FIDEURAM
INTESA SANPAOLO PRIVATE BANKING

Integrated Annual Report 2019

Bank of INTESA SANPAOLO

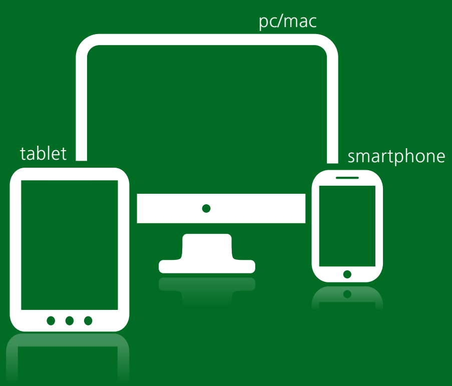
Mission

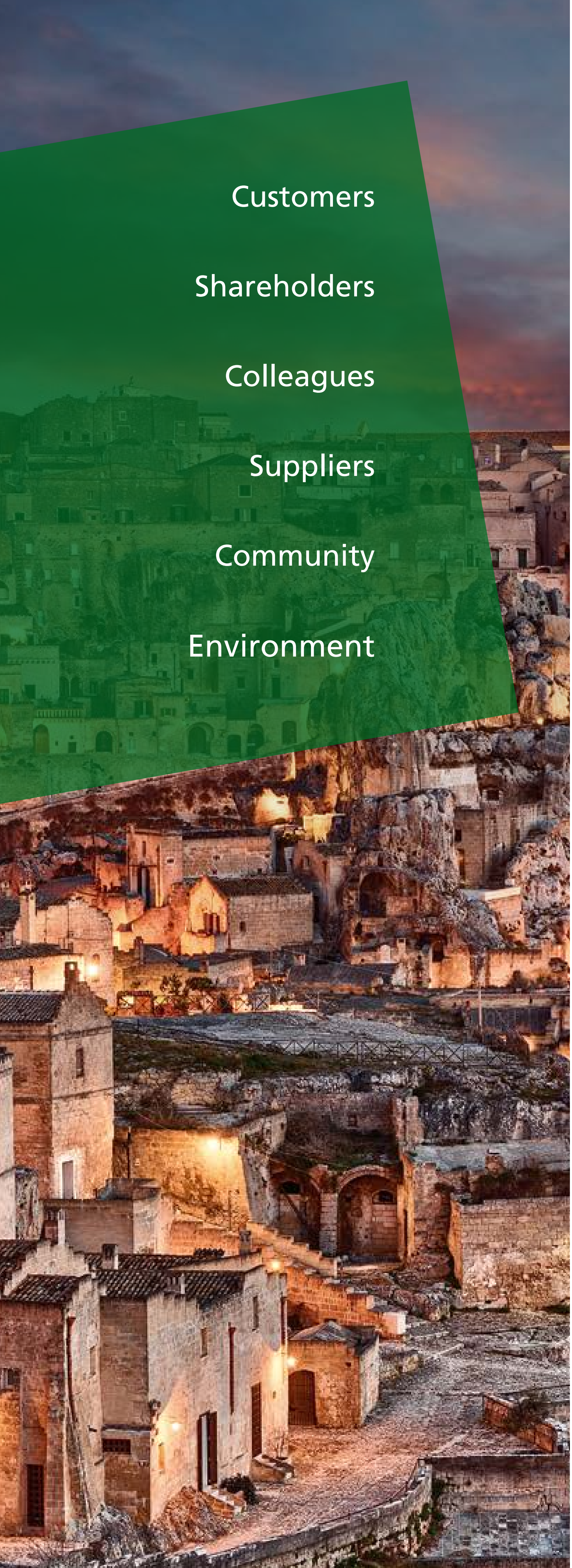
of Fideuram - Intesa Sanpaolo Private Banking

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

To offer financial advisory services covering the full spectrum of our clients' assets with the support of expert professionals, acting with total transparency and complete respect for the rules.

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




Customers
Shareholders
Colleagues
Suppliers
Community
Environment

Contents

Integrated Financial Report

About this Report

INTEGRATED FINANCIAL STATEMENTS

In line with international reporting developments, the Fideuram Group has published an Integrated Annual Report addressed to all stakeholders since 2013.

The typical financial information of a traditional annual report and non-financial information are presented in integrated form by taking a comprehensive view in a single document, using capital analysis to explain how the business model, strategies, and the financial, social, environmental and governance performance influence the value creation process over the medium and long term.

Beginning with this year, Fideuram has decided to express its commitment to sustainable development by identifying which Sustainable Development Goals (SDGs) of the United Nations Agenda 2030 it intends to pursue through the operation of its business. In keeping with the Paris Global Climate Conference, the Group has committed itself to monitoring and reporting on greenhouse gas emissions to identify and implement actions to reduce its ecological footprint.

REGULATORY FRAMEWORK AND GUIDELINES

In line with international reporting developments, the report has been prepared in accordance with the International <IR> Framework published in 2013 by the International Integrated Reporting Council (IIRC). To measure and monitor performance, it reports on a set of indicators proposed by GRI Standards 2016 with the in accordance Core option.

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

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

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 Statement made by Intesa Sanpaolo S.p.A.. The information prescribed by the Decree is voluntarily included to give a complete and transparent representation of financial and non-financial information.

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.

EUROPEAN CENTRAL BANK'S RECOMMENDATION OF 27 MARCH 2020

Following the European Central Bank's Recommendation of 27 March 2020 regarding the dividend policy in the context deriving from the COVID-19 pandemic, on 30 March 2020 the Board of Directors amended the Proposal to the Shareholders' Meeting to allocate the profit for the year resulting from Fideuram's separate financial statements as at 31 December 2019, previously approved on 24 February 2020.
The information contained in the Directors' Report concerning the Wealth created and the Value distributed, the payout ratio and the dividend per share was not updated.

Our identity

Fideuram was born more than 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 advanced advisory services and professional expertise of its Personal Financial Advisers.

1968 Fideuram was formed to create the first network of personal financial advisers in Italy, to offer Luxembourg mutual funds to Italian investors.

1984 Fideuram distributed the first Italian mutual funds.

1992 Fideuram and Banca Manusardi combined; the new company was listed on the Milan Stock Exchange.

1997 Fideuram launched the Personal Financial Planning, the first financial planning service benefiting from an advanced technological platform to the advantage of its customers.

2007 Delisting of Fideuram's stock.

WHO WE ARE

With over €240bn in client assets, Fideuram is the biggest Italian Private Bank (and one of the biggest in Europe).

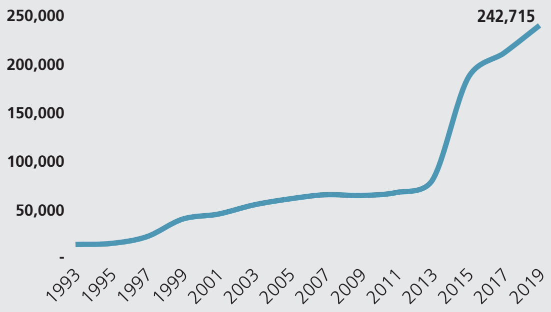
Fideuram heads an integrated Group, comprised of the companies providing the Group's financial advisory, asset management and fiduciary services.

WHAT WE OFFER OUR CUSTOMERS

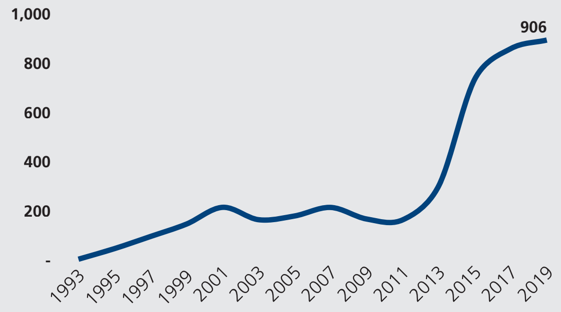
Fideuram offers personalised advice based on a long-term relationship, which is in turn founded on the Personal Financial Advisers' trust and professional expertise.

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)



2009 Fideuram launched fee-paying advanced advisory services.

2015 Fideuram and Intesa Sanpaolo Private Banking combined to create Fideuram – Intesa Sanpaolo Private Banking, the first Italian private bank.

2016 Fideuram introduced Alfabeto, a platform supporting the Personal Financial Advisers in providing digitalised financial advice.

2018 Fideuram acquired the Swiss Morval Vonwiller Group and launched its foreign hub for international growth.

2019 Intesa Sanpaolo Private Bank (Suisse) Morval is born. The new company leads the Group's international development.

WHERE WE ARE

The Group has a strong local presence throughout Italy, with 235 bank branches and 321 Personal Financial Adviser offices. The Group also operates abroad with five bank branches.

With 3 Private Banking Centres and 9 hubs, the Fideuram and Intesa Sanpaolo Private Banking networks are organised to assist High Net Worth Individuals.

With the formation of Intesa Sanpaolo Private Bank (Suisse) Morval, the development of our business abroad continues.

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.

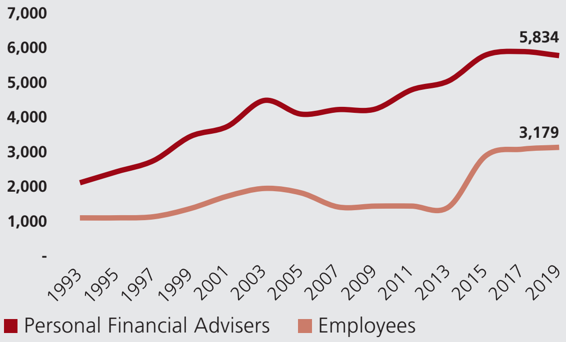
We will support the **foreign growth** and **international expansion** of the Group.

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

(no.)



Our awards

Key Performance Indicators (*)

	2019	2018	2017	2016	2015
CLIENT FINANCIAL ASSETS					
Net inflows into managed assets (€m)	4,605	3,591	11,626	2,887	10,026
Total net inflows (€m)	10,926	10,189	12,248	8,454	7,846
Client Assets (€m)	242,715	213,069	216,550	200,465	188,898
OPERATING STRUCTURE					
Personal Financial Advisers (no.)	5,834	5,995	5,990	5,887	5,846
Staff (no.)	3,179	3,335	3,233	3,116	2,928
- women (no.)	1,422	1,481	1,430	1,374	1,295
- outside Italy (no.)	310	314	269	249	144
Personal Financial Advisers' Offices (no.)	235	228	229	231	229
Bank Branches (no.)	321	326	323	324	325
CONSOLIDATED FINANCIAL RESULTS					
Consolidated net profit (€m)	906	834	871	786	747
Group shareholders' equity (€m)	2,960	2,804	2,816	1,981	1,877
Basic consolidated net earnings per share (€)	0.604	0.556	0.581	0.524	0.498
Dividends per share (€)	0.558	0.540	0.525	0.476	0.374
Total assets (€m)	47,767	41,032	39,201	34,672	28,839
Wealth created (€m)	2,906	2,775	2,766	2,537	2,530
Value distributed (€m)	2,759	2,713	2,617	2,410	2,293
PROFITABILITY INDICATORS					
Return on Equity (%)	31	30	36	41	42
Return on Assets (%)	2	2	2	2	3
Cost / Income ratio (%)	31	32	30	30	32
Payroll costs / Operating margin (%)	18	19	17	16	17
Net profit / Average client assets (%)	0.4	0.4	0.4	0.4	0.4
E.V.A. (€m)	791	735	788	716	681
NON-FINANCIAL INDICATORS					
Complaints (no.)	1,929	1,621	1,347	1,384	1,244
Personal Financial Adviser training (hrs.)	447,338	470,731	329,928	386,819	375,307
Employees on open-ended contracts (%)	99.4	98.8	98.5	98.9	98.7
Women in management positions (% out of the total number of senior managers)	10	9	11	11	11
Staff turnover (%)	15	15	10	10	10
Employees training (hrs.)	142,832	131,862	82,641	122,995	118,713
Donations (€m)	0.5	0.2	0.6	0.3	0.4
Operating margin / Number of employees (€m)	0.6	0.6	0.6	0.6	0.6
Client assets / Number of Personal Financial Advisers (€m)	42	36	36	34	32
Net Promoter Score (NPS) (no.)	47	-	-	-	-
Customer Satisfaction Index (CSI) (no.)	8.5	-	-	-	-
Paper consumption per employee (kg)	53	60	63	70	74
Direct and indirect emissions (scope1 and scope2) (tCO_2)	2,833	3,960	3,376	-	-

Counterparty rating (Standard & Poor's)	**Long term: BBB**	**Short term: A-2**	**Outlook: Negative**

(*) The figures for 2015 have been restated on a like-for-like basis to take 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 2018, was included from 2016. The figures for 2017 have been restated on a like-for-like basis to take the first-time adoption of IFRS9 into account. The figures for 2018 have been restated on a like-for-like basis to take the first-time adoption of IFRS16 into account.

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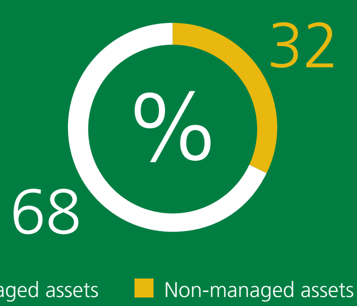
Integrated Financial Report

€2.9bn
wealth created in 2019
(up **€131m** on 2018)

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

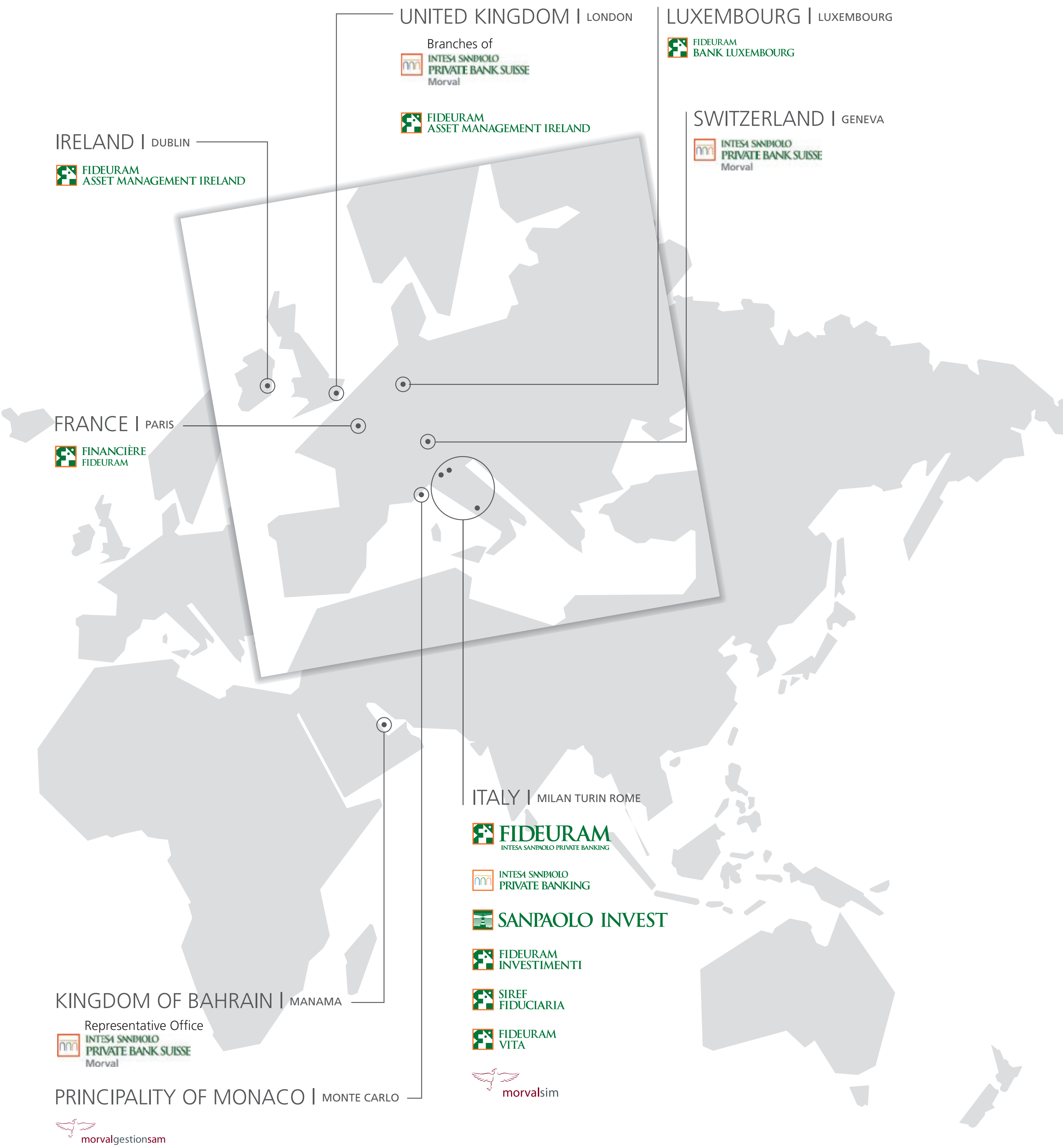
Client Assets 2019:

