Hedging derivatives	981	(148)	-	833
50. Adjustments to financial liabilities subject to macro-hedging (+/-)	-	-	-	-
60. Tax liabilities	96	(1)	6	101
a) current	35	-	-	35
b) deferred	61	(1)	6	66
70. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
80. Other liabilities	1,097	-	4	1,101
90. Provision for employment termination indemnities	53	-	-	53
100. Provisions for risks and charges:	459	2	1	462
a) commitments and guarantees	-	2	-	2
b) pensions and other commitments	11	-	-	11
c) other provisions for risks and charges	448	-	1	449
110. Technical reserves	-	-	-	-
120. Valuation reserves	(69)	119	-	50
130. Redeemable shares	-	-	-	-
140. Equity instruments	-	-	-	-
150. Reserves	1,470	(81)	-	1,389
160. Share premium reserve	206	-	-	206
170. Share capital	300	-	-	300
180. Treasury shares (-)	-	-	-	-
190. Equity attributable to non-controlling interests (+/-)	-	-	150	150
200. Net profit (loss) for the year (+/-)	871	-	-	871
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>38,731</b>	<b>39</b>	<b>431</b>	<b>39,201</b>

(\*) Net amounts for contribution by the Morval Vonwiller Group in 2017.

## Reconciliation of published consolidated income statement at 31 December 2017 and restated consolidated income statement at 31 December 2017

(€m)	2017 PUBLISHED	CHANGE IN SCOPE OF CONSOLIDATION (*)	2017 RESTATED
10. Interest income and similar income	331	2	333
<i>of which: interest income calculated with the effective interest method</i>	316	2	318
20. Interest expense and similar expense	(160)	(1)	(161)
<b>30. Net interest income</b>	<b>171</b>	<b>1</b>	<b>172</b>
40. Fee and commission income	2,416	27	2,443
50. Fee and commission expense	(743)	(3)	(746)
<b>60. Net fee and commission income</b>	<b>1,673</b>	<b>24</b>	<b>1,697</b>
70. Dividends and similar income	-	-	-
80. Net profit (loss) on trading activities	8	3	11
90. Net profit (loss) on hedging derivatives	1	-	1
100. Net profit (loss) on sale or repurchase of:	5	1	6
a) financial assets measured at amortised cost	6	-	6
b) financial assets measured at fair value through other comprehensive income	(1)	1	-
c) financial liabilities	-	-	-
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	6	1	7
a) financial assets and liabilities measured at fair value	6	-	6
b) other financial assets mandatorily measured at fair value	-	1	1
<b>120. Total net interest and trading income</b>	<b>1,864</b>	<b>30</b>	<b>1,894</b>
130. Net impairment for credit risk related to:	(1)	-	(1)
a) financial assets measured at amortised cost	2	-	2
b) financial assets measured at fair value through other comprehensive income	(3)	-	(3)
140. Gains/losses on contractual changes without cancellation	-	-	-
<b>150. Operating income</b>	<b>1,863</b>	<b>30</b>	<b>1,893</b>
160. Net insurance premiums	-	-	-
170. Other income/expense from insurance activities	-	-	-
<b>180. Operating income from financing and insurance activities</b>	<b>1,863</b>	<b>30</b>	<b>1,893</b>
190. Administrative expenses:	(835)	(25)	(860)
a) personnel expenses	(360)	(17)	(377)
b) other administrative expenses	(475)	(8)	(483)
200. Net provisions for risks and charges	(39)	1	(38)
a) commitments and guarantees	-	-	-
b) other net provisions	(39)	1	(38)
210. Depreciation of property and equipment	(3)	(1)	(4)
220. Amortisation of intangible assets	(22)	-	(22)
230. Other income/expense	250	-	250
<b>240. Operating expenses</b>	<b>(649)</b>	<b>(25)</b>	<b>(674)</b>
250. Profit (loss) on equity investments	9	-	9
260. Net fair value gains (losses) on property and equipment and intangible assets	-	-	-
270. Goodwill impairment	-	-	-
280. Gain (loss) on disposal of investments	8	-	8
<b>290. Profit (loss) before tax from continuing operations</b>	<b>1,231</b>	<b>5</b>	<b>1,236</b>
300. Income taxes for the year on continuing operations	(360)	(1)	(361)
<b>310. Profit (loss) after tax from continuing operations</b>	<b>871</b>	<b>4</b>	<b>875</b>
320. Profit (loss) after tax from discontinued operations	-	-	-
<b>330. Net profit (loss) for the year</b>	<b>871</b>	<b>4</b>	<b>875</b>
340. Net profit (loss) for the year attributable to non-controlling interests	-	(4)	(4)
<b>350. Parent company interest in net profit (loss) for the year</b>	<b>871</b>	<b>-</b>	<b>871</b>

(\*) Net amounts for contribution by the Morval Vonwiller Group in 2017.