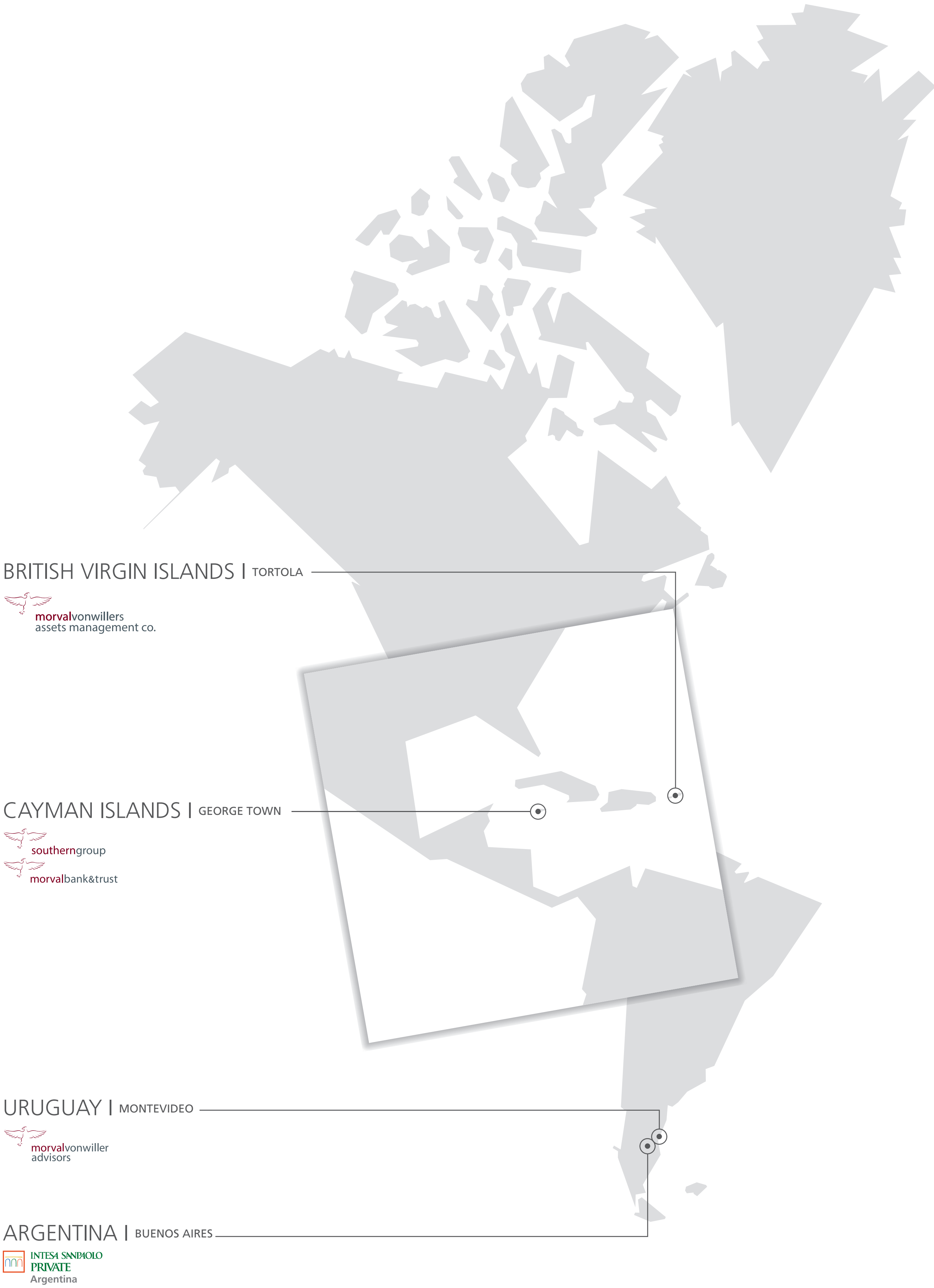


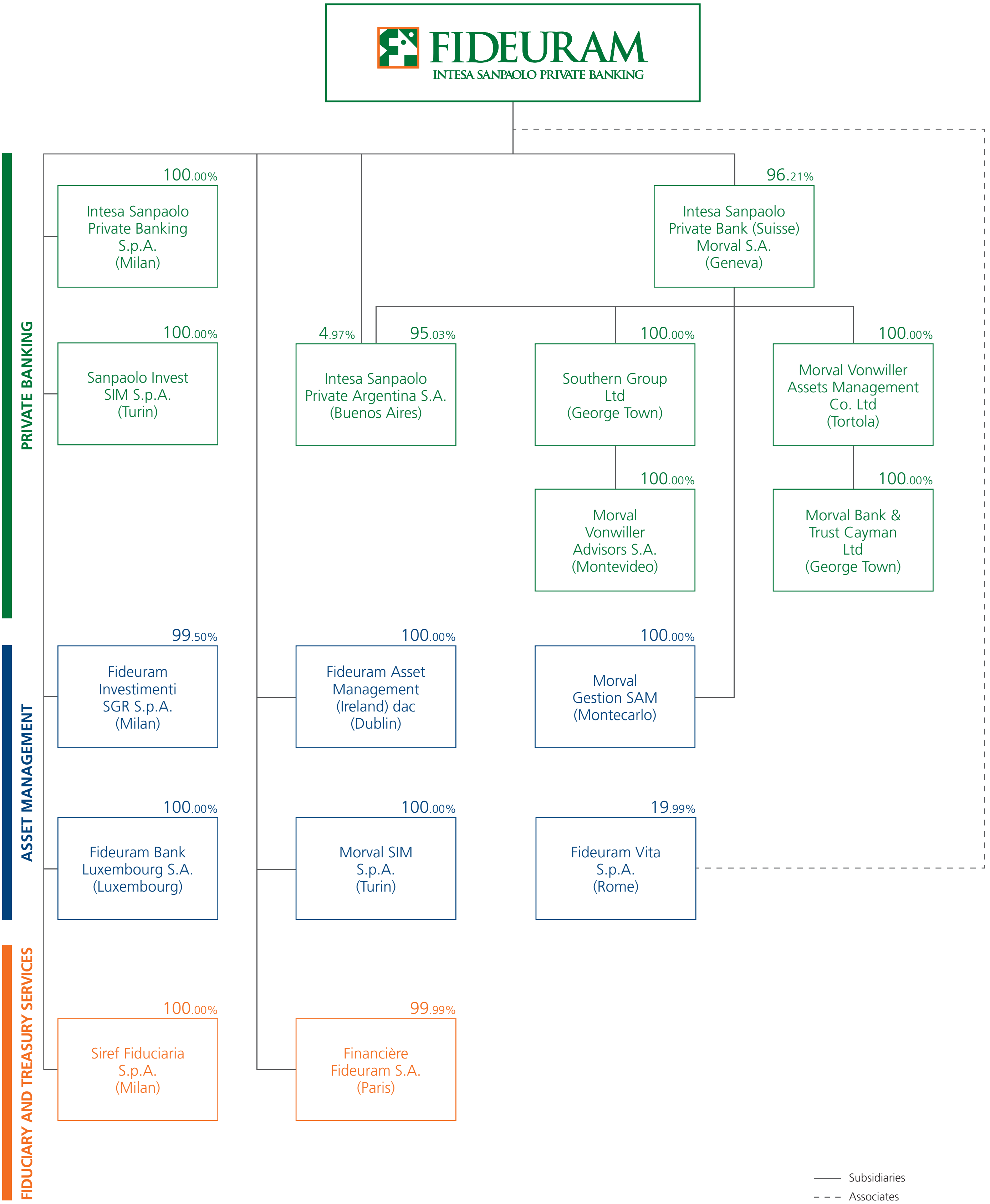
1. Business model

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:




BRITISH VIRGIN ISLANDS | TORTOLA
morvalvonwillers
assets management co.
CAYMAN ISLANDS | GEORGE TOWN
southerngroup
morvalbank&trust
URUGUAY | MONTEVIDEO
morvalvonwiller
advisors
ARGENTINA | BUENOS AIRES
INTESA SANPAOLO
PRIVATE
Argentina


FIDEURAM
INTESA SANPAOLO PRIVATE BANKING
PRIVATE BANKING
ASSET MANAGEMENT
FIDUCIARY AND TREASURY SERVICES
100.00%
Intesa Sanpaolo Private Banking S.p.A. (Milan)
100.00%
Sanpaolo Invest SIM S.p.A. (Turin)
96.21%
Intesa Sanpaolo Private Bank (Suisse) Morval S.A. (Geneva)
4.97%
95.03%
Intesa Sanpaolo Private Argentina S.A. (Buenos Aires)
100.00%
Southern Group Ltd (George Town)
100.00%
Morval Vonwiller Assets Management Co. Ltd (Tortola)
100.00%
Morval Vonwiller Advisors S.A. (Montevideo)
100.00%
Morval Bank & Trust Cayman Ltd (George Town)
99.50%
Fideuram Investimenti SGR S.p.A. (Milan)
100.00%
Fideuram Asset Management (Ireland) dac (Dublin)
100.00%
Morval Gestion SAM (Montecarlo)
100.00%
Fideuram Bank Luxembourg S.A. (Luxembourg)
100.00%
Morval SIM S.p.A. (Turin)
19.99%
Fideuram Vita S.p.A. (Rome)
100.00%
Siref Fiduciaria S.p.A. (Milan)
99.99%
Financière Fideuram S.A. (Paris)
Subsidiaries
Associates

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 €240bn.

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 and High Net Worth Individuals segments. Our products and services are provided by over 5,800 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.

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 rely 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..

THE CREATION OF VALUE

REGULATIONS

EXTERNAL CONTEXT

Mission

Business values

Governance

Performance

INPUT CAPITAL

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

INPUT VALUES

Financial capital
- Client assets: €242.7bn
  of which Managed Assets: €165.4bn
- Financial solidity CET1 ratio 19.2%

Productive capital
- Bank Branches no. 235
- Personal Financial Advisers' Offices no. 321

Intellectual capital
- Investments in information systems €50m
- Projects no. 70

Human capital
- Personal Financial Advisers no. 5,834
- Employees no. 3,179
- Personal Financial Adviser training hours no. 447,338 and Employee training hours no. 142,832

Relational capital
- Client retention rate 95%
- New client rate 8%
- Net Promoter Score 47
- Customer Satisfaction Index 8.5

CONSUMER BEHAVIOUR

FINANCIAL MARKETS

TECHNOLOGICAL DEVELOPMENT

EXTERNAL CONTEXT

BUSINESS MODEL

DEDICATED BANK

- **Branches**
- **Private Banking**
- **Online**

PERSONAL FINANCIAL ADVISERS AND CUSTOMERS

DISTINCTIVE FACTORS

STRENGTHS

- Integrated Group
- Distribution networks with well-known distinctive brands
- Service model based on Advanced Advisory Service
- Open Architecture Approach
- Focus on Private Banking customers and High Net Worth Individuals

OUTCOME

OUTPUT

- Reinforce its leadership position
- Support foreign growth
- Expand the customer base
- Boost the level of innovation
- Increase the focus on Corporate Social Responsibility
- Customer satisfaction

CLIMATE CHANGE

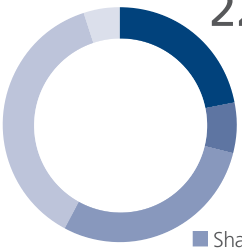
DEMOGRAPHIC CHANGES

1.3 Highlights

Financial Capital

WEALTH CREATED

€2.9 bn



ROE	31%
COST/INCOME	31%
SHAREHOLDERS' EQUITY	€3 bn
NET PROFIT	€906 m
NET FEE AND COMMISSION INCOME	€1.7 bn
of which recurring	€1.6 bn

TOTAL NET INFLOWS

€10.9 bn — *of which Net inflows into Managed Assets* €4.6 bn

CLIENT ASSETS

€242.7 bn — *of which managed Client Assets* €165.4 bn

Productive Capital

NO. OF BANK BRANCHES

235 — *outside Italy* 5

NO. OF PERSONAL FINANCIAL ADVISERS OFFICES

321

Intellectual Capital

INVESTMENTS IN INFORMATION SYSTEMS

€50m annually

NO. OF PROJECTS

70 projects annually

Human Capital

NO. OF PERSONAL FINANCIAL ADVISERS
5,834

NO. OF EMPLOYEES
3,179

NO. OF CUSTOMERS PER PERSONAL FINANCIAL ADVISER

Fideuram Network
162:1

Sanpaolo Invest Network
124:1

Intesa Sanpaolo Private Banking Network
41:1

Intesa Sanpaolo Private Bank (Suisse) Morval Network
33:1

CLIENT ASSETS PER PERSONAL FINANCIAL ADVISER
€42 m

NET INFLOWS PER PERSONAL FINANCIAL ADVISER
€2 m

TRAINING (HRS)

Personal Financial Advisers
447,338 hours

Employees
142,832 hours

AVERAGE LENGTH OF SERVICE

Personal Financial Advisers
16 years

Employees
19 years

Relational Capital

NO. OF CUSTOMERS

Fideuram
584,283

Sanpaolo Invest
155,773

Intesa Sanpaolo Private Banking
37,672 households

Intesa Sanpaolo Private Bank (Suisse) Morval
1,775

Siref Fiduciaria
1,975 mandates

AVERAGE LENGTH OF CUSTOMER RELATIONSHIP

Fideuram and Sanpaolo Invest
13 years

Intesa Sanpaolo Private Banking
13 years

CLIENT RETENTION RATE
95%

NEW CLIENT RATE
8%

NET PROMOTER SCORE (NPS)
47

CUSTOMER SATISFACTION INDEX (CSI)
8.5

CUSTOMER SEGMENTATION

High Net Worth Individuals
Client assets €68.8 bn

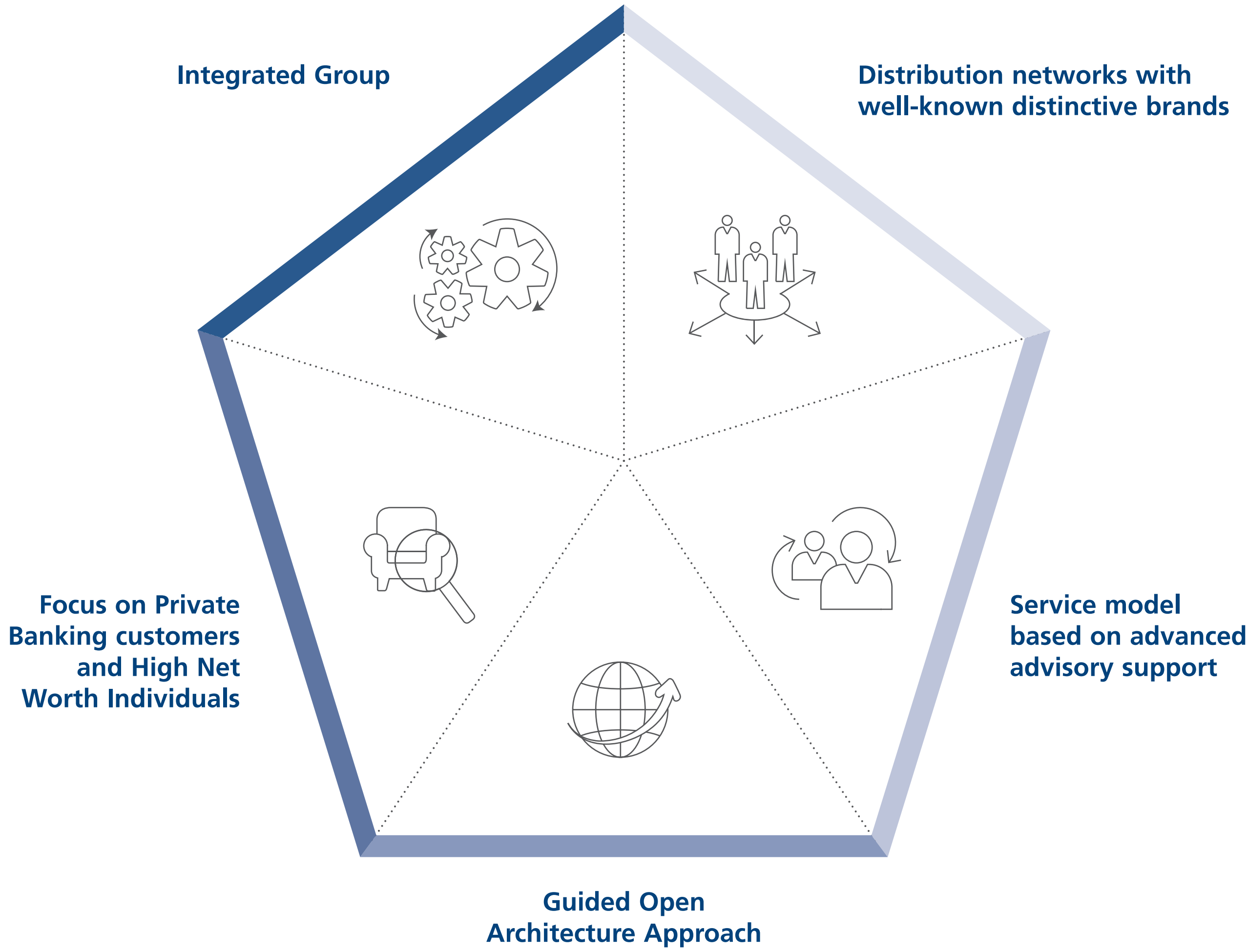
Private Banking customers
Client assets €114.4 bn

Affluent customers
Client assets €43.8 bn

Mass Market customers
Client assets €15.7 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 Centre, 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 235 bank branches and 321 Personal Financial Advisers' offices, enables us to offer our customers a complete service that secures their loyalty and strengthens the Group's role as a one-stop-shop provider of banking products and services.

A service model based on Advanced Advisory support: the professional relationship between each Personal Financial Adviser and customer is based on a financial advisory service model governed by a specific contract. These services are delivered in the following two ways:

- *Basic Advisory Services:* provided free of charge to all customers and consisting in personalised advisory services regarding the customer's investments, paying careful attention to risk management and the suitability of their overall portfolio;

- *Advanced Advisory Services:* 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 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 75% 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 2019, 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 organised into units having various focuses as described below:

- Private Advisory Unit, which develops the array of financial services offered to Private Banking customers, by coordinating with the delegated structures and specialised Group units, creating solutions to develop and protect the customer's total assets;
- Wealth Solution Competence Centre, which provides value added services (e.g. household wealth protection analyses, corporate finance, luxury goods management, property management, etc.) by using the Central Departments or Group Companies, selected 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.
- Private Wealth Management and Network Relations Coordination, which supports the network for access to banking services dedicated to Private Banking customers. It provides a dedicated lending desk, facilitating the exchange of information as necessary with Central Departments or Group Companies specialising in access to credit, as necessary.

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:

- 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.
- Competence Centre, offering specialist advisory support providing wealth advisory, philanthropy advisory, art advisory, and real estate advisory services.
- Investment Solutions and Service Model, responsible for monitoring the dedicated service model and finding customised solutions for asset allocation and advisory on client assets through analysis of their specific needs.

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.

1.5 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.

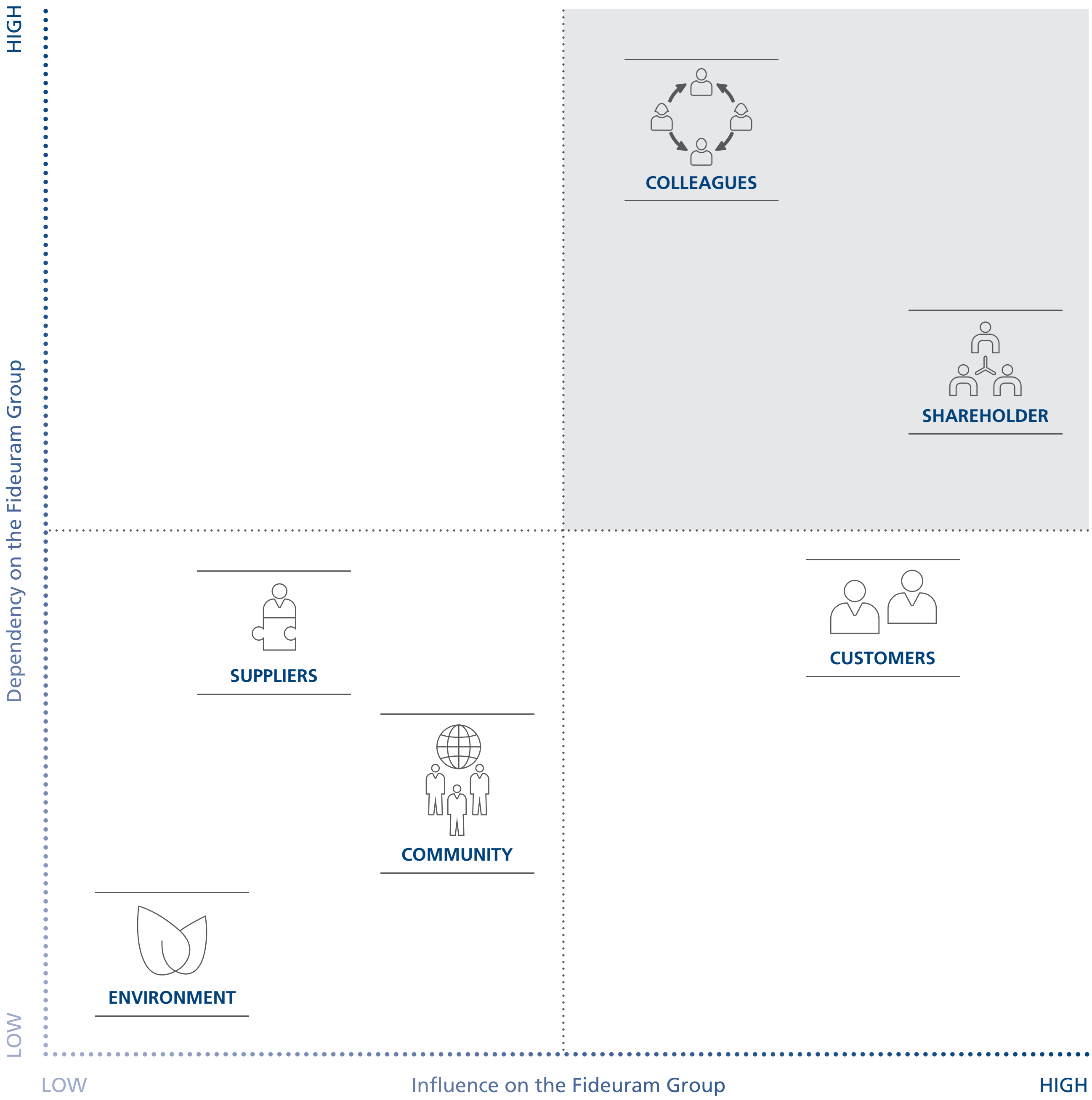
Effective stakeholder engagement has numerous benefits for the development of the Group's strategy:

- 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.