## Reconciliation of consolidated income statement at 31 December 2018 and restated consolidated income statement at 31 December 2018

(€m)	2018	CHANGE IN SCOPE OF CONSOLIDATION (*)	2018 RESTATED
10. Interest income and similar income	242	-	242
<i>of which: interest income calculated with the effective interest method</i>	328	-	328
20. Interest expense and similar expense	(83)	-	(83)
<b>30. Net interest income</b>	<b>159</b>	<b>-</b>	<b>159</b>
40. Fee and commission income	2,457	6	2,463
50. Fee and commission expense	(763)	(1)	(764)
<b>60. Net fee and commission income</b>	<b>1,694</b>	<b>5</b>	<b>1,699</b>
70. Dividends and similar income	-	-	-
80. Net profit (loss) on trading activities	9	1	10
90. Net profit (loss) on hedging derivatives	-	-	-
100. Net profit (loss) on sale or repurchase of:	24	-	24
a) financial assets measured at amortised cost	11	-	11
b) financial assets measured at fair value through other comprehensive income	13	-	13
c) financial liabilities	-	-	-
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	(17)	-	(17)
a) financial assets and liabilities measured at fair value	-	-	-
b) other financial assets mandatorily measured at fair value	(17)	-	(17)
<b>120. Total net interest and trading income</b>	<b>1,869</b>	<b>6</b>	<b>1,875</b>
130. Net impairment for credit risk related to:	5	-	5
a) financial assets measured at amortised cost	4	-	4
b) financial assets measured at fair value through other comprehensive income	1	-	1
140. Gains/losses on contractual changes without cancellation	-	-	-
<b>150. Operating income</b>	<b>1,874</b>	<b>6</b>	<b>1,880</b>
160. Net insurance premiums	-	-	-
170. Other income/expense from insurance activities	-	-	-
<b>180. Operating income from financing and insurance activities</b>	<b>1,874</b>	<b>6</b>	<b>1,880</b>
190. Administrative expenses:	(873)	(6)	(879)
a) personnel expenses	(362)	(4)	(366)
b) other administrative expenses	(511)	(2)	(513)
200. Net provisions for risks and charges	(14)	-	(14)
a) commitments and guarantees	1	-	1
b) other net provisions	(15)	-	(15)
210. Depreciation of property and equipment	(5)	-	(5)
220. Amortisation of intangible assets	(17)	-	(17)
230. Other income/expense	240	-	240
<b>240. Operating expenses</b>	<b>(669)</b>	<b>(6)</b>	<b>(675)</b>
250. Profit (loss) on equity investments	9	-	9
260. Net fair value gains (losses) on property and equipment and intangible assets	-	-	-
270. Goodwill impairment	-	-	-
280. Gain (loss) on disposal of investments	-	-	-
<b>290. Profit (loss) before tax from continuing operations</b>	<b>1,214</b>	<b>-</b>	<b>1,214</b>
300. Income taxes for the year on continuing operations	(380)	-	(380)
<b>310. Profit (loss) after tax from continuing operations</b>	<b>834</b>	<b>-</b>	<b>834</b>
320. Profit (loss) after tax from discontinued operations	-	-	-
<b>330. Net profit (loss) for the year</b>	<b>834</b>	<b>-</b>	<b>834</b>
340. Net profit (loss) for the year attributable to non-controlling interests	-	-	-
<b>350. Parent company interest in net profit (loss) for the year</b>	<b>834</b>	<b>-</b>	<b>834</b>

(\*) Figures for contribution by the Morval Vonwiller Group in the first three months of 2018.