STAKEHOLDER MATRIX



The Fideuram Group's principal stakeholders are mapped below:

STAKEHOLDER MAP

		2019	2018
CUSTOMERS			
	Fideuram customers (no.)	584,283	565,870
	Sanpaolo Invest customers (no.)	155,773	152,081
	Intesa Sanpaolo Private Banking customers (no. of households)	37,672	37,321
	Siref Fiduciaria customers (no. fiduciary mandates)	1,975	2,032
High Net Worth Individuals	Intesa Sanpaolo Private Bank (Suisse) Morval customers (no.)	1,775	1,829
Private Banking customers	Client Assets (€m)	242,715	213,069
Affluent customers Mass Market customers	Average length of customer relationship Fideuram and Sanpaolo Invest Networks (years)	13	13
	Average length of customer relationship Intesa Sanpaolo Private Banking Network (years)	13	12
SHAREHOLDER			
	Fideuram ordinary shares (no.)	1,500,000,000	1,500,000,000
	Par value (€)	no-par shares	no-par shares
Intesa Sanpaolo S.p.A.	Shareholders' equity (€m)	2,960	2,804
	Consolidated pay-out (%)	92.36	97.07
	Separate pay-out (%)	98.33	99.48
	Counterparty rating (Standard & Poor's)	BBB/Negative	BBB/Negative
COLLEAGUES			
	Employees: men (no.)	1,757	1,854
	Employees: women (no.)	1,422	1,481
Employees	Graduate employees (%)	51	49
	Turnover (%)	15	15
	Average training hours per employee (no.)	45	40
	Personal Financial Advisers (no.)	5,834	5,995
Personal Financial Advisers	Client Assets / Number of Personal Financial Advisers (€m)	42	36
	Average training hours per Personal Financial Adviser (no.)	77	79
SUPPLIERS			
	IT services (€m)	25	23
	Building management (€m)	16	56
	Third-party services (€m)	107	105
	Professional and insurance costs (€m)	19	23
	Advertising and promotional costs (€m)	6	10
	Other expenses (€m)	29	30
COMMUNITY			
Leading investment companies	Charitable and other donations (€m)	0.5	0.2
Non-profit organisations	Current taxes (€m)	368	334
Public institutions	Indirect taxes and levies (€m)	252	237
Local	Expenses regarding the banking system (€m)	24	20
Media			
ENVIRONMENT			
Environmental organisations	Paper consumption per employee (kg)	53	60
Future generations	Direct and indirect GHG emissions (scope1 and scope2) (tCO_2)	2,833	3,960

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

	% 2017	% 2018	% 2019
The value created for our **CUSTOMERS** is reflected in the returns obtained through the subscription of financial products offered by the Group.			
The value created by the Group is distributed to the **SHAREHOLDER** as dividend income.	29	29	29
The value created by the Group is distributed to the **COLLEAGUES** through: • *Fee and commission expense;* • *Personnel expenses;* • *Provisions for the termination of agency agreements and for the Personal Financial Adviser network loyalty schemes.*	37	38	37
The value created for the **SUPPLIERS** is distributed through Administrative expenses.	9	9	7
The Group distributes the value created for the **COMMUNITY** and the **ENVIRONMENT** through: • *Fee and commission expense;* • *Administrative expenses (donations);* • *Direct and indirect taxes and levies;* • *Expenses for the resolution fund and deposit guarantee scheme.*	20	22	22
VALUE RETAINED This is the value remaining in the Group, mainly in the form of provisions, depreciation and amortisation, deferred tax assets and liabilities.	5	2	5

1.6 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, funds distinguished by their special focus on Socially Responsible Investments (SRI), 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 83-89

Benchmark lines

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

Personalized lines

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

TYPES OF FINANCIAL INSTRUMENTS

Multimanager Asset Management Funds

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

Portfolio Management

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

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

Through Fideuram/Sanpaolo Invest OMNIA and Fideuram Folios, Fideuram and Sanpaolo Invest have access to a wide range of investment lines of Fideuram Investimenti SGR offering different management styles, geographical areas and investment instruments that can be combined following a diversified approach to investment type and risk. OMNIA discretionary account also 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 "Penso 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, and lease products for Intesa Sanpaolo Private Banking (provided by Intesa Sanpaolo) and lending products (principally secured by assets held with the Group itself).
- Non-managed asset investment opportunities.

CURRENT ACCOUNTS

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.

CREDIT SERVICES

The Group offers its customers lines of credit that afford them cash flow flexibility, secured by investment products held with the Group or substantial assets managed by the Group and short-term and medium-long term loans for up to fifteen years.
Credit services consist of two types: those provided by granting lending products secured by collateral in the form of securities or other assets held with the Group, and lines of credit secured by assets the customer has invested with the Group.

NON-MANAGED ASSETS

The Group offers its customers the option of investing directly in shares, bonds, structured bonds, certificates and other financial instruments on both the primary and secondary markets. It is also possible to make trades in repurchase agreements and, for Intesa Sanpaolo Private Banking, securities lending. The Group offers bonds and certificates on the primary market. These instruments are developed by Banca IMI and issued by Banca IMI, Intesa Sanpaolo, supranational institutions or leading international issuers. The certificates with fully protected capital offered by Fideuram and Sanpaolo Invest, and the special interest investment theme certificates and bonds dedicated to customers of Intesa Sanpaolo Private Banking are of particular importance in this category.

The Fideuram Group carefully selects outstanding international managers to offer its own customers a greater possibility of diversification. More than one third of our customers' assets are now invested in products offered by the world's best managers.

PARTNER OF EXCELLENCE

Aberdeen Standard Investments
Amundi Asset Management
BlackRock
BNP Paribas Investment Partners
BNY Mellon
Capital Group
Carmignac Risk Managers
Credit Suisse
Deutsche Asset & Wealth Management
DNCA Investments
Epsilon SGR
Eurizon Asset Management
Fidelity International
Fideuram Asset Management Ireland
Fideuram Investimenti
Franklin Templeton
GAM Investments
Goldman Sachs
Invesco
Janus Henderson Investors
J.P.Morgan Asset Management
Kairos a Julius Baer Group company
La Financière de l'Échiquier
Lemanik
Lombard Odier
Lyxor Asset Management Societe Generale Group
M&G Investments
Morgan Stanley Investment Management
Muzinich & Co
Neuberger Berman
NN investment partners
Nordea Asset Management
Pegaso Capital Partners SA
Pictet Asset Management
PIMCO
Schroders
SYZ Asset Management The home of Oyster Funds
UBS
Vontobel

1.7 The commitment to sustainable development

THE SUSTAINABILITY CONTEXT

The discussion about sustainable development began in 1987, when the United Nations World Commission on Environment and Development published a document entitled the Brundtland Report (also known as "Our Common Future"), in which sustainable development was defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Numerous institutional initiatives by the United Nations and the European Union have followed since then, significantly raising focus on these issues, and launching transition of the economy from the present development model to a sustainable development model.

UNITED NATIONS GLOBAL COMPACT

"Specifically, I call on you - individually through your firms, and collectively through your business associations to embrace, support and enact a set of core values in the areas of human rights, labour standards, and environmental practices"

(Kofi Annan, Secretary General of the United Nations, World Economic Forum, 31 January 1999, Davos)

The United Nations Global Compact is a United Nations initiative established in 2000 with the aim of promoting a sustainable global economy. This initiative encourages companies around the world to adopt sustainable policies and to share, support and implement in their own sphere of influence a series of fundamental principles for human rights, labour standards, environmental protection and the fight against corruption, and to publish the results of the actions taken.
This initiative was proposed for the first time in 1999, at the World Economic Forum in Davos, by the former Secretary General of the United Nations, Kofi Annan, who asked world economic leaders to initiate a Global Compact in support of the ten Universal Principles concerning human rights, labour, environmental protection and the fight against corruption, and to implement the United Nations Goals . The Global Compact is a network bringing together governments, enterprises, United Nations agencies, trade union organisations and social organisations, guiding them towards a more inclusive and sustainable global economy by sharing, implementing and spreading the principles and values promoted by the initiative.
Since 2000, the year when the initiative was launched at UN headquarters in New York and became operational, the Global Compact has steadily grown to become a genuine global forum called to address the most critical aspects of globalisation. The Compact originated with the idea that those enterprises that have a strategic, long-term vision focused on social responsibility, innovation and accountability can contribute to a new form of globalisation characterised by sustainability, international cooperation and partnership in a multi-stakeholder perspective that assures everyone the opportunity to share its benefits. The enterprises that support the Global Compact commit themselves to integrate the ten Universal Principles in their own strategic vision and in their organisational culture and daily operations and, more generally, to support the broader development goals set by the United Nations.

The 10 Universal Principles that the supporters of the Global Compact promise to uphold in their own operational activities are listed as follows:

Human rights

PRINCIPLE 1

Support and respect the protection of internationally proclaimed human rights in one's respective spheres of influence.

PRINCIPLE 2

Do not be complicit in human rights abuses, either directly or indirectly.

Labour

PRINCIPLE 3

Uphold the freedom of association and the effective recognition of the right to collective bargaining.

PRINCIPLE 4

Eliminate all forms of forced and compulsory labour.

PRINCIPLE 5

Abolish child labour.

PRINCIPLE 6

Eliminate discrimination in respect of employment and occupation.

Environment

PRINCIPLE 7

Support a precautionary approach to environmental challenges.

PRINCIPLE 8

Undertake initiatives to promote greater environmental responsibility.

PRINCIPLE 9

Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

PRINCIPLE 10

Work against corruption in all its forms, including extortion and bribery.

PRINCIPLES FOR RESPONSIBLE INVESTMENT – PRI

In 2005, Kofi Annan, Secretary General of the United Nations, invited the principal international institutional investors to develop a set of Principles for Responsible Investment. These principles were presented at the New York Stock Exchange in 2006. They highlight the financial relevance of environmental, social and good corporate governance (ESG) issues, defining a reference framework for investors as a contribution to the development of a more stable and sustainable financial system. The Principles have been endorsed by over 2,300 signatories, including institutional investors, asset management companies, and service providers.

Principles for Responsible Investment

1. Incorporate environmental, social and governance (ESG) issues into investment analysis and decision-making processes.
2. Be active owners and incorporate ESG issues into one's own ownership policies and practices.
3. Seek appropriate disclosure on ESG issues by the entities in which one invests.
4. Promote acceptance and implementation of the Principles within the investment industry.
5. Work together to enhance mutual effectiveness in implementing the Principles.
6. Report on one's activities and progress towards implementing the Principles.

SUSTAINABLE DEVELOPMENT GOALS - SDGS

On 25 September 2015, the General Assembly of the United Nations adopted the Agenda 2030 for sustainable development, an action plan for individuals, the planet and prosperity signed by the governments of the 193 member states of the United Nations. It incorporates 17 Sustainable Development Goals (SDGs) in a grand action plan for a total of 169 targets to be achieved over the next 15 years. The SDGs and associated targets establish the global priorities for 2030 and define an integrated action plan for individuals, the planet, prosperity and peace.

The adoption of Agenda 2030 represented an historic event in various ways. The current development model was clearly found to be unsustainable for the first time, not only in environmental terms but also in economic and social terms, in an integrated conception of the various dimensions of development. All countries are called on to contribute to the effort to lead the world on the path of sustainability, without any more distinctions between developed, emerging and developing countries. Therefore, every country has to commit to defining its own strategy to achieve the SDGs by the established deadline.

Given its scope, implementation of the Agenda 2030 demands major involvement by all members of society, from companies to the public sector, from civil society to philanthropic institutions, from universities and research centres to information and culture specialists. A key role is given to all companies, regardless of their size, sector or geographic location, which are called on to take a strongly proactive approach to sustainable development, through the implementation of new models for responsible business, investments, innovation, technological development and action in partnership. In particular, companies are called on to add the SDGs to their own plans and financial statements, aiming at a reduction in the impact of their own activities on the ecosystem, streamlining the use of human and material resources, and drastically reducing waste, while encouraging the creation of new jobs and redistribution of the wealth produced as a contribution to the struggle to eliminate poverty.

PARIS CLIMATE AGREEMENT

At the Paris Climate Conference (COP21) in December 2015, 195 countries adopted the first universal and legally binding climate agreement, agreeing to commit themselves effectively to limit the average increase in global temperature to 1.5°C by 2030, to cooperate at the international level to achieve that goal, and to reinforce the capacity of companies to deal with the impact of climate change. The Paris Agreement came into force on 4 November 2016. All Member States of the European Union ratified the agreement.

Currently, the Sustainable Development Goals (SDGs) and the Paris Climate Agreement offer the strongest common agenda for achieving peace and prosperity at the global level. The Global Compact serves to be the catalyst for future changes, guiding the private sector towards achievement of the SDGs by 2030.

ACTION PLAN OF THE EUROPEAN UNION

The European Union played a decisive role in defining the Global Agenda 2030. On 22 November 2016, the European Commission published the document entitled "Next steps for a sustainable European future", in which it links the SDGs to the EU strategic framework to ensure that all actions and strategic initiatives, both within it and at the global level, take the Sustainable Development Goals into account from the very beginning.
The European Commission has repeatedly revisited this issue, with the aim of expressing the ways through which the Sustainable Development Goals can be achieved in the best way and how the European Union can make its best contribution by the scheduled deadlines, assuring a sustainable future for European citizens.
In light of the Sustainable Development Goals, the Paris Agreement and the transition to a low carbon emission, climate change resistant, circular and efficient economy in terms of resources, the European Union believes that a crucial role has to be played by banks and financial institutions, since they can channel financial flows to activities in the Green Economy and promote the growth of sustainable investments.
In 2016 the European Commission appointed a High Level Experts Group on sustainable finance (HLEG) commissioned to provide advice on the elaboration of an interdisciplinary and global strategy for sustainable financing by the European Union, with a special focus on the challenges that climate and environmental risks represent for the financial system and the need to prepare the financial markets to address those challenges. Acting on the basis of the eight recommendations issued by the HLEG in January 2018, the European Commission elaborated the Action Plan on sustainable finance with ten operational actions to be taken.

Actions of the Action Plan

1. Introduce a European Union **"taxonomy"** for sustainable finance, a shared system for the definition and classification of sustainable products and services.
2. Create **standards and certifications for green bonds**, to support market credibility and shore up investor confidence.
3. Boost investments in **sustainable infrastructure**.
4. Introduce **amendments to the MiFID 2 and IDD Directives and the ESMA Guidelines** on assessment of the adequacy of products in advisory services.
5. Develop **sustainability benchmarks**.
6. **Integrate the ESG criteria** in the assessments of ratings agencies and market research.
7. Include sustainability criteria in the definition of the **fiduciary duty of institutional investors and asset managers**.
8. Analyse the possible lowering of **minimum capital requirements** of banks in sustainable investments, when the risks profiles are lower.
9. Improve the quality and transparency of **non-financial disclosures**.
10. Encourage the integration of ESG criteria and the adoption of a **long-term approach** in the decision-making processes of Boards of Directors.

CLIMATE ACTION SUMMIT

The Climate Action Summit was held in New York on 22 September 2019 as part of the United Nations General Assembly. During the summit, another 77 countries announced their commitment to achieve zero net emissions by 2050, and another 70 countries committed themselves to achieving even more ambitious reduction targets by 2020 than those adopted with the Paris Agreement. Additionally, a major contribution was received from the financial and corporate world. Various fund managers will try to present financial plans based on zero net emissions by 2050, and numerous private companies will align themselves with the obligations established by the Paris Global Climate Conference. Moreover, 130 banks from around the world have adopted the **Principles for Responsible Banking** (PRB), an initiative of the United Nations Environment Programme in the financial sector (UNEP-FI). The programme aims to promote measures in favour of the development of a sustainable banking sector, by aligning it with the goals of the United Nations Agenda 2030 and those of the Paris Climate Agreement.

Principles for Responsible Banking

1. Alignment: Orient business strategies to compliance with the Paris Climate Agreement.
2. Impact and target setting: Concretely pursue the goal of reducing the actions that negatively impact the environment and publishing the results achieved in that sense.
3. Clients and Customers: Commit to supporting activities aimed at the well-being and prosperity of future generations.
4. Stakeholders: Raise the awareness of the various stakeholders involved in banking activity concerning the sustainability goals.
5. Governance and culture: Take action so that the sustainability goals become full-fledged benchmarks for internal governance systems.
6. Transparency and accountability: Make the progress towards ever-greater compliance with sustainable development principles public and verifiable, by pursuing a responsible approach oriented towards a reduced environmental impact.

The Principles for Responsible Banking represent a key step marking another goal in the definition of various reference frameworks in different economic, financial and political sectors. In particular, the activities operated by the banking sector are aligned with the Principles for Responsible Investment and the Principles for Sustainable Insurance and allow the creation of a scope of action to determine what a "responsible bank" is.

EUROPEAN GREEN DEAL

Since the Paris Climate Agreement, the European Union has desired to affirm itself as the global leader in the fight against climate change. This orientation was reinforced with the appointment of Ursula von der Leyen as President of the European Commission. Since her first introductory speech to the European Parliament on 11 December 2019, the environmental issues and initiatives to be implemented in the fight against climate change have assumed a central role in planning activities. Consequently, the first act taken by the new European Commission was to issue its announcement on the "Green Deal", with the aim of establishing the path for a just and socially fair transition to be undertaken to eliminate greenhouse gas emissions by 2050.
The core of the plan is the establishment of a €100bn fund to be allocated to the most vulnerable regions and sectors, to encourage the power conversion of all European industry and 50 actions affecting the life and health of individuals, industry, the energy sector, mobility, and heating of buildings.

REPORTING STANDARDS

"Theory and good management practice emphatically underscore that measurement is the premise for guiding the behaviour of individuals and organisations. "If you can't measure it, you can't improve it".

(Peter Drucker, Economist)

So, measuring sustainability is fundamental and possible through adequate indicators. Likewise, the measurement of traditional business performance entails the existence of a reliable database and designing a system of interrelated indicators, to acquire and govern an overview of performance.
The SDGs render sustainable development a global and measurable goal to be reported in corporate financial statements in relation to corporate strategies and performance.

GRI Standards
The GRI Standards issued by the Global Reporting Initiative are an international standard for sustainability reporting and constitute a universally accepted reporting model, guided by the goal of facilitating the comparability, reliability and verifiability of information.

Integrated Reporting Framework
The International Integrated Reporting Council (IIRC) is the international initiative that worked on preparation of a benchmark framework for the Integrated Financial Statements, published in December 2013.
An integrated report is a summary communication tool addressed to all stakeholders, which describes the ways in which an organisation creates value over the short, medium and long term through description of the business model, strategy, governance and external context and performance.

OUR COMMITMENT

"We will always be more willing to vote against executives and board members when companies do not make sufficient progress in terms of sustainability disclosures and do not prepare sustainability guidelines and business plans".

(Laurence D. Fink, Chairman and CEO of BlackRock)

Our Group has been committed for years to reporting on the activities it performs to create value and sustainable growth. Fideuram has reported its ESG activities and results since 2005, first with the social responsibility report and, beginning in 2013, with its Integrated Annual Report, adopting the principles contained in the Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC).