## Reconciliation statements of the restated and reclassified financial statements

### Reconciliation of consolidated balance sheet and reclassified consolidated balance sheet

(€m)

RECLASSIFIED BALANCE SHEET ITEMS - ASSETS	CONSOLIDATED BALANCE SHEET ITEMS - ASSETS	31.12.2018	1.1.2018
Financial assets measured at fair value through profit or loss		294	631
	<i>Item 20. Financial assets measured at fair value through profit or loss</i>	294	631
Financial assets measured at fair value through other comprehensive income		3,294	3,786
	<i>Item 30. Financial assets measured at fair value through other comprehensive income</i>	3,294	3,786
Debt securities measured at amortised cost		13,299	10,560
	<i>Item 40. a) (partial) Financial assets measured at amortised cost – Loans and advances to banks</i>	10,764	8,061
	<i>Item 40. b) (partial) Financial assets measured at amortised cost – Loans and advances to customers</i>	2,535	2,499
Loans to banks		12,301	14,555
	<i>Item 40. a) (partial) Financial assets measured at amortised cost – Loans and advances to banks</i>	12,301	14,555
Loans to customers		9,531	7,840
	<i>Item 40. b) (partial) Financial assets measured at amortised cost – Loans and advances to customers</i>	9,531	7,840
Hedging derivatives		-	5
	<i>Item 50. Hedging derivatives</i>	-	5
Equity investments		151	148
	<i>Item 70. Equity investments</i>	151	148
Property and equipment and intangible assets		309	271
	<i>Item 90. Property and equipment</i>	83	82
	<i>Item 100. Intangible assets</i>	226	189
Tax assets		198	175
	<i>Item 110. Tax assets</i>	198	175
Other assets		1,388	1,230
	<i>Item 10. Cash and cash equivalents</i>	310	172
	<i>Item 60. Adjustments to financial assets subject to macro-hedging (+/-)</i>	1	-
	<i>Item 120. Non-current assets held for sale and discontinued operations</i>	12	-
	<i>Item 130. Other assets</i>	1,065	1,058
<b>Total assets</b>	<b>Total assets</b>	<b>40,765</b>	<b>39,201</b>

RECLASSIFIED BALANCE SHEET ITEMS - LIABILITIES	CONSOLIDATED BALANCE SHEET ITEMS - LIABILITIES	31.12.2018	1.1.2018
Due to banks		3,366	2,644
	<i>Item 10. a) Financial liabilities measured at amortised cost – due to banks</i>	3,366	2,644
Due to customers		32,130	30,845
	<i>Item 10. b) Financial liabilities measured at amortised cost – due to customers</i>	32,130	30,845
Financial liabilities held for trading		28	196
	<i>Item 20. Financial liabilities held for trading</i>	28	196
Hedging derivatives		808	833
	<i>Item 40. Hedging derivatives</i>	808	833
Tax liabilities		82	101
	<i>Item 60. Tax liabilities</i>	82	101
Other liabilities		1,079	1,154
	<i>Item 80. Other liabilities</i>	1,031	1,101
	<i>Item 90. Provision for employment termination indemnities</i>	48	53
Provisions for risks and charges		468	462
	<i>Item 100. Provisions for risks and charges</i>	468	462
Share capital and reserves		1,970	1,945
	<i>Items 120, 150, 160, 170 Equity attributable to owners of the parent company</i>	1,970	1,945
Equity attributable to non-controlling interests		-	150
	<i>190. Equity attributable to non-controlling interests (+/-)</i>	-	150
Net Profit		834	871
	<i>Item 200. Net profit (loss) for the year</i>	834	871
<b>Total liabilities</b>	<b>Total liabilities and shareholders' equity</b>	<b>40,765</b>	<b>39,201</b>



## Reconciliation of restated consolidated income statement and reclassified consolidated income statement

(€m)

RECLASSIFIED CONSOLIDATED INCOME STATEMENT ITEMS	CONSOLIDATED RESTATED INCOME STATEMENT ITEMS	2018	2017
Net interest income		152	160
	Item 30. Net interest income	158	172
	- Item 60. (partial) Components of net fee and commission income related to net interest income.	(7)	(12)
	- Item 30. (partial) Assessment with acceptance of audit report	1	-
Net profit (loss) on financial assets and liabilities		34	31
	Item 80. Net profit (loss) on trading activities	10	11
	Item 90. Net profit (loss) on hedging derivatives	-	1
	Item 100. Profit (loss) on sale or repurchase of:	24	6
	Item 110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	(17)	7
	- Item 60. (partial) Components of the returns on insurance policies for the Networks	2	(1)
	- Item 100. (partial) Costs related to banking system	7	10
	- Item 110. (partial) Return on Intesa Sanpaolo stock for remuneration and incentive plans	2	-
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	6	(3)
Net fee and commission income		1,701	1,710
	Item 60. Net fee and commission income	1,699	1,697
	- Item 60. (partial) Components of net fee and commission income related to net interest income.	7	12
	- Item 60. (partial) Components of the returns on insurance policies for the Networks	(2)	1
	- Item 60. (partial) Soft commission	(2)	-
	- Item 110. (partial) Return on Intesa Sanpaolo stock for remuneration and incentive plans	(1)	-
<b>Total net interest and trading income</b>		<b>1,887</b>	<b>1,901</b>
Net impairment for credit risk		5	2
	Item 130. Net impairment for credit risk	5	(1)
	- Item 130. (partial) Costs related to banking system	-	3
Operating income		1,892	1,903
Personnel expenses		(350)	(331)
	Item 190. a) Personnel expenses	(366)	(377)
	- Item 110. (partial) Return on Intesa Sanpaolo stock for remuneration and incentive plans	(1)	-
	- Item 190. a) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	11	20
	- Item 190. a) (partial) Vivaldi Project	6	26
Other administrative expenses		(236)	(228)
	Item 190. b) Other administrative expenses	(513)	(483)
	- Item 60. (partial) Soft commission	2	-
	- Item 230. (partial) Recovery of indirect taxes	236	230
	- Item 190. b) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	18	14
	- Item 190. b) (partial) Costs related to integration of Swiss Hub	1	-
	- Item 190. b) (partial) Costs related to banking system	20	11
Depreciation and amortisation		(10)	(16)
	Item 210. Depreciation of property and equipment	(5)	(4)
	Item 220. Amortisation of intangible assets	(16)	(22)
	- Item 220. (partial) Costs related to integration of Intesa Sanpaolo Private Banking	9	10
	- Item 220. (partial) Allocation of purchase cost of Morval Group	2	-
<b>Operating expenses</b>		<b>(596)</b>	<b>(575)</b>
Net provisions for risks and charges		(15)	(32)
	Item 200. Net provisions for risks and charges	(14)	(38)
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	(2)	3
	- Item 200. (partial) Vivaldi Project	-	3
	- Item 200. (partial) Assessment with acceptance of audit report	1	-
Profit (loss) on equity investments		9	9
	Item 250. Profit (loss) on equity investments	9	9
Other income (expense)		(4)	-
	Item 230. Other income/expense	240	249
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	(4)	-
	- Item 230. (partial) Recovery of indirect taxes	(236)	(230)
	- Item 230. (partial) Vivaldi Project	(4)	(19)
	Item 280. Gain (loss) on disposal of investments	-	8
	- Item 280. Gain (loss) on disposal of investments	-	(8)