Our Group is also called on to make its own contribution to achieve the Sustainable Development Goals set in the Agenda 2030, which is realised through:

- **Its core activity of developing and distributing financial products, by introducing products with ESG characteristics in its offering.**
  For years, the products and services offered by the Fideuram Group have allowed it to satisfy the demands of customers who are most sensitive to ESG issues, simultaneously reconciling the risk, return and diversification goals required by professional portfolio management with moral values and convictions.

The following table illustrates the range of sustainable products developed by our Group and their connection with the Sustainable Development Goals:

Product

17 Sustainable Development Goals (SDGs)

CLIENT ASSETS AT 31.12.2019 (€m) TOTAL 301.2	FONDITALIA ETHICAL INVESTMENTS	FONDITALIA MILLENNIALS EQUITY	GP - OMNIA EGO PERSONAL	GP - OMNIA EGO SUSTAINABLE	GP - ISPB MIX SUSTAINABLE	FIDEURAM VITA INSIEME PRIVATE	FID. VITA ORIZZONTE RESPONSABILE
	57.6	167.2	11.2	17.9	40.7	5.5	1.1
1 NO POVERTY							
2 ZERO HUNGER							
3 GOOD HEALTH AND WELL-BEING	●		●	●	●	●	●
4 QUALITY EDUCATION							
5 GENDER EQUALITY	●	●	●	●	●	●	●
6 CLEAN WATER AND SANITATION	●	●	●	●	●	●	●
7 AFFORDABLE AND CLEAN ENERGY	●	●	●	●	●	●	●
8 DECENT WORK AND ECONOMIC GROWTH	●		●	●	●	●	●
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	●						
10 REDUCED INEQUALITIES			●	●	●	●	●
11 SUSTAINABLE CITIES AND COMMUNITIES	●	●	●	●	●	●	●
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	●		●	●	●	●	●
13 CLIMATE ACTION	●	●	●	●	●	●	●
14 LIFE BELOW WATER							
15 LIFE ON LAND							
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	●		●	●	●	●	●
17 PARTNERSHIPS FOR THE GOALS					●		

- **Corporate activity as a whole that has a positive impact on the Sustainable Development Goals.**
  The following table describes the existing connections between the main tangible themes identified for our Group, the stakeholders and the Sustainable Development Goals impacted by corporate activity.

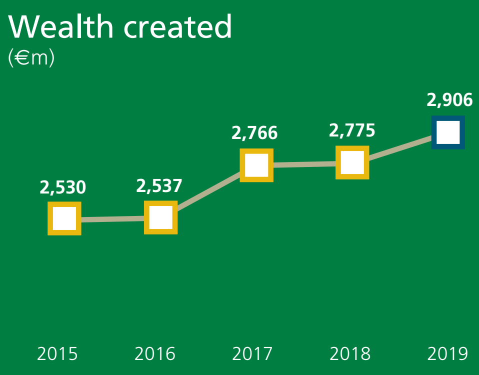
CAPITALS	MATERIAL TOPICS	RELEVANCE FOR OUR STAKEHOLDERS: CUSTOMERS	SHAREHOLDER	COLLEAGUES	SUPPLIERS	COMMUNITY	ENVIRONMENT	OUR CONTRIBUTION TO THE SDGs (SUSTAINABLE DEVELOPMENT GOALS)
Financial Capital	- Maintenance of Group solidity and profitability	●	●	●	●	●	●	8 Decent work and economic growth
Productive Capital	- Development of sales Networks and quality of service offered - Customer Satisfaction - Accessibility of services for customers with physical disabilities	●	●	●				10 Reduced inequalities; 11 Sustainable cities and communities
Intellectual Capital	- Transparent management of customer portfolios - IT security - E-banking and services virtualization - Product and service innovation	●		●			●	9 Industry, innovation and infrastructure
Human Capital	- Personal Financial Adviser training and development - Employee training - Performance management and career paths			●				3 Good health and well-being; 4 Quality education; 5 Gender equality; 8 Decent work and economic growth; 10 Reduced inequalities
Relational Capital	- Reinforcement of customer retention measures - Effective management of customer reports and complaints - Financial literacy and promotion of responsible investment management culture	●	●	●	●			2 Zero hunger; 3 Good health and well-being; 4 Quality education; 12 Responsible consumption and production; 16 Peace, justice and strong institutions
Natural Capital	- Reducing ecological footprint of the business activity		●			●	●	13 Climate action; 15 Life on land

As a member of the Intesa Sanpaolo Group, Fideuram also enjoys benefits deriving from the membership and active participation of Intesa Sanpaolo in international networks and associations on sustainable development themes.

Intesa Sanpaolo has adopted the Global Compact, the Equator Principles and the Principles for Responsible Banking of the United Nations Environment Programme – Finance Initiative (UNEP-FI). Moreover, Intesa Sanpaolo is included in numerous sustainability indices, including the Dow Jones Sustainability Indices, the FTSE4Good Index Series, the MSCI ESG Indexes, the Climate Change A List 2019 of Carbon Disclosure Project, the index of the 100 most sustainable companies in the world, managed by Corporate Knights, and the thematic 2020 Bloomberg Gender – Equality Index dedicated to gender equality.

Client assets totalled **€242.7bn**, up **€29.6bn** on 2018

Client assets managed through our Advanced Advisory Services totalled **€38.8 bn,** up 7% on 2018



2. Strategies

2.1 Chairman's Statement

Paolo Maria Vittorio Grandi
Chairman

"We will continue to guarantee forms of investment that focus on the quality of our offering and will intensify our commitment to sustainable finance"

At a time when the Italian economy is struggling to get firmly back on the growth path, our industry is facing a crucial challenge, namely that of getting Italian household savings towards the production system again. Savings are the first and real accelerator of development.

The possibility of improving the composition of liabilities, by diversifying the sources of loans, appears strategic to small and medium-sized Italian enterprises, which form the core of the Italian economic system. But even for households, in a context of low if not even negative rates, it is of fundamental importance for them to be able to shift the composition of their portfolios from liquidity to more remunerative asset classes, which also open the doors to the "real" economy. This is why advisory services, planning and financial education, which represent the "heart" of our work, are fundamentally important.

A research study recently calculated that the resources invested in the Italian "real" economy by the private banking industry totalled a little less than €126bn, up from €120bn in 2018. This significant contribution has the potential to grow. One third of private investors would be willing to allocate a portion of their own portfolios to support production activity.

However, there is an even more ambitious objective than simply returning to growth: there is the goal of promoting "quality" growth.

Sensitivity over the effects of investment activity on the environment, individuals and society has grown enormously over recent years. Yield, capital and interest are no longer the only evaluation criteria considered by investors. Therefore, governance, social and environmental responsibility issues have received great attention in all of our Group's initiatives for some time now.

We will continue to guarantee forms of investment capable of satisfying the increasingly complex needs of customers, focusing on the quality of our offering and identifying new opportunities for growth and awareness in our investors. Moreover, in the future, we will increase our commitment to sustainable finance by developing funds and discretionary account solutions which implement ESG investment strategies. We will confirm our support for area bodies and local communities, taking part in scientific, cultural, humanitarian and welfare initiatives. We will continue our promotion of financial culture.

This is the contribution that we want to continue making to the lasting and sustainable development of Italy.

2.2 Managing Director's Statement

During 2019 we achieved the best results ever achieved by Fideuram - Intesa Sanpaolo Private Banking: net profit of €906m and a total of €242.7bn in client assets which, together with net inflows of €10.9bn, confirm the excellent quality of the work done every day by our personal financial advisers, managers, and staff at head offices and at our subsidiaries.

Our business model, which is centred on professional advisory services and the creation of long-standing relationships of trust between our customers and personal financial advisers, has proven to be a winning formula and continues to guarantee sustainable value growth over time, capable of introducing discipline in investment processes.

We will continue to invest in the selection and training of our networks - Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking – since we believe that it is essential to focus on the constant improvement of skills, professional expertise and innovation, to anticipate needs and thoroughly analyse our customers' financial and portfolio needs.

Yet again, economic and financial fundamentals confirm that our Group has a solid foundation, with it being oriented for some time towards new paths for growth, like private markets, international business and new management tools.

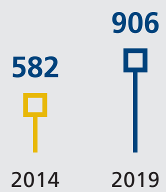
I am completing my mandate as the operational head of the Private Banking Division after a five-year term, during which I have worked with an excellent group of professionals. Together we have built the first private bank in Italy, addressing the needs of ever-more sophisticated customers and guiding the Company along a growth path that has generated a significant increase in the total amount of client assets, from €178.8bn, and net profit, from €582m, since the end of 2014.

I thank each one of my colleagues who have contributed with great enthusiasm to overcoming the many challenges we have faced during these past several years. I will still be making a contribution from a more institutional position, devoting special attention to the most important customer segment (HNWI).

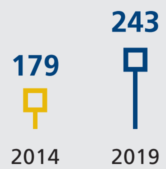
Paolo Molesini

Paolo Molesini
Managing Director

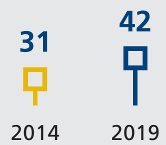
Net Profit
(€m)



Client Assets
(€bn)



Average portfolio value per Personal Financial Adviser
(€m)



Net inflows 2015-2019
+49.7 bn

2.3 Group strategy

The favourable performance of markets in 2019, which ended on a positive note for the principal asset classes, was partly the result of the weakness exhibited in the last quarter of 2018, which had opened up a differential between valuations and fundamentals and forced a monetary policy response by central banks. Only the liquidity parked in the eurozone recorded a negative return.

The loosening of credit conditions was the dominant theme of the year, and the element that most accounted for the positive performance of the principal asset classes. Political risks (mainly the trade tensions between the United States and China, and Brexit) injected volatility, mainly in late spring, but those fears gradually subsided, especially during the last quarter of 2019.

From the macroeconomic point of view, we think that during the first part of 2020, we will see the business cycle stabilise, and that growth in major countries during the whole year might be slightly lower than in 2019, but we do not expect recessionary risks in the short term. This scenario is compatible with the stabilisation of interest rates because the valuations of high-quality government bonds discount a worse macroeconomic situation than our reference scenario. Nevertheless, we also do not believe that the potential for growth in yields is significant, because the economic cycle is mature, inflation is still under control and central banks are maintaining an accommodative stance.

The valuations of the riskiest asset classes, debt and equities, are still medium-high in absolute terms, but still favourable in relative terms as compared with government securities.

Credit spreads have tightened very much and reached levels that already discount macroeconomic progress and the effects of renewed injections of liquidity. In contrast, we believe that over the next few months, equities can be supported by the combination of a macroeconomic context suggesting an improvement in the sequential growth of profits and of stable rates encouraging a repositioning of asset allocation that is more favourable to the stock market.

The year 2019 was hallmarked by the full implementation of the MiFID 2 Directive, which expanded the disclosure of costs and returns on customer portfolios. Those entities having a business model based on long-term relationships with their customers and the provision of high-quality, personalised services have consolidated their own leadership in Italy and mitigated the marginal 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 HNWI customers, through nine 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 (s.c. "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 by 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 Folios 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, which took place in February 2019. The main branches in Geneva and Lugano and the international Personal 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 73

The **MSCI ACWI index**
(in dollars) stood at
565.24 at the end of 2019
(455.66 at the end of 2018)

Source: Bloomberg

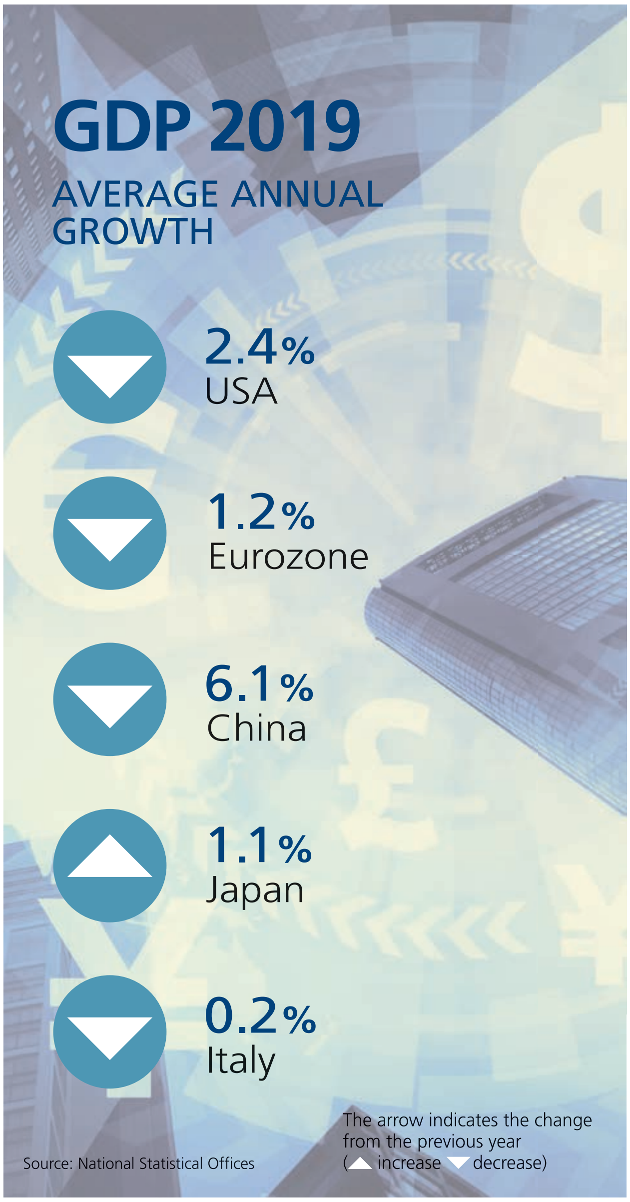
Drivers of the managed assets market 2020-2022:

- **Reallocation of portfolios** in favour of the managed asset and insurance components
- **Reduced impact** of debt securities and liquidity in the portfolios

3. Market context

3.1 Economic scenario

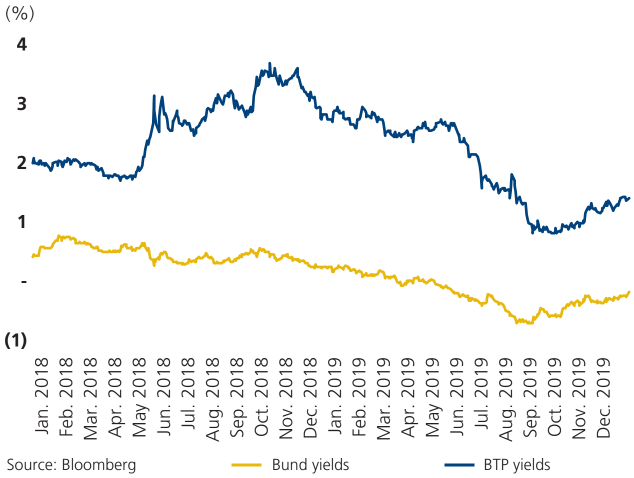
Global growth slowed down moderately in 2019 across all major geographic areas (with the sole exception of Japan). The growth trend substantially tracked expectations in the United States, but it was weaker than expected in China and, especially, in the eurozone (particularly in Germany).



The trade tensions between the United States and China triggered by the protectionist pivot made by the Trump Administration weighed heavily on economic activity, especially in the manufacturing sector. Trade tensions escalated in two successive phases, one in May and the other in August. These were marked by sharp and unexpected increases in tariffs on growing volumes of Chinese imports into the United States (to which the Chinese authorities responded by raising tariffs on imports from the United States). The trade war also expanded in the area of technology supremacy (with the ban imposed by the US on Huawei). Tensions diminished in the final part of the year and, in December, the governments of the two countries reached a preliminary agreement on trade relations that, for the first time since the beginning of 2018, also called for a reduction in previously applied tariffs. In Europe, an additional negative effect came from the uncertainty surrounding Brexit. The risk of a disorderly exit of the United Kingdom from the European Union was avoided only at the end of the year, with a broad majority obtained by the Conservative Party in the parliamentary elections held on 12 December. This made it possible for Parliament to ratify the exit agreement negotiated by Prime Minister Johnson with the European Union in October.

The growing uncertainty over growth prospects, tied mainly to trade tensions, against the backdrop of generally subdued inflation, triggered a decisively accommodating shift in monetary policy, which was particularly marked in the case of the Federal Reserve Bank. After having raised interest rates in December 2018 and implying that additional rate increases were likely over the short term, the Federal Reserve Bank markedly altered its own approach by moving towards a neutral position during the first few weeks of the year. The intensification of trade tensions and slowdown in manufacturing activity then induced the Federal Reserve to cut rates by a total of 75 basis points between the end of July and the end of October. Even the European Central Bank, which had completed its own Quantitative Easing program at the end of 2018, considerably softened its own position as the months passed by, until it implemented an expansionary package of measures in September including, inter alia, the relaunch of its purchase of securities and another cut in the deposit rate. Expansionary measures were also decided during the year by the Chinese Central Bank, while the Bank of Japan made no significant changes in its monetary policy (which was already ultra-expansionary).

10-year Bund and BTP yields



Source: Bloomberg

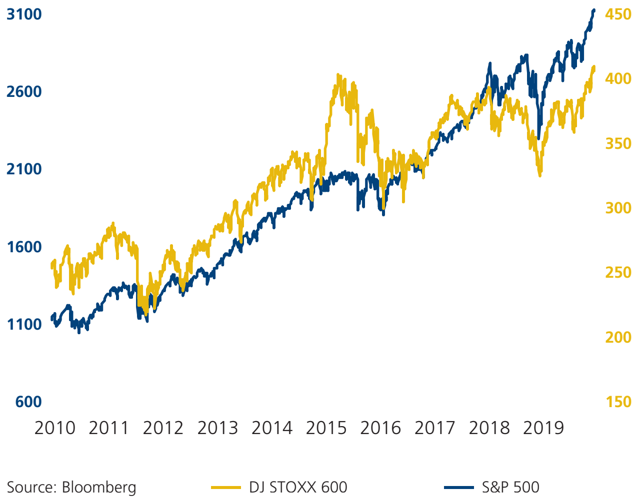
In the **United States**, the GDP growth rate slowed down moderately from its 2018 level, mainly due to the deceleration in consumer spending and, above all, in non-residential investment spending, which was negatively impacted by growing political uncertainty, mainly in connection with trade relations. This final factor also weighed on business confidence, especially in the manufacturing sector, which suffered a sharp deterioration in the second half of the year. However, economic growth remained quite buoyant, as reflected in persistently robust employment growth. In fact, the unemployment rate continued sinking to 3.5%, its lowest level since the 1960's. However, the greater use of labour was only partially reflected in wage and salary growth, which remained quite moderate. Price pressures also remained quite limited and, in particular, the consumption deflator net of food and fuel, which had reached 2% in the middle of 2018, stayed far from that percentage in 2019.