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RECLASSIFIED CONSOLIDATED INCOME STATEMENT ITEMS	CONSOLIDATED RESTATED INCOME STATEMENT ITEMS	2018	2017
<b>Profit (loss) before tax from continuing operations</b>		<b>1,286</b>	<b>1,305</b>
Income taxes for the year on continuing operations		(381)	(390)
	<i>Item 300. Income taxes for the year on continuing operations</i>	(380)	(360)
	- <i>Item 220. (partial) Tax impact of allocation of purchase cost of Morval Group</i>	(1)	-
	- <i>Item 280. Tax impact on Gain (loss) on disposal of investments</i>	-	3
	- <i>Item 300. (partial) Tax impact on costs related to integration of Intesa Sanpaolo Private Banking</i>	(11)	(15)
	- <i>Item 300. (partial) Tax impact on costs related to the banking system</i>	(9)	(8)
	- <i>Item 300. (partial) Tax impact Vivaldi Project</i>	(2)	(10)
	- <i>Item 300. (partial) Assessment with acceptance of audit report</i>	22	-
Expenses regarding the banking system (net of tax)		(18)	(16)
	- <i>Item 100. (partial) Costs related to banking system</i>	(7)	(10)
	- <i>Item 130. (partial) Costs related to banking system</i>	-	(3)
	- <i>Item 190. b) (partial) Costs related to banking system</i>	(20)	(11)
	- <i>Item 300. (partial) Tax impact on costs related to the banking system</i>	9	8
Non-recurring income (expenses) (net of tax)		(52)	(24)
	- <i>Item 30. (partial) Assessment with acceptance of audit report</i>	(1)	-
	- <i>Item 190. a) (partial) Costs related to integration of Intesa Sanpaolo Private Banking</i>	(11)	(20)
	- <i>Item 190. b) (partial) Costs related to integration of Intesa Sanpaolo Private Banking</i>	(18)	(14)
	- <i>Item 190. b) (partial) Costs related to integration of Swiss Hub</i>	(1)	-
	- <i>Item 200. (partial) Assessment with acceptance of audit report</i>	(1)	-
	- <i>Item 220. (partial) Costs related to integration of Intesa Sanpaolo Private Banking</i>	(9)	(10)
	- <i>Item 280. Gain (loss) on disposal of investments</i>	-	8
	- <i>Item 300. (partial) Tax impact on costs related to integration of Intesa Sanpaolo Private Banking</i>	11	15
	- <i>Item 300. (partial) Tax impact on Net profit (loss) from sales of investments</i>	-	(3)
	- <i>Item 300. (partial) Assessment with acceptance of audit report</i>	(22)	-
Economic effects of the allocation of acquisition costs (net of tax)		(1)	-
	- <i>Item 220. (partial) Allocation of purchase cost of Morval Group</i>	(2)	-
	- <i>Item 220. (partial) Tax impact of allocation of purchase cost of Morval Group</i>	1	-
Net profit (loss) for the period attributable to non-controlling interests		-	(4)
	<i>Item 340. Net profit (loss) for the year attributable to non-controlling interests</i>	-	(4)
<b>Net Profit</b>	<b>Item 350. Parent company interest in net profit (loss) for the year</b>	<b>834</b>	<b>871</b>

## 9.4 Value added statement

The Group's Value added statement shown below has been prepared using the income statement figures from the 2018 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.