The slowdown in the business cycle recovery in the **eurozone** continued in a context still conditioned by high uncertainty and by persistently low inflation, which induced the European Central Bank to boost monetary stimulus significantly. The recovery proceeded at a relatively modest pace: GDP growth, which was slightly greater than 1%, was the lowest since 2013 and was largely supported by domestic demand, especially in the service sector, with the resilience of the labour market guaranteeing support for consumer spending. In contrast, conditions in the manufacturing sector worsened significantly due to the uncertainty deriving from the trade tensions between the United States and China and the complex issues surrounding Brexit. The United Kingdom should have left the European Union at the end of March 2019 but the British government asked for a postponement to the end of October so that the new government headed by Boris Johnson could negotiate a new divorce agreement with the European Union. After the parliamentary elections that resulted in the clear victory of the Conservative Party, the divorce agreement was approved by the British Parliament in December, opening the way to Brexit in January 2020. Political uncertainty was further exacerbated by the European Parliament elections at the end of May, when the populist parties managed to significantly increase their influence. In Italy, the political crisis in August ended with the formation of a new, more pro-European government. Inflation was the most surprising variable in 2019, triggering a significant decline. Core inflation (i.e. net of food and energy) remained stable at 1% for the seventh consecutive year, showing a slight tendency to increase only in the final months of the year. The European Central Bank, which had decided in December 2018 to end its Quantitative Easing programme, again found itself in the position of having to modify its monetary policy in a more expansionary direction. In March it announced that its rates would remain unchanged until the end of the year and prepared new measures in support of the banking sector (TLTRO-III, which began in September). In June it prepared the markets for the adoption of an expansionary package of measures that was implemented in September (albeit against broad internal opposition): the deposit rate was cut yet again (by 10 bps to -0.50), while simultaneously introducing a tiering system for bank reserves (to moderate the negative impact on bank earnings), while reopening the Quantitative Easing program (20bn monthly for purchases of securities beginning in November). Finally, Mario Draghi's tenure as President of the ECB ended in November. Christine Lagarde assumed the presidency by announcing that the ECB would work in 2020 to revise its own monetary policy strategy.

The slowdown in economic growth in **Asia**, following on the deceleration in global growth, induced central banks to adopt an expansionary approach that was rendered possible by low inflationary pressures. In China, GDP growth at the beginning of the year was stronger than expected but then slowed down in the second half of the year, due to the trade war with the United States and a rather weak trend in infrastructure investments. The authorities maintained an accommodating monetary and fiscal policy from the beginning of the year, but that had only limited effects on economic growth. The sudden acceleration in inflation at the end of the year did not represent an obstacle to monetary policy moves, since it was triggered by the rise in food prices due to the spread of swine flu. The foreign exchange rate trend was heavily impacted by the fluctuating changes in trade relations with the United States government, with the dollar depreciating sharply between May and August. During the first half of the year, GDP growth in Japan was quite robust, but the combined effect of adverse weather conditions and the consumption tax increase negatively impacted GDP growth in the second part of the year. Inflation continued to fall far short of the 2% target rate sent by the Bank of Japan, decelerating in spite of the VAT increase. The central bank continued to pursue an ultra-accommodating policy, and limited itself to making merely formal adjustments while avoiding changes to its reference rates.

The major relaxation in financial conditions triggered by the shift to accommodating monetary policy was reflected in a marked reduction in bond yields and, notwithstanding the trade war and uncertainties surrounding the prospects of the global economy, in a strong performance by the stock markets, especially in the United States (with the S&P 500 index rising by nearly 29%). The STOXX-600 index in Europe rose by 23% (with the Italian market overperforming), while Japan and the Emerging Markets reported increases of just over 15% (for the Topix and MSCI indices in dollars). On the bond markets, the drop in yields on 10-year government bonds was significant both in the United States (about 75 bps) and in Europe (over 40 bps for the Bund, whose yield was constantly negative from mid-May and reached -70 bps in the summer).
The spread between Italian government bonds and the Bund narrowed significantly, especially after the Italian government crisis in August.

Stock market performance



Source: Bloomberg

Bond market performance
(10-year government bond yields)

Source: Bloomberg

Historic Market Return 2010-2019

The following table shows the historic market result broken down by return bands.

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Oil	Oil	Financial Euro sub	USA shares	USA shares	ITALY shares	Oil	EM shares	USA monetary	USA shares
GOLD	Global Inflation Linked	Euro HY	EUROPE shares	USA Government Bonds	USA shares	USA shares	ITALY shares	USA Government Bonds	ITALY shares
EM shares	USA Government Bonds	Pac formerly Japan shares	ITALY shares	Global Inflation Linked	USA Government Bonds	EM shares	GOLD	Germany Government Bonds	Oil
Pac formerly Japan shares	GOLD	Italy Government Bonds	Convertible	Italy Government Bonds	USA monetary	Commodities	EUROPE shares	Euro Government Bonds	EUROPE shares
Commodities	Germany Government Bonds	GLOBAL HY Euro hdg	Euro HY	USA monetary	EUROPE shares	GLOBAL HY Euro hdg	Pac formerly Japan shares	USA shares	EM shares
EM local debt	EM external debt hdg	EUROPE s hares	Financial Euro sub	Pac formerly Japan shares	Global Inflation Linked	EM local debt	EM external debt hdg	Global Government Euro hdg	Pac formerly Japan shares
USA shares	Global Government Bonds Euro hdg	EM external debt hdg	Italy Government Bonds	EMU Government Bonds	Italy Government Bonds	Pac formerly Japan shares	Financial Euro sub	EMU Monetary	GOLD
GLOBAL HY Euro hdg	USA shares	EM shares	GLOBAL HY Euro hdg	EM shares	Convertible	Euro HY	USA shares	Euro Corporate Bonds	EM local debt
Euro HY	Global Corporate Bonds Euro hdg	EM local debt	Global Hedge Fund EUR	Germany Government Bonds	Pac formerly Japan shares	EM external debt hdg	Euro HY	Italy Government Bonds	EM external debt hdg
USA Government Bonds	USA monetary	USA shares	EU Corporate Bonds	Financial Euro sub	EMU Government Bonds	GOLD	GLOBAL HY Euro hdg	Euro Inflation Linked	Euro HY
EUROPE shares	EMU Government Bonds	EU Corporate Bonds	EMU Government Bonds	Global Government Bonds Euro hdg	Financial Euro sub	Global Inflation Linked	Oil	EM local debt	GLOBAL HY hdg Eur
EM external debt hdg	GLOBAL HY Euro hdg	ITALY shares	Pac formerly Japan shares	EU Corporate Bonds	Global Government Bonds Euro hdg	Financial Euro sub	Convertible	GOLD	Italy Government Bonds
Global Inflation Linked	EU Corporate Bonds	Convertible	EMU Monetary	Global Corporate Bonds Euro hdg	Euro Inflation Linked	EU Corporate Bonds	Global Corporate Bonds Euro hdg	Global Inflation Linked	Euro subordinated financials
Convertible	EMU Monetary	Euro Inflation Linked	Global Government Bonds Euro hdg	EUROPE shares	Euro HY	Global Corporate Bonds Euro hdg	Global Hedge Fund EUR	Euro subordinated financials	Convertible
Global Corporate Bonds Euro hdg	EM local debt	EMU Government Bonds	Global Corporate Bonds Euro hdg	EM local debt	EM external debt hdg	USA Government Bonds	EU Corporate Bonds	Global Corporate Bonds Euro hdg	Global Corporate Bonds Euro hdg
USA monetary	Euro Inflation Linked	Global Corporate Bonds Euro hdg	Germany Government Bonds	EM external debt hdg	Germany Government Bonds	Germany Government Bonds	Euro Inflation Linked	Euro HY	USA Government Bonds
Germany Government Bonds	Euro HY	GOLD	Euro Inflation Linked	Euro HY	EMU Monetary	Euro Inflation Linked	EM local debt	Global HY Hdg Euro	Commodity
Financial Euro sub	Convertible	Global Inflation Linked	USA monetary	Euro Inflation Linked	EU Corporate Bonds	USA monetary	Italy Government Bonds	Convertible	Euro Government Bonds
EU Corporate Bonds	Italy Government Bonds	Germany Government Bonds	Oil	Convertible	Global Corporate Bonds Euro hdg	EUROPE shares	Global Government Bonds Euro hdg	Pac formerly Japan shares	Euro Inflation Linked
Global Hedge Fund EUR	EUROPE shares	Global Government Bonds Euro hdg	EM external debt hdg	ITALY shares	GLOBAL HY Euro hdg	EMU Government Bonds	EMU Government Bonds	EM external debt hdg	Euro Corporate Bonds
Global Government Bonds Euro hdg	Financial Euro sub	Global Hedge Fund EUR	EM shares	GLOBAL HY Euro hdg	Global Hedge Fund EUR	Global Government Bonds Euro hdg	EMU Monetary	Commodities	Global Inflation Linked
EMU Government Bonds	Global Hedge Fund EUR	Oil	USA Government Bonds	EMU Monetary	EM shares	Italy Government Bonds	Germany Government Bonds	EM shares	Global Government Euro hdg
Euro Inflation Linked	Pac formerly Japan shares	EMU Monetary	Global Inflation Linked	Global Hedge Fund EUR	EM local debt	Global Hedge Fund EUR	Global Inflation Linked	Europe shares	USA monetary
EMU Monetary	Commodities	USA Government Bonds	EM local debt	GOLD	GOLD	Convertible	USA Government Bonds	Global Hedge Fund EUR	Global Hedge Fund EUR
Italy Government Bonds	EM shares	USA monetary	Commodities	Commodities	Commodities	EMU Monetary	USA monetary	ITALY SHARES	Germany Government Bonds
ITALY shares	ITALY shares	Commodities	GOLD	Oil	Oil	ITALY shares	Commodities	Oil	EMU Monetary

>3%　0% / 3%　-3%/0%　< -3%

The information, opinions and data contained in this table do not in any way constitute research, recommendation, investment advice, investment advisory or any other form of advice and are subject to change.
The data shown refer to the past. Past results do not constitute a reliable indicator of future results.
Source: Prepared by Fideuram Investimenti SGR S.p.A..

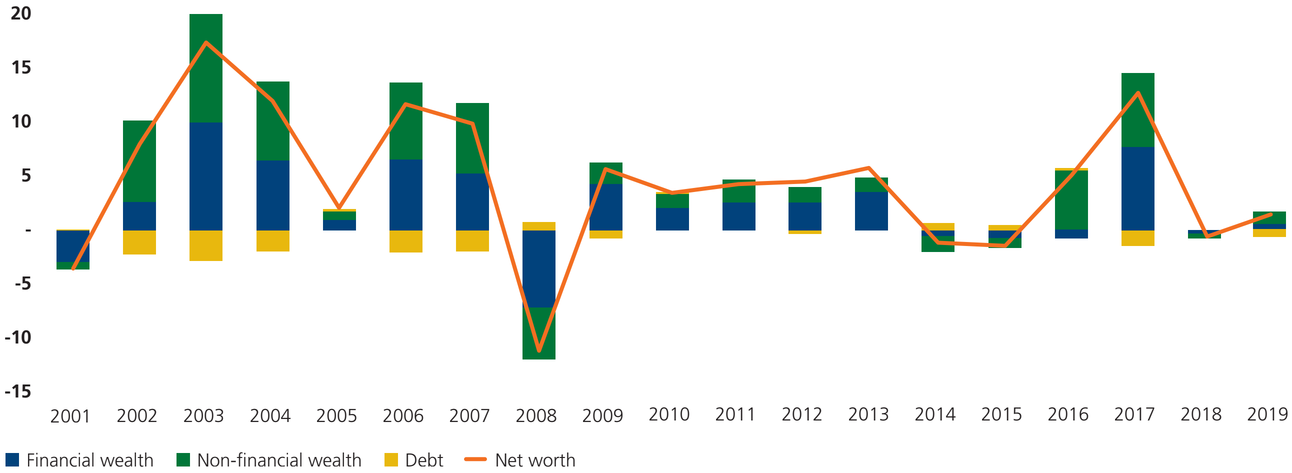
3.2 Growth prospects

THE WORLD MARKET[1]

World wealth continued growing in 2019, mainly due to the effect of an increase in non-financial assets.

During the last 12 months, global wealth increased by $9,100bn, reaching $360,600bn with a growth rate of about 2.6%. That was higher than the rate reported during the downturn that occurred in 2014-15, but still lower than the average growth rate reported during the years after the 2008 financial crisis. Nevertheless, wealth creation exceeded population growth, pushing pro capita wealth to an historic high of $70,850 (+1.2%).

Annual contribution (%) to growth of wealth per adult by component, 2000 - 2019



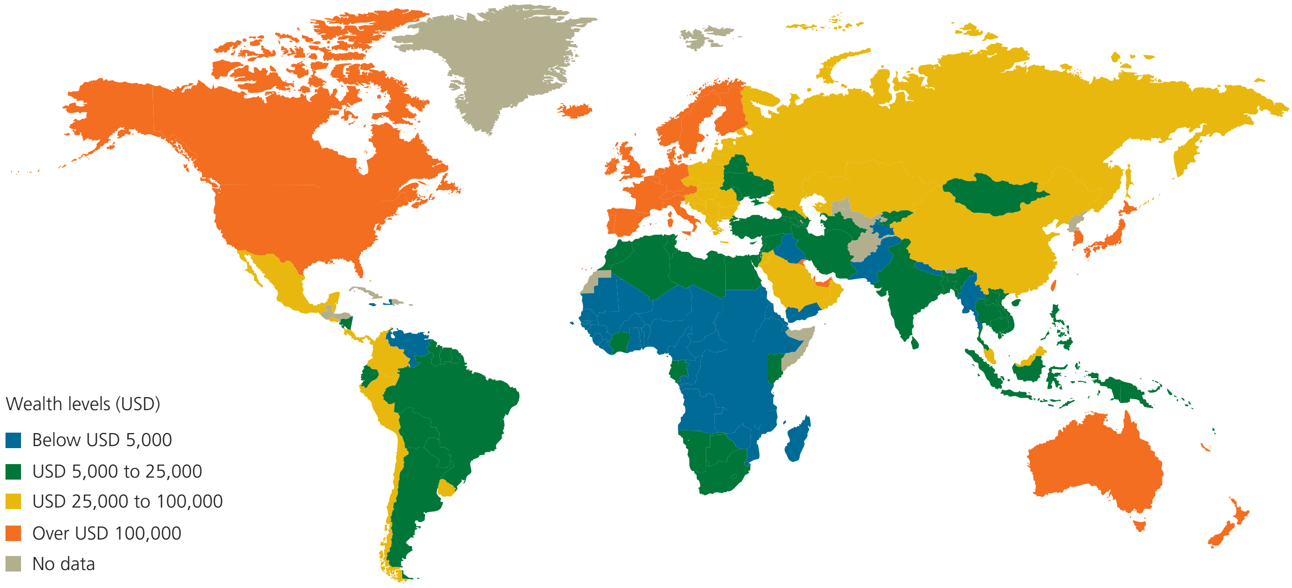
Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Global Wealth Databook 2019.

Since 2008, the year of the crisis, gains in global household wealth have been driven by an increase in financial assets. Financial assets suffered during the financial crisis, to then perform better subsequently, continuing to make a substantial contribution to the growth in household wealth, accounting for 39% of the increase in gross wealth worldwide and 71% of the increase in North America. Over the last 12 months, non-financial assets have provided the main stimulus to overall growth in all regions. Household debt rose even faster, at an aggregate rate of 4%. Debt increased in all geographic areas, and reached double-digit levels in China and India.

1. The information presented in this part was taken from the "Global Wealth Report 2019" published by Credit Suisse in October 2019.

In geographic terms, wealth has grown in all regions. The wealth of households in North America grew by $4,100bn, $3,900bn of which in the United States. China and Europe contributed $3,000bn to aggregate growth, and the Asia-Pacific Area (excluding China and India) contributed $825bn. Notwithstanding the economic problems in Argentina and Venezuela, wealth grew by $463bn in Latin America, where Brazil alone contributed $312bn. In percentage terms, India (5.2%) and Latin America (4.9%) grew at a higher rate, while Africa, China and North America grew by 3%-4%.

World Wealth Map, 2019



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Global Wealth Databook 2019.

Concerning the unequal distribution of aggregate wealth among the different geographic areas together, North America and Europe represent 57% of aggregate household wealth, but they account for only 17% of global population. Inequality is modest in China and in the Asia-Pacific Area, while it is becoming more and more pronounced in Latin America, India and especially Africa (Fig. 2).

Notwithstanding the financial crisis of 2008 and the recent economic problems in emerging economies, global wealth grew by $244,000m between 2000 and 2019. There were two distinct sub-periods. Prior to the global financial crisis, global wealth grew at 10% p.a. Since 2009, after recording a decline in 2008, wealth has grown moderately at 5.1% p.a., reflecting the low rate of GDP growth in the global economy. It is estimated that global financial wealth will continue growing at an average annual rate of 4.9% over the next five years, marking an increase of about $98,000m by 2024 and an increase of $14,400 per adult.

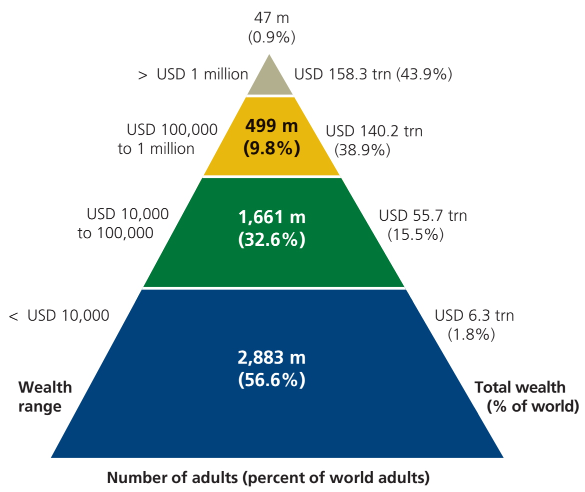
Between 2000 and 2019, emerging economies more than tripled their share of global wealth, with it rising from 9% to 29%. However, their growth rate has slowed down over the last five years.

It is forecast that emerging economies will recover their vigour and boost their share of global wealth to 31% by 2024. Moreover, it is estimated that China will have $23,000m more wealth (+36%) and India $4,400m (+43%).

In terms of composition, it is expected that non-financial assets will grow faster over the next five years, by about 1% every year. After a period of stability between 2007 and 2017, it is forecast that household debt will increase by 42% by 2024, with a future impact of 13% on gross assets.

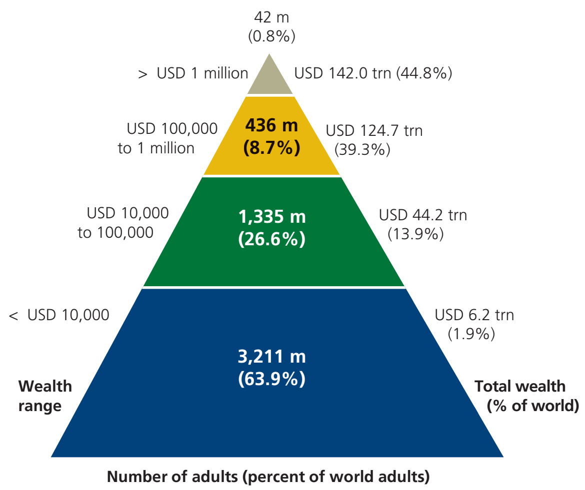
WEALTH CONCENTRATION

The global wealth pyramid 2019



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Global Wealth Databook 2019.