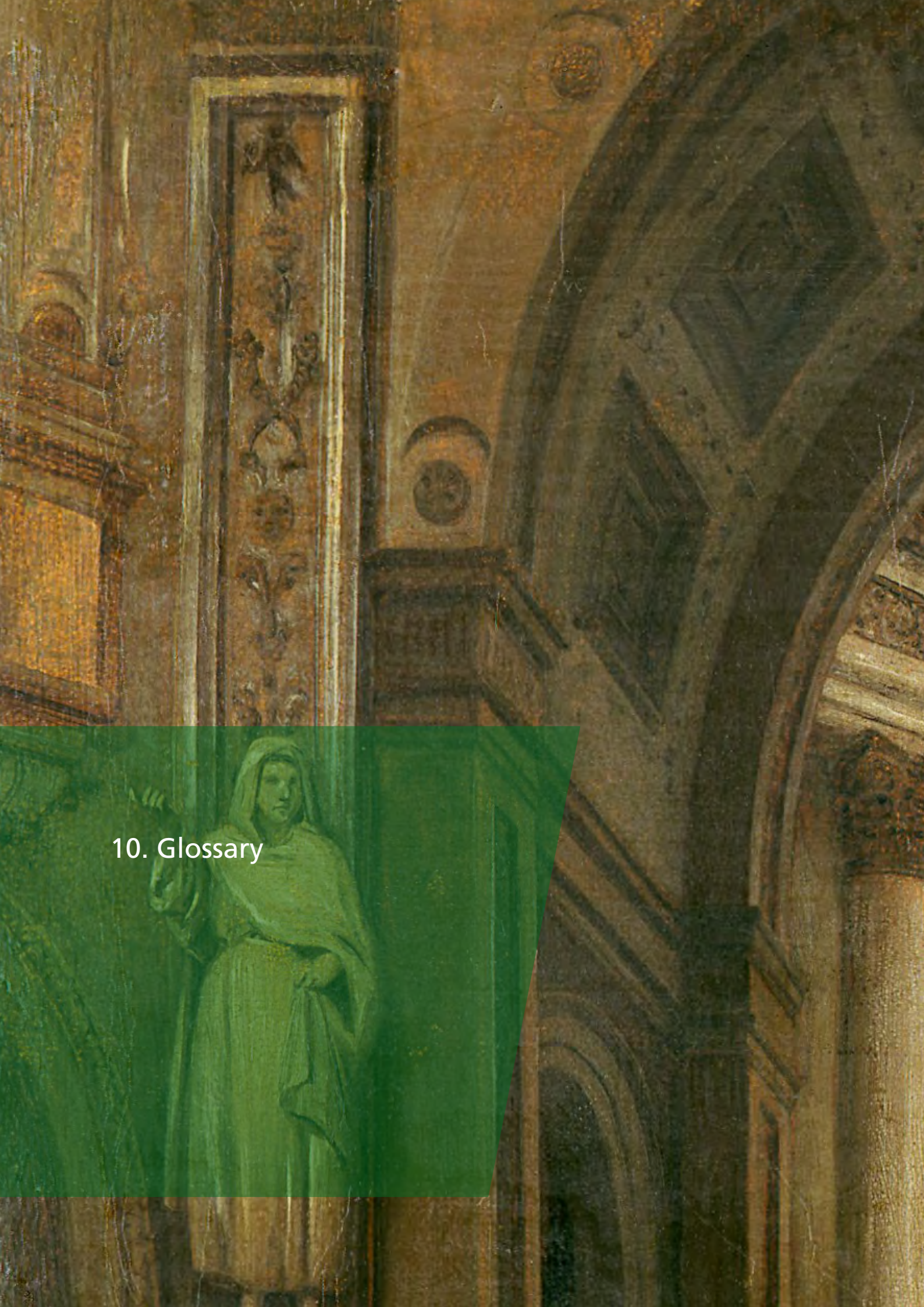
### Value added statement

(€m)

FINANCIAL STATEMENT ITEMS	2018	2017	2016
10. Interest income and similar income	241	331	326
20. Interest expense and similar expense	(83)	(160)	(150)
40. Fee and commission income	2,457	2,416	2,190
50. Fee and commission expense (not including expense for Personal Financial Advisers Network)	(100)	(98)	(79)
70. Dividends and similar income	-	-	-
80. Net profit (loss) on trading activities	9	8	10
90. Net profit (loss) on hedging activities	-	1	2
100. Net profit (loss) on sale or repurchase of:	24	5	22
a) financial assets measured at amortised cost	11	6	8
b) financial assets measured at fair value through other comprehensive income	13	(1)	14
c) financial liabilities	-	-	-
110. Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss	(17)	6	5
130. Net impairment for credit risk related to:	5	(1)	(3)
a) financial assets measured at amortised cost	4	2	(2)
b) financial assets measured at fair value through other comprehensive income	1	(3)	(1)
230. Other income/expense	239	250	214
250. Profit (loss) on equity investments (Profit/losses from sales)	-	-	-
280. Gain (loss) on disposal of investments	-	8	-
<b>A Total wealth created</b>	<b>2,775</b>	<b>2,766</b>	<b>2,537</b>
190.b Other administrative expenses (not including indirect taxes and donations/gifts)	(274)	(245)	(258)
<b>Value distributed to suppliers</b>	<b>(274)</b>	<b>(245)</b>	<b>(258)</b>
190.a Personnel expenses (including Personal Financial Advisers Network)	(1,040)	(1,036)	(937)
<b>Value distributed to employees and Personal Financial Advisers</b>	<b>(1,040)</b>	<b>(1,036)</b>	<b>(937)</b>
340. Net profit (loss) for the year attributable to non-controlling interests	-	-	-
<b>Value distributed to third parties</b>	<b>-</b>	<b>-</b>	<b>-</b>
Profit distributed to shareholders	(810)	(788)	(714)
<b>Value distributed to shareholders</b>	<b>(810)</b>	<b>(788)</b>	<b>(714)</b>
190.b Other administrative expenses: indirect taxes	(237)	(230)	(219)
300. Income taxes for the year (current taxes)	(352)	(317)	(282)
<b>Value distributed to Central and Branch Administration</b>	<b>(589)</b>	<b>(547)</b>	<b>(501)</b>
190.b Other administrative expenses: donations and gifts	-	(1)	-
<b>Value distributed to community and environment</b>	<b>-</b>	<b>(1)</b>	<b>-</b>
<b>B Total value distributed</b>	<b>(2,713)</b>	<b>(2,617)</b>	<b>(2,410)</b>
<b>C Total value retained</b>	<b>62</b>	<b>149</b>	<b>127</b>







## 10. 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 then subtracted from the foregoing amount.

**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. ABS are subdivided into different tranches (senior, mezzanine, junior) according to their assigned priority in receiving redemption of principal and payment of interest.