The global wealth pyramid 2018



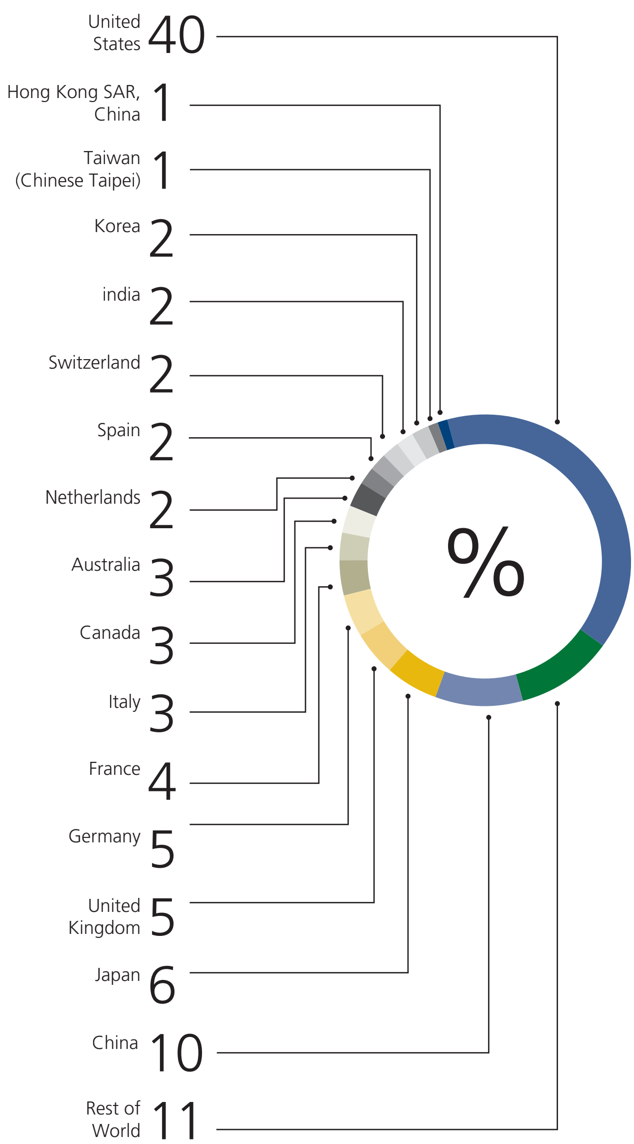
Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Global Wealth Databook 2018.

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 $10,000. In 2019, it is estimated that these individuals number about 2.9bn, equal to 57% of the global adult population living in these conditions.

The growth of emerging economies, including China, and the expansion of the middle class has boosted the number of adults having average wealth ranging from $10,000 to $100,000. Their numbers have risen from about 514m in 2000 to 1.7bn in 2019, representing 32.6% of the global adult population, and hold average wealth totalling $33,500bn. Taking these two tiers together, about 90% of the adult population have a combined net worth of approximately $62,000bn, accounting for 17.3% of the global total.

At the top of the pyramid are the 546m individuals with wealth over $100,000. About 10.7% of the population owns 83% ($298,500bn) of aggregate wealth. In geographic terms, the United States holds first place with the most millionaires, 18.6m, representing 40% of the global total. With 6% of the world's millionaires, Japan long held second place in the ranking, but it has been overtaken by China, with its 10% share of millionaires. Following these countries are the United Kingdom and Germany with 5%, France with 4%, and Italy, Canada and Australia with 3% of the total.

Number of dollar millionaires (% of world total)

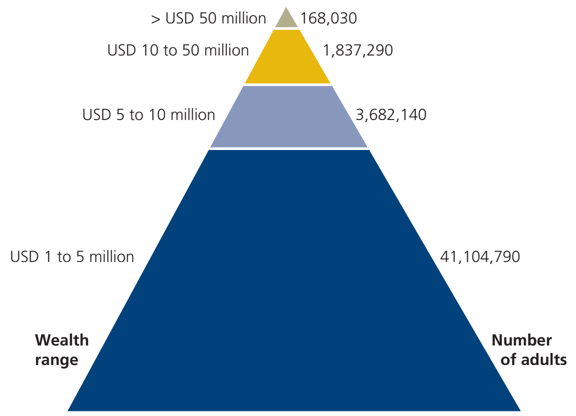


High-Net-Worth Individuals

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

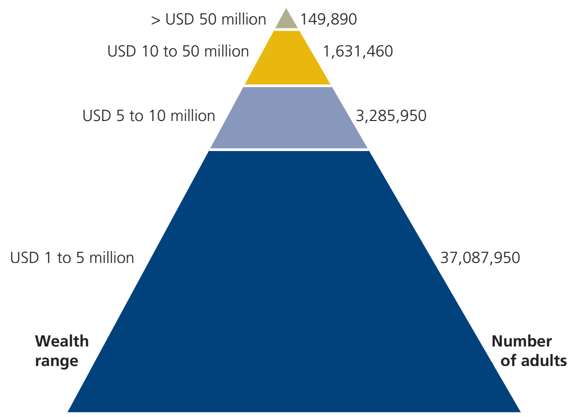
Credit Suisse estimates that there are about 168 thousand ultra-high net worth individuals (UHNWI) worldwide, with this referring to individuals possessing net assets of more than $50m. HNWI number 46.6m adults and hold wealth ranging in value for $1m to $50m. Of these, about 41.1m adults fall in the $1m - $5m range; 3.7m adults fall in the $5m - $10m range, and about 2m adults fall in the $10m - $50m range.
Ultra 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 and holding portfolios focused on financial assets. North America heads the ranking with 84,050 individuals (50%), followed by Europe with 33,550 individuals (20%), the Asia-Pacific Area (excluding China and India) with 22,660 individuals (14%). Forecasts indicate that the adults having an average wealth ranging from $100,000 to $1m will grow by 114m individuals, of whom 65m in medium income countries, 37m in high-income countries, and 12m in low-income countries. According to estimates, the number of global millionaires might exceed 62m in 2024, and it is expected that the number of millionaires from low-income countries will increase rapidly.

The top of the pyramid 2019



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Global Wealth Databook 2019.

The top of the pyramid 2018



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

Managed assets overview

(€bn)

	2018 (*)	2017	2016	2015	2014
ASSETS					
Household financial assets in Italy (HFA)	**4,190**	**4,337**	**4,186**	**4,193**	**4,072**
Consolidated managed assets (MA)	1,498	1,512	1,400	1,335	1,257
- Mutual funds	320	328	301	286	251
- Discretionary accounts	840	859	801	801	737
- Life insurance technical reserves	624	627	633	580	529
- Pension funds	167	162	94	94	84
- Adjustments	(453)	(464)	(429)	(426)	(344)
MA as % of HFA	**36%**	**35%**	**33%**	**32%**	**31%**
FLOWS					
Household financial assets in Italy (HFA)	**41**	**44**	**15**	**18**	**26**
Consolidated managed assets (MA)	16	48	50	98	111
- Mutual funds	6	25	12	32	40
- Discretionary accounts	5	4	18	42	25
- Life insurance technical reserves	(3)	(6)	53	51	15
- Pension funds	4	4	4	4	5
- Adjustments	4	21	(37)	(31)	26
MA as % of HFA	**39%**	**109%**	**n.s.**	**n.s.**	**n.s.**

(*) The 2018 data are estimates.
n.s.: not significant
Source: Bank of Italy

THE ITALIAN MARKET[2]

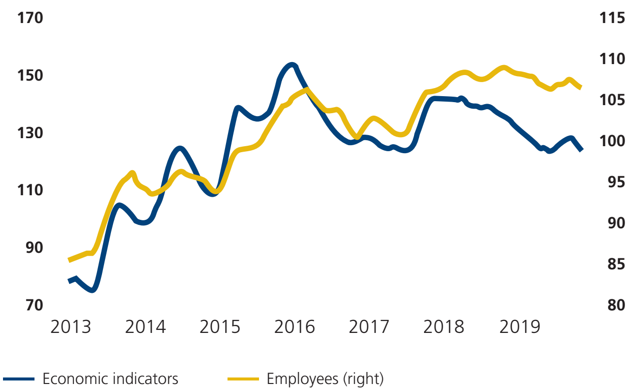
CONSUMER SPENDING

After two quarters of stagnation, Italian consumer spending started growing again in the third quarter (0.4%). A strong impulse came from the purchases of durable goods (1.9%) and semi-durable goods (0.8%), marking a jump from the previous quarter, while the consumption of non-durable goods maintained its pace of expansion (0.5%). This generalised growth benefited from distribution of the basic income guarantee, improvement in consumer expectations between July and September, and the dynamism of the labour market as reflected by employment growth, hours worked, and gross income.

According to Prometeia, Italian household consumption is growing moderately but uncertainty is starting to weigh again. In fact, the September report indicated a timid recovery in consumer confidence during the summer months after a year of declines (Fig. 1). The forecast for the last quarter of the year indicates that consumer spending will slow down after the growth reported in the third quarter, but it also anticipates good prospects for 2020 upon full implementation of the basic income guarantee and new measures in support of household income added to the 2020 Budget Law. Consumer spending will grow from 0.6% in 2019 to 0.8% (Fig. 2), marking a slight change in pace triggered not by real disposable income, which will grow less in 2020 than in 2019 (0.7% as opposed to 1.1%), but rather by a different consumer attitude of households, partly due to the redistributive effects of tax policies. In fact, part of the higher disposable income was allocated to savings in 2019, while in 2020, a slight increase in consumer spending (92%) will push consumption to grow a little more than disposable income. Wealth will grow by 1.4% in 2019 (Fig. 5) and slow down in 2020 (0.4%).

Italy: consumer confidence (Fig. 1)

2010=100, movable 3-month averages, last figure November 2019



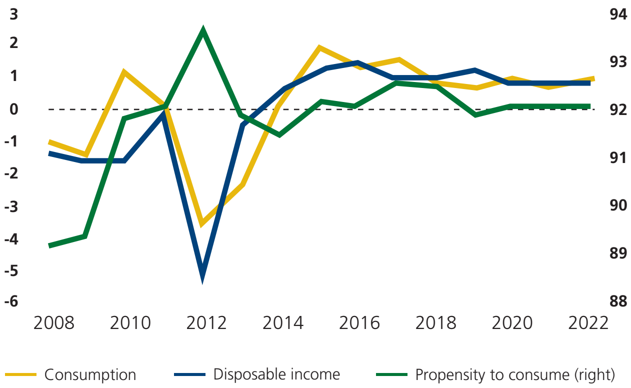
Source: Prometeia processing of ISTAT data.

2. The information presented in this section has been taken from the Prometeia publication "Forecast Report – December 2019".

The rate of growth in Italian household spending will not suffer shocks over the duration of the three-year forecast, remaining lively. Even real disposable income will continue growing at a constant rate
in line with consumption, being driven from 2021 by a recovery in income and employment but slowed down by a sharper increase in consumer prices and less generous social benefits than in 2019 and 2020. Real wealth will accumulate at modest rates, with the positive contribution of the financial component, which will gradually diminish and with real assets that will resume growing moderately after a decade of stagnation.

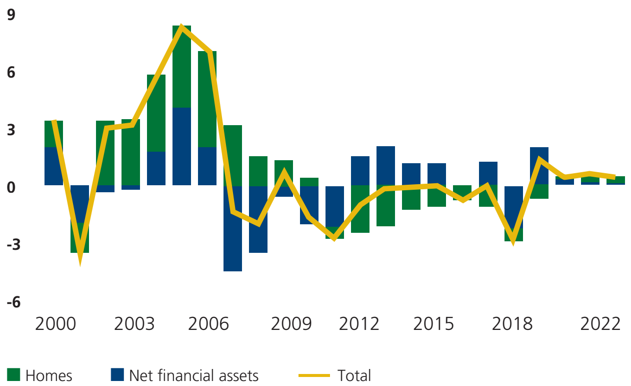
Consumer spending, disposable income and propensity to consume (Fig. 2)

percentage changes in consumption and disposable income, percentage values for propensity to consume



Source: Prometeia forecasts using ISTAT data.

Net wealth of households in real terms *percentage changes* and contribution of components *percentage points* (Fig. 3)



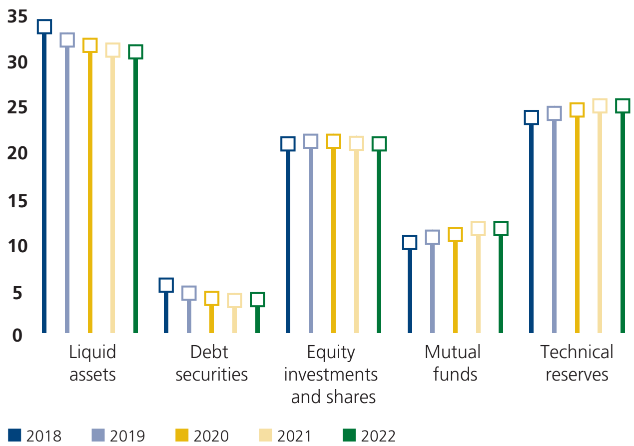
Source: Prometeia forecasts using ISTAT and Bank of Italy data.

THE INVESTMENT MARKET

In the first half of 2019, household financial wealth nearly recovered all that it had lost in the second half of 2018. The stocks of financial assets at current prices rose to €4,315bn, just 0.3% less than in June 2018, due to the positive performance of the stock markets and fall in rates that resulted in the positive performance of managed products and supported bond prices. Growth was mitigated by the performance of equity investments in unlisted Italian companies, more than €90bn less than a year ago, due to the slowdown in economic activity. Financial wealth should increase by 4.5% by the end of the year, more than what was lost in 2018, thanks to the extremely positive contribution made by the financial markets. The growth rate over the next three years will fall to an average 2.1% annually, with a contribution by financial markets that, after the jump in 2019, will lead to around 1% average annually and new investment flows of around 1.1%.
The preference for liquidity grew in 2019. During the first 10 months of the year, deposit inflows hit their historic high during the first 10 months of the year, with volumes close to those reached during the 12 months of 2008 and 2012, years of intense uncertainty and growing risk aversion. In recent months, greater liquidity was also generated by the more intense pace in the reduction of non-managed assets, after the fall in interest rates, which was only partly channelled to other components of investment. In fact, mutual funds started growing again in the third quarter, supported mainly by the distribution activity of personal financial adviser networks, but with net inflows volumes that were low in the historic perspective. The insurance market continued to perform positively due to the sale of multi-business products, which offset the contraction in traditional products and outflows from unit linked products. So, for the end of the year, mutual funds should remain at nearly stable levels (+0.1 percentage points, to 10.9%), due to the positive contribution made by the markets, while technical reserves will grow by 0.6 percentage points, approximating one quarter of the portfolio. Liquidity will remain equal to one third of the stocks, and debt securities will fall due to divestments from government bonds and bank bonds. Looking forward, over the next few years, low interest rates will also support the reallocation of portfolios in favour of managed assets and insurance components, which have the potential of generating higher income for portfolios through investment on the financial markets with diversified products. Another stimulus for mutual fund growth may come from recent legislative changes to Savings Investment Plans (PIR), which removed the investment restrictions imposed at the beginning of 2019 and which had blocked its offering. At the end of 2022 mutual funds may still appreciate in price, rising to 12.4%,. debt securities will fall below 5%, while the accumulation of liquidity will fall compared with 2019, while remaining positive due to the combined effect of the low opportunity cost of holding it and persistently greater aversion to risk (Fig. 4).

Households: breakdown of financial assets in Italy (Fig. 4)

percentages



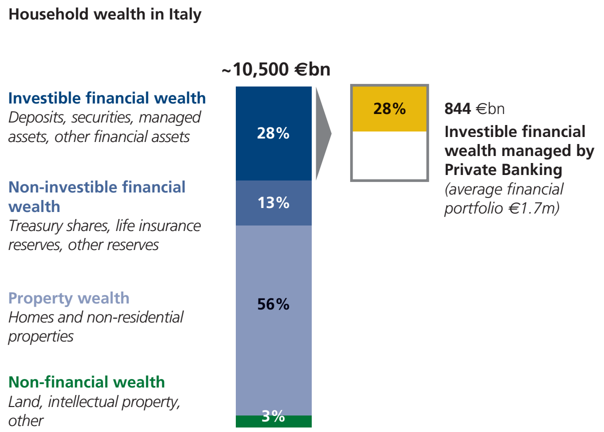
Source: Prometeia forecasts using Bank of Italy data.

FOCUS ON THE PRIVATE BANKING MARKET[3]

The Private Banking market can be defined as the group of operators that offer personalised financial portfolio management and/or advanced financial advisory services to individuals who have personal or household assets or assets connected with their professional or business activity and that include bank, insurance, financial instrument, real estate, and real assets.
The portion of wealth managed by Private Banking represents a significant percentage of the investible financial assets of Italian households (nearly 30%). The reference to financial wealth defined as "investible" derives from the fact that the financial portfolios of individual investors entrusted to the Private Banking service only include liquidity, securities, assets managed on an individual or collective basis, and life insurance products. Therefore, unlisted equity investments and shares are not considered, in connection with the fact that these are held directly by households without the intermediation of Private Banking operators, just as in the case of units of employee termination indemnities and other insurance reserves. The data show a sector that is growing and which, over the years, has managed to preserve and increase the trust of its customers while gaining market share. This industry has demonstrated its capacity for quick recovery at critical moments of difficulty on the financial markets (consider 2018, the most recent example of a financial market collapse, and 2011, the year of the sovereign debt crisis) and to increase the value of managed assets at an average annual rate higher than that of other operators that manage the financial wealth of Italian households. During the period covered by the study, Private Banking came to manage €844bn (Figure 5), posting growth of 6% in the first half of 2019, which was higher than the 2.6% change realised by other operators outside the scope of Private Banking. The increase in assets depended simultaneously on a positive effect of the financial markets on the value of invested portfolios, net inflows from Private Banking households who had already been served, and the acquisition of new customers from other operators.

Portion of wealth of Italian households managed by Private Banking (Fig. 5)

(figures at 30 June 2019)

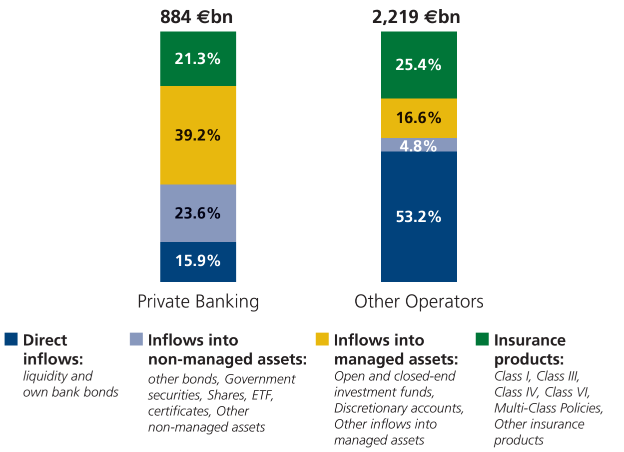


Source: AIPB processing of Bank of Italy and Prometeia data.

In regard to sector forecasts, according to a research realised by AIPB and Prometeia, the domestic Private Banking market will continue growing over the next two years at an average annual rate of 3.4%, higher than the rate estimate for the rest of the market, which will remain at around a 2% average annual rate. The portfolios of Italian households served by Private Banking feature a number of peculiarities as compared with retail households, both in terms of average size (€1.7m) and level of investment (Figure 6).

Portfolios managed by Private Banking in comparison with those of other operators (Fig. 6)

(figures at 30 June 2019)



Source: AIPB

In fact, liquidity has a very limited weight (16% of client assets, as compared with 53% for retail households) alongside a high proportion of direct investments in securities (non-managed assets, accounting for 24% of client assets, compared with 5% for retail households) and assets managed on an individual or collective basis (39% as opposed to 17% for retail households). Insurance products instead represent 21% of the assets managed by Private Banking, with a weight similar to what is found in retail portfolios (25%).

3. The information presented in this section has been taken from the publication "Economia reale e private banking: una analisi dell'impatto del settore sul paese – AIPB", January 2020.

FOCUS ON ESG INVESTMENTS[4]

Over the last several years, the sustainable finance market has been growing significantly at global, European and Italian levels. Client assets are growing according to sustainable and responsible investment strategies, and the number of operators who integrate ESG (environmental, social and governance) criteria in their investment strategies and choices is growing. However, in a scenario characterised by a complex and constantly evolving market, it still is not entirely clear what is meant by sustainable and responsible investment (SRI). Generally speaking, a sustainable and responsible investment is that investment which "aims to create value for the investor and for society as a whole through a medium-long term strategy and which, in the assessment of companies and institutions, integrates financial analysis with environmental, social and governance analysis"[5].