**Asset class**

These represent the categories into which the various types of financial instruments are divided, according to the specific details (e.g. legal nature, their implicit risk factors, market behaviour, etc.).

**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 italiane 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 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 consulenti finanziari (ANASF - Italian National Association of Personal Financial Advisers)**

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 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.

### **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 riskweighted 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 com-

plexity 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.

### **Basis point**

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 issued by the Italian Ministry of Economy and Finance 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.

**Budget**

The planned future costs and income of a company.

**Bund**

A long-term government bond issued by the German government.

**Buono del Tesoro Poliennale (BTP)**

Acronym of Buono del Tesoro Poliennale, a medium-to-long-term government bond issued by the Italian Ministry of Economy and Finance to finance public debt, which pays a fixed-rate yield.

**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.

When it is used instead during the preparation of financial statements, it is a driver that, together with the SPPI test, guides the classification of financial instruments in the categories covered by IFRS9. The aim of the business model is to reflect the way in which financial assets are managed to generate cash flows.

**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.

**Capital**

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, medium-long term securities issued by the Italian Ministry of Economy and Finance 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 mutual funds), non-life 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 the foregoing amount (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 bank's 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 customers 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.

### **CTZ**

Acronym of Certificato del Tesoro Zero Coupon. The Zero Coupon Treasury Certificate issued by the Italian Ministry of Economy and Finance 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 they 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.

**ESG**

The acronym ESG (Environment, Social and Governance) identifies three areas that constitute the concept of social awareness and guide the choices taken by business operators with their investment policies and pursued strategies.

**Euribor**

Reference interbank rate used in European Union countries. It is calculated as the weighted average of the interest rates at which the major banks operating in the European Union

grant loans. It is 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. It is 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. It 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. It 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. It is tasked with providing effective supervision of the insurance market, especially regarding oversight of crossborder 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 be 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**

Expected loss on lending activities. It has the aim of promptly recognising losses on outstanding loans in the financial statements. The ECL will be calculated according to the stage in which the instruments are classified from the time that they are first recognised, with a time horizon of 12 months (stage 1) or lifetime (stages 2 and 3).

**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 in the income statement.

**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 it is 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 predetermined 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. They 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. Pursuant to IAS36, the following must be tested for impairment 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. It 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.

**Lease liability**

This represents the payable recognised in the lessee's balance sheet for a leasing transaction and is equal to the present value of the instalments due under the lease and discounted at the marginal financing rate of the lessee itself.

**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 substantially 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 units 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.

**MiFID 2**

The new European directive on investment services addresses the goal of creating a single market for financial services in Europe, which guarantee complete and fair disclosure to investors, management of potential conflicts of interest, and adequate customer profiling.

**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 47 country indices, comprising 23 of securities traded on developed country markets and 24 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 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. It 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-financial disclosure**

A non-financial disclosure covers environmental, social, human resources and human rights compliance issues, and measures against bribery and extortion. This disclosure, introduced by Legislative Decree 254/2016, is mandatory for all large businesses and groups.

**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 ineffective 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. It 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. It 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. It 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 Advisers**

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 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)**

Expression identifying financial instruments characterised by their simple, standardised composition. Although this is a relative and not absolute concept, plain vanilla instruments have pre-set characteristics that leave no room for discretion.

**Portfolio**

The real and financial assets held by an individual investor.

**Position**

Market commitment to buy or sell financial instruments.

**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 prepared on the basis of templates prescribed by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) and approved by it, in which an issuer provides adequate disclosure to investors about the characteristics of an investment and the risks associated with it.

**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.

**PSD2**

Directive 2015/2366/EU on payment services promotes the development of an efficient, secure and competitive internal market for retail payments by strengthening user protection, supporting innovation and improving the security levels of services.

**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, this 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 agreement**

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.

**Right of use asset (RoU asset)**

This identifies the asset carried on the lessee's balance sheet and corresponds to the value of the right of use of an asset held under a finance lease. The fundamental prerequisites for recognition of the RoU in the balance sheet are the possibility to identify the asset, the right to control its use and enjoy its future economic benefits.

**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-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 identified with short-term high investment grade government securities. The return required of any security can be expressed as the sum of the nominal risk-free rate plus the risk premium.