Sustainable investments can be broken down according to various strategies that can be applied simultaneously to the same portfolio and to different asset classes (shares, bonds, private equity and private debt, etc.).

The most common SRI strategies are as follows:

- **Exclusions** (Negative/exclusionary screening): exclusion of several issuers, sectors or countries according to specific principles and values (including the most frequently used criteria: arms, pornography, tobacco, etc.).
- **Best in class** (Positive/best-in-class screening): selection or weight of the portfolio investments according to ESG criteria, privileging the best ones in a sector, a category or an asset class.
- **International conventions** (Norms-based screening): selection of investments according to compliance with international regulations and treaties (the most commonly used ones are those defined by the OECD, UN and UN agencies).
- **ESG integration:** selection of investments according to the integration of environmental, social and governance criteria with financial criteria.
- **Engagement** (Corporate engagement and shareholder action): constructive dialogue with issuers on sustainability issues and exercise of voting rights connected with participation in share capital.
- **Thematic investments** (Sustainability themed investing): selection of investments according to one or more ESG themes (e.g. climate change, energy efficiency, health, etc.).
- **Impact investing** (Impact/community investing): investments in companies, organisations and funds made with the intention of generating a positive and measurable socio-environmental impact, together with a financial return.

At the global level, the data of the Global Sustainable Investment Alliance (GSIA), which monitors sustainable and responsible investments, show that the assets invested according to SRI strategies are growing over the years, rising from $22.9tr in 2016 to $30.7tr in 2018 (+34%).

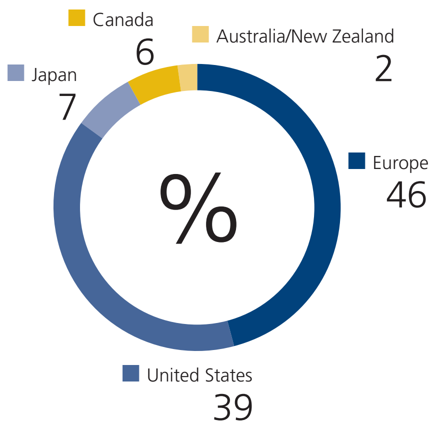
Snapshot of global sustainable investing assets, 2016-2018

REGION	2016	2018
Europe	$ 12,040	$ 14,075
United States	$ 8,723	$ 11,995
Japan	$ 474	$ 2,180
Canada	$ 1,086	$ 1,699
Australia/New Zealand	$ 516	$ 734
TOTAL	**$ 22,890**	**$ 30,683**

Note: Asset values are expressed in billions of US dollars. All 2016 assets are converted to US dollars at the exchange rates as of year-end 2015. All 2018 assets are converted to US dollars at the exchange rates at the time of reporting.

Most investments are concentrated in Europe which, with $14.1tr, represents 46% of the global SRI market. The United States comes in second place, with $12tr, or 39% of the market.

Proportion of global sustainable investing assets by region 2018

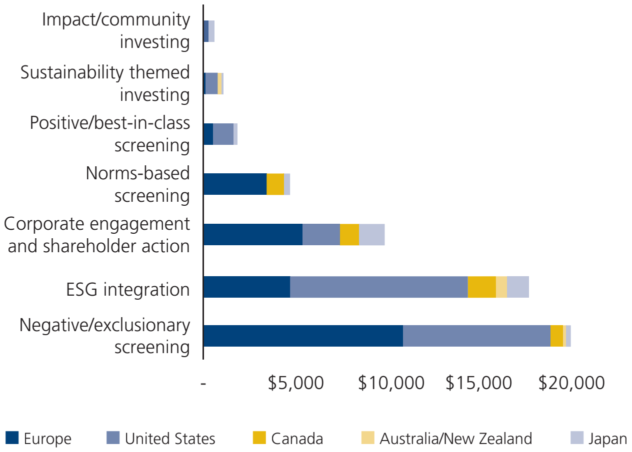


The most widely used SRI investment strategy at the global level continues to be the one based on negative screening, i.e. the exclusion of issuers in specific at-risk or compromising sectors, with a total of $19.8tr under management, accounting for about 36% of the total. The strategy that integrates the ESG factors into the analysis comes in second place, with a share of 32%. Negative screening is the most widely used strategy in Europe, while ESG integration is the choice guiding sustainable and responsible investments in the United States, Canada, Australia and New Zealand. The Engagement strategy predominates in Japan instead.

4. The information presented in this section has been taken from the publication "2018 Global Sustainable Investment Review" – Global Sustainable Investment Alliance.

5. Definition identified in 2013 by a working group of the Forum for Sustainable Finance.

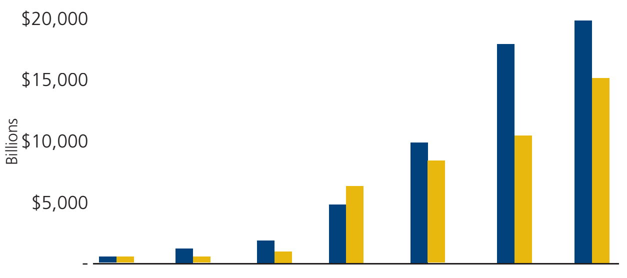
Sustainable investing assets by strategy and region 2018



Note: Asset values are expressed in billions of US dollars.

Although the invested volumes are lower, the Best in Class, Thematic Investments and Impact Investment strategies, which are based on the concept of aligning the investment with specific behaviour, assets and positive results, have posted major growth over the last two years.

Global growth of sustainable investing strategies 2016-2018

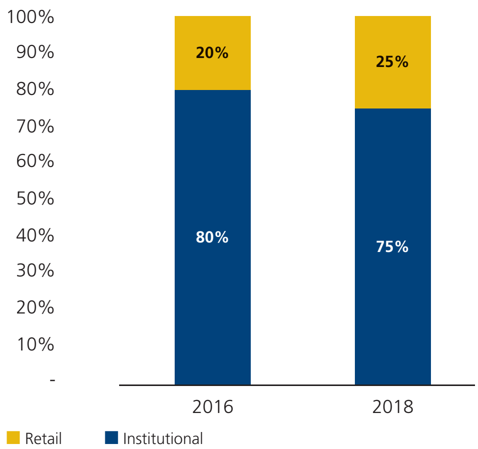


	Impact/ community investing	Sustainability themed investing	Positive/ best-in-class screening	Norms-based screening	Corporate engagement and shareholder action	ESG integration	Negative/ exclusionary screening
2018	$444.26	$1,017.66	$1,841.87	$4,679.44	$ 9,834.59	$17,543.81	$19,770.96
2016	$248.47	$276.16	$818.01	$6,195.40	$8,385.17	$10,353.20	$15,063.57
Growth 2016–18	79%	269%	125%	-24%	17%	69%	31%
CAGR	33.7%	92.0%	50.1%	-13.1%	8.3%	30.2%	14.6%

Note: Asset values are expressed in billions.
Some corrections to the 2016 strategies have been made.

Retail and Institutional Investors: The investments managed by professional managers are often classified as "retail" or "institutional". Retail investments are those individual investments in private funds that are professionally managed by banks or asset management companies with relatively low minimum investment levels, while assets classified as "institutional" are managed on behalf of institutional entities such as pension funds, universities, foundations and insurers with higher minimum investment levels. Although institutional investors tend to dominate the financial market, the interest of retail investors in sustainable and responsible investments is constantly growing.

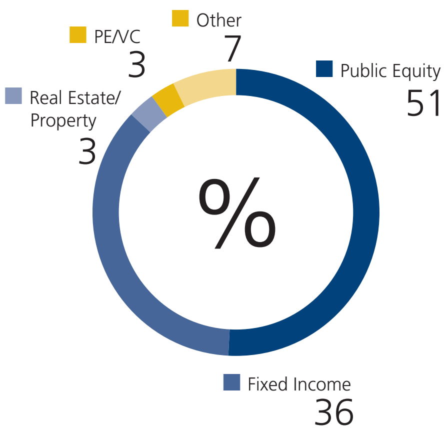
Global shares of institutional and Retail sustainable investing assets 2016-2018



Note: Institutional and retail investor data were not collected in Australia/New Zealand.

Asset allocation: sustainable investments extend across the entire range of asset classes commonly found in diversified investment portfolios. The following figure illustrates the asset allocation measured in Europe, the United States, Japan and Canada in 2018. Fifty-one per cent of assets are Public Equity and 36% are Fixed Income. Only 3% is in real estate and in private equity/venture capital.

Global Sustainable Investing Asset Allocation 2018



Note: Other includes hedge funds, cash/deposits, commodities, infrastructure, and not otherwise specified. Asset allocation data were not collected in Australia/New Zealand.

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 high-end customers.

The Group's distribution model is built on three well-known brands, Fideuram, Intesa Sanpaolo Private Banking and Sanpaolo Invest. All three have consolidated reputations 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 Group, the creation of the new Swiss hub has given new stimulus to international growth, 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 seventh in Europe and third in the eurozone 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 Personal Financial Advisers registered in the Unified Register of Financial Advisers, taking a very solid first place in the Assoreti ranking with a 37.7% market share at 31 December 2019 (amounting to approximately €233.6bn). Moreover, the Group took first place in 2019 both for total net inflows (€10.8bn) and for net inflows into managed assets (€4.9bn).

Top 10 Private Banking operators in Europe

(Data as at 31.12.2019 - €bn)

	CLIENT ASSETS
UBS (1)	2,346
Credit Suisse (2)	744
Deutsche Bank (3)	487
BNP Paribas	393
Julius Bar	393
HSBC	321
Fideuram - Intesa Sanpaolo Private Banking	243
Santander (4)	221
Pictet	217
ABN-AMRO	195

(1) Invested assets (Global Wealth Management division)
(2) Client assets of the Suisse Universal Bank – Private Clients, IWM – Private banking and Asia Pacific – Private Banking divisions
(3) Client assets (Private Bank)
(4) Estimated figure
Source: Internal processing based on financial statements, presentations, press releases and websites.

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

Market shares by Client Assets

(€bn)

	31.12.2019		31.12.2018	
	CLIENT ASSETS	% OF TOTAL CLIENT ASSETS	CLIENT ASSETS	% OF TOTAL CLIENT ASSETS
Fideuram Group (*)	233.6	37.7	205.5	40.0
Banca Mediolanum	76.8	12.4	67.5	13.1
Finecobank	70.7	11.4	59.9	11.7
Banca Generali Group	66.8	10.8	57.5	11.2
Allianz Bank	51.8	8.4	45.3	8.8
Azimut Group	43.6	7.0	38.4	7.5
Credito Emiliano Group	33.5	5.4	5.2	1.0
Deutsche Bank Group	14.9	2.4	14.0	2.7
Unione di Banche Italiane Group	10.1	1.6	8.7	1.7
Monte dei Paschi di Siena Group	6.7	1.1	6.2	1.2

(*) 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).

Total net inflows and into managed assets

(€bn)

	2019		2018	
	TOTAL NET INFLOWS	NET INFLOWS INTO MANAGED ASSETS	TOTAL NET INFLOWS	NET INFLOWS INTO MANAGED ASSETS
Fideuram Group (*)	10.8	4.9	9.2	3.4
Finecobank	5.1	2.9	5.5	1.7
Banca Generali Group	5.1	2.8	5.0	2.2
Banca Mediolanum	3.3	2.0	3.5	2.5
Allianz Bank	3.1	2.6	3.4	2.3
Azimut Group	2.3	1.7	1.2	0.7
CheBanca	1.7	1.3	-	-
Credito Emiliano Group	1.1	0.8	-	(0.2)
BNP Paribas Group	0.9	0.7	1.0	0.6
Unione di Banche Italiane Group	0.7	0.2	0.2	(0.1)
Deutsche Bank Group	0.7	0.4	0.7	0.4

(*) Includes the net inflows 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 came to

€10.9bn
(including **€4.6bn** inflows into managed assets)

R.O.E.
31%
Cost/Income Ratio
31%

4. Performance

4.1 Overview of 2019

The Fideuram - Intesa Sanpaolo Private Banking Group ended 2019 with consolidated net profit of €906m, up €72m (+9%) on 2018. The wealth created by the Group's business totalled €2.9bn in 2019, up €131m from last year. The return on equity (R.O.E.) was 31%.

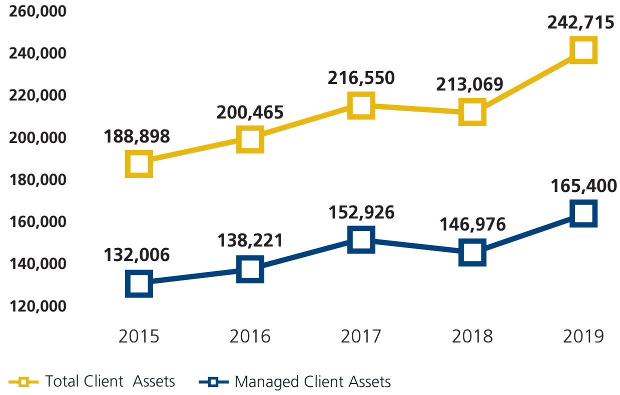
Analysis of the main income-statement items shows that the pre-tax profit on continuing operations was up by €51m compared to 2018. This performance is largely attributable to net operating income up by €89m (+5%) due to the growth in net fee and commission income (+€52m), net interest income (+€22m) and the net profit on financial assets measured at fair value (+€20m). Conversely, net operating expenses were up by €16m, provisions for risks and charges by €13m and net impairment of loans by €7m The Group's Cost/Income Ratio improved to 31% from 32% in 2018.

Fideuram - Intesa Sanpaolo Private Banking - Turin, Registered Office

At 31 December 2019, there were 5,834 Personal Financial Advisers, down from 5,995 at 31 December 2018. Client assets per Personal Financial Adviser were approximately €42m at 31 December 2019. Total Group staff came to 3,179, down from 3,335 at 31 December 2018, mainly due to the centralisation with Intesa Sanpaolo of certain control functions (Audit and Compliance). Bank branches totalled 235 and Personal Financial Advisers' offices totalled 321.

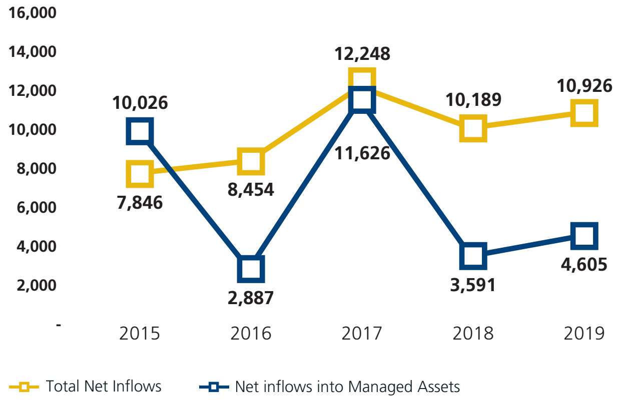
Client Assets (*)

(€m)



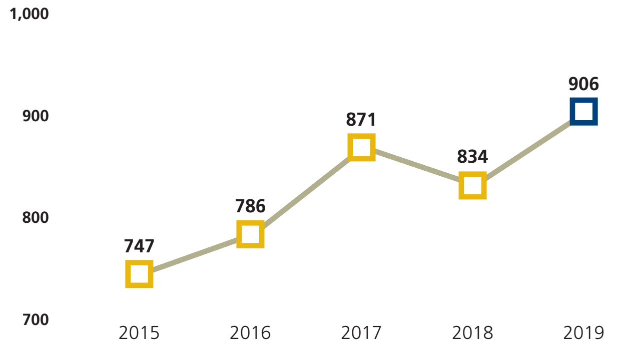
Net inflows (*)

(€m)



Consolidated net profit (*)

(€m)



(*) Restated on a like-for-like basis, where necessary, to take the changes in the scope of consolidation into account.

4.2 Reclassified financial statements

Consolidated balance sheet

(reclassified - €m)

	31.12.2019	1.1.2019 (*)	CHANGE	
			AMOUNT	%
ASSETS				
Financial assets measured at fair value through profit or loss	349	294	55	19
Financial assets measured at fair value through other comprehensive income	3,189	3,294	(105)	-3
Debt securities measured at amortised cost	15,275	13,299	1,976	15
Loans to banks	17,198	12,301	4,897	40
Loans to customers	9,329	9,531	(202)	-2
Hedging derivatives	20	-	20	n.s.
Equity investments	170	151	19	13
Property and equipment and intangible assets	614	576	38	7
Tax assets	164	198	(34)	-17
Other assets	1,459	1,388	71	5
TOTAL ASSETS	**47,767**	**41,032**	**6,735**	**16**
LIABILITIES				
Due to banks	3,033	3,409	(376)	-11
Due to customers	39,024	32,354	6,670	21
Financial liabilities held for trading	33	28	5	18
Hedging derivatives	930	808	122	15
Tax liabilities	94	82	12	15
Other liabilities	1,215	1,079	136	13
Provisions for risks and charges	478	468	10	2
Share capital and reserves	2,054	1,970	84	4
Net profit	906	834	72	9
TOTAL LIABILITIES	**47,767**	**41,032**	**6,735**	**16**

(*) Restated on a like-for-like basis to take the application of IFRS 16 into account.

n.s.: not significant

Consolidated income statement

(reclassified - €m)

	2019	2018 (*)	CHANGE	
			AMOUNT	%
Net interest income	177	155	22	14
Net profit (loss) on financial assets and liabilities at fair value	41	21	20	95
Net fee and commission income	1,747	1,695	52	3
INTERMEDIATION MARGIN	**1,965**	**1,871**	**94**	**5**
Profit on equity investments and other income (expense)	5	10	(5)	-50
NET OPERATING INCOME	**1,970**	**1,881**	**89**	**5**
Personnel expenses	(356)	(349)	(7)	2
Other administrative expenses	(198)	(197)	(1)	1
Depreciation and amortisation	(55)	(47)	(8)	17
NET OPERATING EXPENSES	**(609)**	**(593)**	**(16)**	**3**
OPERATING MARGIN	**1,361**	**1,288**	**73**	**6**
Net impairment of loans	(2)	5	(7)	n.s.
Net provisions for risks and charges and net impairment of other assets	(30)	(17)	(13)	76
Net non-recurring income (expenses)	9	11	(2)	-18
GROSS INCOME (LOSS)	**1,338**	**1,287**	**51**	**4**
Income taxes for the year on continuing operations	(395)	(403)	8	-2
Integration and voluntary redundancy expenses (net of tax)	(20)	(31)	11	-35
Effects of purchase price allocation (net of tax)	(2)	(1)	(1)	100
Expenses regarding the banking system (net of tax)	(16)	(18)	2	-11
Net profit (loss) attributable to non-controlling interests	1	-	1	n.s.
NET PROFIT	**906**	**834**	**72**	**9**

(*) Restated on a like-for-like basis to take the changes in the scope of consolidation and application of IFRS 16 into account.

n.s.: not significant

4.3 Client financial assets

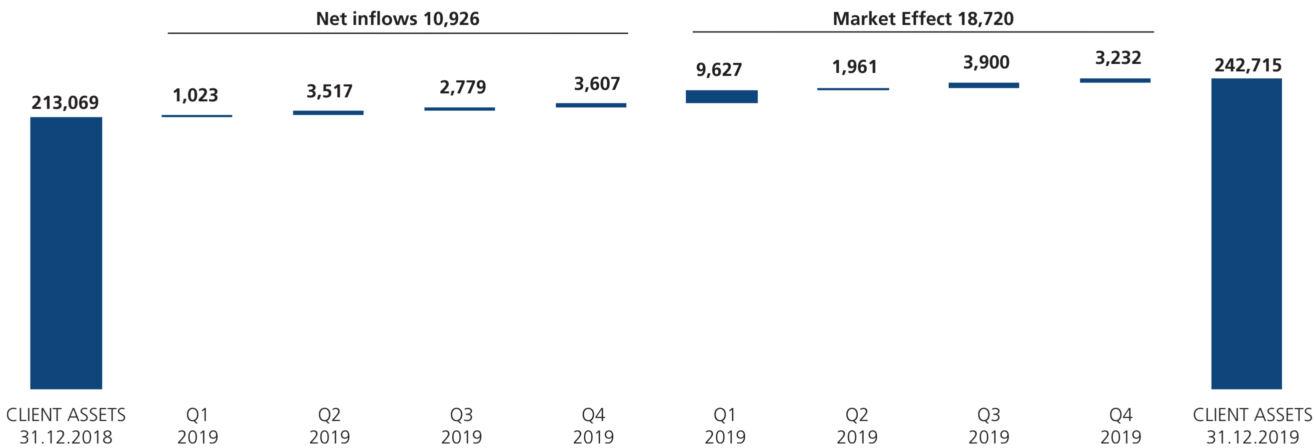
€242.7 bn

Client Assets
up 14% on 2018)

Client Assets totalled **€242.7bn** at 31 December 2019, up by €29.6bn (+14%) on the figure at 31 December 2018. This result is mainly attributable to market performance, which positively impacted assets by €18.7bn (+€13.8bn in managed assets and +€4.9bn in non-managed assets) and, to a lesser extent, to net positive inflows amounting to €10.9bn.