**Risk-weighted assets (RWA)**

On- and off-balance sheet assets (derivatives and guarantees) classified and weighted in relation to risk ratios in accordance with the banking regulations issued by the supervisory authorities for calculating capital ratios.

**Scope of non-financial reporting**

It 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.

**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.

**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.

**SEPA**

Single Euro Payments Area, comprised of the 28 Member States of the European Union and other countries not belonging to the EU. All traders within this area may make and receive payments in Euro according to harmonised rules, procedures and practices.

**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 Supervisory Mechanism (SSM)**

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 - stockbrokers)**

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 is separated from it to form a new legal entity.

**SPPI test**

This is a test used to analyse whether the cash flows of a certain financial instrument represent "solely payments of principal and interest". The result of the test, together with the adopted business model, determines the balance sheet classification of the financial instrument pursuant to IFRS9.

**Spread**

The difference between the interest rates of different securities with the same maturities. Normally used by Banca 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 Germany, the benchmark country.

**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.

**Sub-fund**

Subdivision of an umbrella fund or SICAV, distinguished by its management characteristics. A sub-fund represents capital that is independent of the asset management company's capital and of all the other funds or sub-funds that it manages.

**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 writedowns for anticipated losses (excess reserves) for loan positions risk-weighted following the IRB – Internal Rating Based 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.

**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).











11. Contact us



## 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 - Treviglio - Treviso - Trieste - Udine - Varese - Verbania - Verona - Vicenza

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### INTESA SANPAOLO PRIVATE BANKING PERSONAL FINANCIAL ADVISERS' OFFICES

Bari - Salò - Genoa

### INTESA SANPAOLO PRIVATE BANK (SUISSE) BRANCH

Lugano

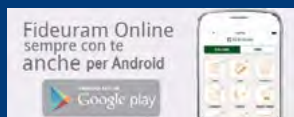
### MORVAL VONWILLER GROUP BRANCHES

Geneva, Lugano, George Town

(updated at 31 December 2018)

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## GALLERIE D'ITALIA. THREE MUSEUM VENUES: AN ITALIAN CULTURAL NETWORK.

Through the Gallerie d'Italia, 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 creating a unique museum network.

Set in an architectural context of great value, **Gallerie d'Italia - Piazza Scala in Milan** displays a selection of two hundred nineteenth-century works of the Lombard school of painting, coming from the art collections of Fondazione Cariplo and Intesa Sanpaolo, along with a collection representative of twentieth-century Italian art.

**Gallerie d'Italia - Palazzo Leoni Montanari in Vicenza** exhibits works of eighteenth-century Veneto art and a collection of Attic and Magna Graecia pottery. Moreover, one of the most important collections of Russian icons in the West is safeguarded here.

**Gallerie d'Italia - Palazzo Zevallos Stigliano in Naples** houses *The Martyrdom of Saint Ursula*, Caravaggio's last documented painting, as well as a collection of over one hundred and twenty artworks representative of Neapolitan artistic output from the early seventeenth century to the beginning of the twentieth century.

Cover photo:



ANGELO INGANNI  
(Brescia, 1807 - 1880)  
*Piazza della Scala under the snow, seen from the Gallery* 1874  
oil on canvas, 65,5 x 55,5 cm  
Intesa Sanpaolo Collection  
Gallerie d'Italia - Piazza Scala, Milan

Angelo Inganni's vedute are fine works offering a valuable insight into the urban transformations that Milan experienced during the 19<sup>th</sup> century. In *Piazza della Scala under the snow, seen from the Gallery*, the artist depicts Teatro alla Scala before the square it faces was opened, which involved the demolition of a housing block next to the Palazzo Marino, and subsequently led to the construction of the Galleria Vittorio Emanuele II and the erection of the Leonardo da Vinci monument.

Despite the structural balance of the work, the resulting image - created with free and vibrant brushstrokes with no concern for defined outlines - seems somewhat random, almost like a snapshot of the path running between the snowy square and the Galleria.

The work is part of the permanent collection at the **Gallerie d'Italia**, Intesa Sanpaolo's museum complex located in **Piazza Scala, Milan**. The exhibition dedicated principally to 19<sup>th</sup> century art opens with Neoclassical works and continues through to the turn of the 20<sup>th</sup> century, with a century's worth of Italian paintings depicting historical events, battles of the Risorgimento (the Italian Unification), vedute and landscapes, as well as genre paintings and masterpieces of Symbolism.



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