Client Assets 2019

(€m)



Analysis of the aggregated items shows that **managed assets** (about 68% of total client assets) equalled **€165.4bn**, (+€18.4bn compared to 31 December 2018) with an increase over the amount at the end of 2018 (€147bn), as well as over the average figure for 2019 (€156.6bn). The increase affected all components of managed assets: life insurance (+€8.7bn), mutual funds (+€5.7bn) and discretionary accounts (+€3.7bn). **Non-managed assets** totalled **€77.3bn**, up €11.2bn on the figure at year-end 2018.

Client Assets

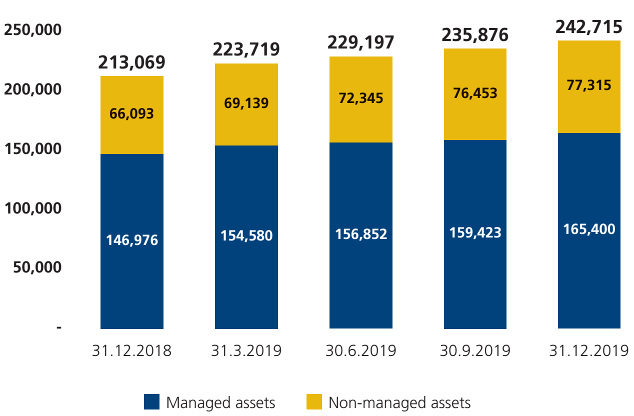
(€m)

	31.12.2019	31.12.2018	CHANGE	
			AMOUNT	%
Mutual funds	61,093	55,418	5,675	10
Discretionary accounts	45,038	41,338	3,700	9
Life insurance	56,905	48,228	8,677	18
including: Fideuram Vita / Intesa Sanpaolo Vita unit linked	*36,457*	*32,649*	*3,808*	*12*
Pension funds	2,364	1,992	372	19
Total managed assets	**165,400**	**146,976**	**18,424**	**13**
Total non-managed assets	**77,315**	**66,093**	**11,222**	**17**
including: Securities	*44,814*	*37,730*	*7,084*	*19*
Total Client Assets	**242,715**	**213,069**	**29,646**	**14**

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

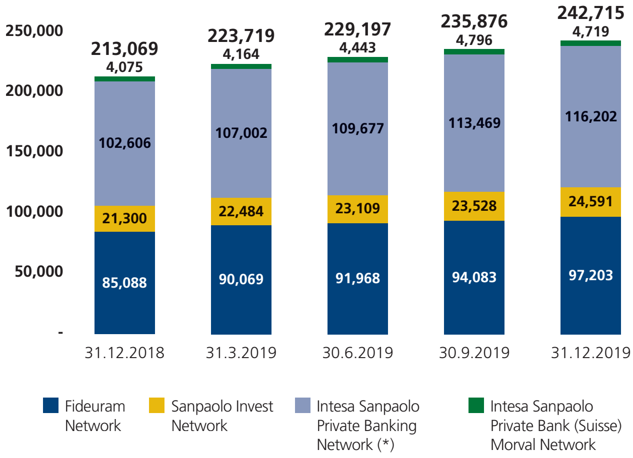
Client Assets - by type of inflows

(€m)



Client Assets - by Sales Network

(€m)

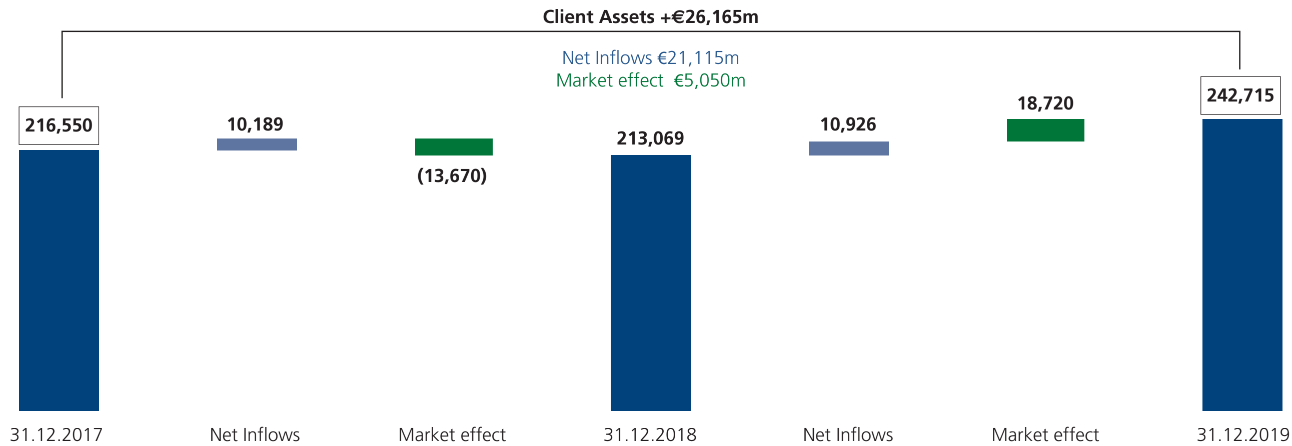


(*) The figures for the Intesa Sanpaolo Private Banking sales network include the client assets of Siref Fiduciaria.

The good performance in financial markets in 2019 allowed full recovery of the negative performance recorded by client assets in 2018. The graph below shows the trend of client assets during the two-year period 2018-2019.

Client Assets 2018-2019 (**)

(€m)



(**) Restated on a like-for-like basis to take the changes in the scope of consolidation.

4.4 Inflows into managed and non-managed assets

Net inflows

€10.9 bn

The Group's sales networks brought in **€10.9bn** of **net inflows** in 2019, up €737m (+7%) on last year. Analysis of the item shows that inflows into **managed assets** totalled **€4.6bn** with an increase of €1bn on 2018, with the Group's Personal Financial Advisers having guided an increased portion of inflows from customers towards managed asset products to benefit from the recovery in the markets during the last quarter of the year. The **non-managed assets component**, which totals a positive **€6.3bn**, is €277m less than last year, reflecting the asset allocation shift towards managed assets.

Net inflows

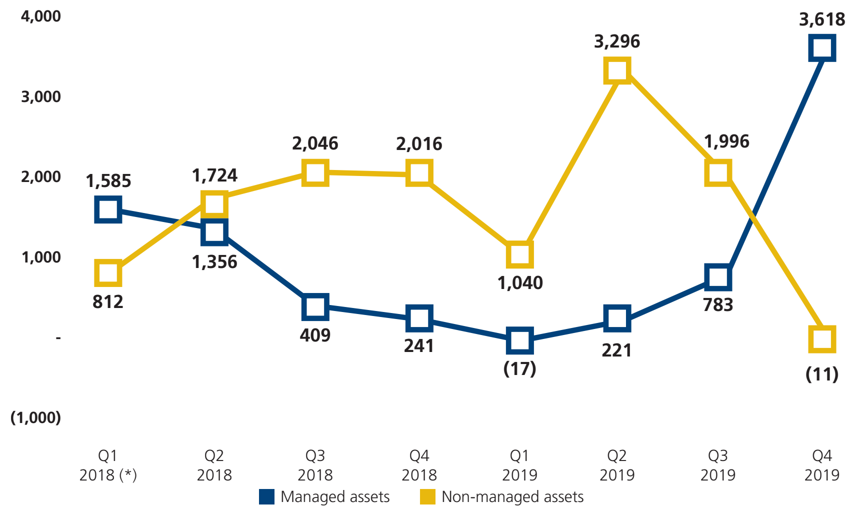
(€m)

	2019	2018 (*)	CHANGE	
			AMOUNT	%
Mutual funds	(573)	2,398	(2,971)	n.s.
Discretionary accounts	2,622	(346)	2,968	n.s.
Life insurance	2,362	1,342	1,020	76
including: Fideuram Vita / Intesa Sanpaolo Vita unit linked	*526*	*999*	*(473)*	*-47*
Pension funds	194	197	(3)	-2
Total managed assets	**4,605**	**3,591**	**1,014**	**28**
Total non-managed assets	**6,321**	**6,598**	**(277)**	**-4**
including: Securities	*1,470*	*4,056*	*(2,586)*	*-64*
Total Net inflows	**10,926**	**10,189**	**737**	**7**

n.s.: not significant

Net inflows

(€m)



(*) Restated on a like-for-like basis to take the changes in the scope of consolidation into account.

4.5 Customer segmentation

CLIENT ASSETS at 31 December 2019

- Fideuram: €97.2bn
- Sanpaolo Invest: €24.6bn
- Intesa Sanpaolo Private Banking: €111.9bn
- Siref Fiduciaria: €4.3bn (*)
- Intesa Sanpaolo Private Bank (Suisse) Morval: €4.7bn

(*) The figure does not include the fiduciary mandates regarding Group Client Assets. The fiduciary mandates amount to 61,169 with total client assets of €12.5bn.

CUSTOMERS at 31 December 2019

- Fideuram: 584,283
- Sanpaolo Invest: 155,773
- Intesa Sanpaolo Private Banking: 37,672 (**)
- Siref Fiduciaria: 1,975 mandates (*)
- Intesa Sanpaolo Private Bank (Suisse) Morval: 1,775

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

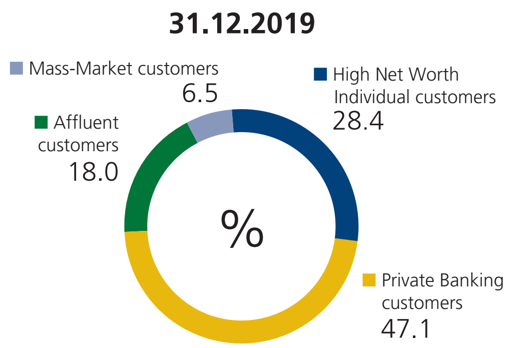
Analysis of the Group's customer base shows that it is concentrated in the Private Banking and High Net Worth Individual (HNWI) segments.
This focus on high-end customers (about 75% of client assets, corresponding to about 15% of customers, come from Private Banking and HNWI customers) enables our Personal 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.

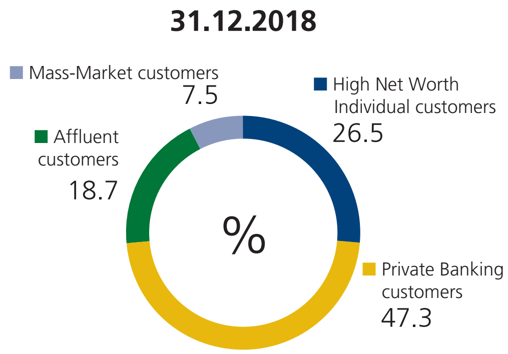
Client assets by type of customer (***)

(€m)

	31.12.2019	31.12.2018	CHANGE AMOUNT	CHANGE %
High Net Worth Individual customers	68,819	56,576	12,243	22
Private Banking customers	114,401	100,695	13,706	14
Affluent customers	43,752	39,760	3,992	10
Mass-Market customers	15,743	16,038	(295)	-2
Total	**242,715**	**213,069**	**29,646**	**14**

Percentage analysis of client assets by type of customer





(***) The Fideuram Group's customers are segmented as follows:
High Net Worth Individuals customers: customers with financial assets potentially totalling in excess of €10,000,000.
Private Banking customers: customers with financial assets totalling between €500,000 and €10,000,000.
Affluent customers: customers with financial assets totalling between €100,000 and €500,000.
Mass-Market customers: customers with financial assets totalling less than €100,000.

4.6 Advanced advisory services

€38.8 bn

Advanced advisory services

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 235 bank branches and 321 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 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.

The number of customers subscribed to our Advanced Advisory Services was equal to over 66,000 at the end of December 2019, accounting for approximately €38.8bn client assets.

The customer and client assets data for our Advanced Advisory Services are shown below. Despite the reduction in the total number of subscribers, it is worth highlighting the appreciation for the service by high-end customers (+961 customers compared to 2018).

Over 66k

Customers subscribed to Advanced Advisory Services

Customers subscribed to Advanced Advisory Services

(number)

	31.12.2019	31.12.2018	CHANGE	
			AMOUNT	%
High Net Worth Individual customers	972	873	99	11
Private Banking customers	17,620	16,758	862	5
Affluent customers	31,485	32,586	(1,101)	-3
Mass-Market customers	16,074	18,281	(2,207)	-12
Total	**66,151**	**68,498**	**(2,347)**	**-3**

Advanced Advisory Service client assets

(€m)

	31.12.2019	31.12.2018	CHANGE	
			AMOUNT	%
High Net Worth Individual customers	6,475	5,717	758	13
Private Banking customers	23,307	21,306	2,001	9
Affluent customers	8,069	8,186	(117)	-1
Mass-Market customers	933	1,132	(199)	-18
Total	**38,784**	**36,341**	**2,443**	**7**

Advanced Advisory Service client assets

up 7%

Advanced Advisory Service fee and commission income

(€m)

	2019	2018	CHANGE	
			AMOUNT	%
Fee and commission income	118	128	(10)	-8
Fee and commission expense	(44)	(47)	3	-6
Net fee and commission income	**74**	**81**	**(7)**	**-9**

4.7 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 €906m and a Return on Equity of 31%. Financial resources acquired as customer deposits through current accounts, deposits and repurchase agreements totalled €38.6bn, up 21% on the end of 2018. Consolidated shareholders' equity totalled €3bn. Fideuram's own funds totalled €1,033m and its total capital ratio was 16.6%. The Fideuram Group voluntarily estimates its consolidated capital requirements, taking its membership of the Intesa Sanpaolo Banking Group into account. At 31 December 2019, our Common Equity Tier 1 Ratio was estimated to be 19.2%.

Fideuram is able to pay its shareholder a significantly higher dividend this year than last year (+€27m), with a total payout that has risen from €810m to €837m, and a payout ratio of 92.36% of consolidated net profit and 98.33% 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 consolidated 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 €10.9bn. Inflows into managed assets, in particular, recorded a growth of 28%.

In fact, positive market performance increased managed assets by €18.7bn.

Aggregate managed assets totalled €242.7bn. Analysis of the item shows a sharp rise in managed assets, which increased from €147bn to €165.4bn (+13%). Non-managed assets were up on the previous financial year, rising from €66.1bn to €77.3bn (+17%).

The rise in average managed assets to above last year's levels (€156.6bn at the end of 2019, a €4.3bn increase on 2018), drove up total net recurring fees, reaching €1.6bn at year-end. Performance fees totalled €31m and net front-end fees reached €193m.

SECURITIES HOLDINGS AND RELATED FINANCIAL RISKS

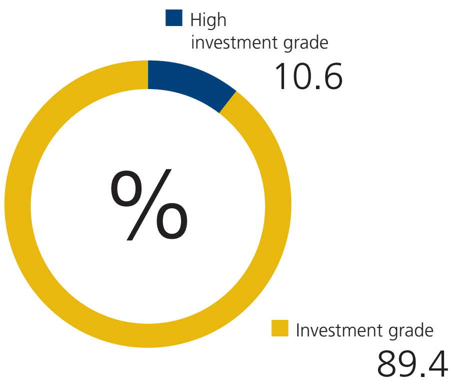
In regard to the method used to determine the fair value of the bonds held in its portfolio, the Group continued referring directly to market values and made only marginal use of financial models for the pricing of unlisted or illiquid assets.

The banking book, which totalled €45bn at 31 December 2019 (€38.4bn at 31 December 2018), consisted of €26.5bn in loans to banks and customers, with the remainder being comprised of bonds and hedging derivatives. 14% of the securities portfolio consisted of Italian government bonds and 69% of bonds issued by Intesa Sanpaolo Group companies. A reserve for financial assets measured at fair value through other comprehensive income was recorded under shareholders' equity at year-end, totalling €20m (-€28m at 31 December 2018). The €48m positive change resulted from increases in fair value recorded by the bond portfolio during the year.

Analysis of the securities holdings shows continued high loan quality, with 10.6% of the investments being rated high investment grade, 89.4% 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 €930m were recorded under liabilities in the balance sheet at year-end 2019, an increase of 15% over the figure at the start of 2019.

Portfolio composition



LIQUIDITY RISK

Analysis of the Group's consolidated liabilities shows the prime role of customer deposits, which totalled approximately €39bn at year-end and principally consisted of current accounts and 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.

Fideuram and Sanpaolo Invest - Vicenza 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 **financial advisory services** and the **development, management and distribution** of banking, insurance, pension and investment products through its Personal Financial Adviser Networks.	Operational risk Reputational risk Performance risk Social risk	- Application of Intesa Sanpaolo operational risk measurement, management and control guidelines. - Establishment of a litigation fund for any legal proceedings. - Insurance policy taken out to cover any offences by Personal Financial Advisers. - Dynamic customised management of client financial assets. - Commercial Due Diligence for Private Banking customers. - In-depth knowledge of customers and counterparties and compliance with regulations regarding anti-money laundering and combating the financing of terrorism.	- Fee and commission income - Other income	CUSTOMERS PERSONAL FINANCIAL ADVISERS SHAREHOLDER COMMUNITY
INCOME	The Group **operates on the financial markets** as a proprietary trader, buying and selling financial instruments and putting instruments in place to mitigate the related risks.	Credit risk Liquidity risk Market risk Operational risk	- 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. - Monitoring current exposures and auditing hedge effectiveness.	- Net interest income - Net profit (loss) on financial assets and liabilities	SHAREHOLDER
INCOME	The Group provides **loans** to its customers and operates on the interbank market.	Credit risk Liquidity risk Market risk Operational risk Environmental risk	- Acquisition of collateral and personal security or irrevocable mandates to sell financial instruments. - Analysis of counterparty creditworthiness, monitoring of any deterioration in collateral and regular reviews of every position. - Inclusion on environmental risk in the creditworthiness assessment, gathering specific supplementary information concerning customers belonging to the most risky sectors.	- Interest income	SHAREHOLDER CUSTOMERS COMMUNITY
COSTS	The Group's main sources of **inflows** are deposits and current accounts (banks and customers).	Liquidity risk Market risk Operational risk	- Liquidity control, maintaining a balanced relationship between inflows and outflows in both the short and medium-to-long term.	- Interest expense	SHAREHOLDER CUSTOMERS
COSTS	The Group **invests in its people:** Employees Personal Financial Advisers.	Operational risk Reputational risk Social risk	- Training activities. - Development of written procedures, circulars and regulations. - Personnel selection policies respecting human rights.	- Personnel expenses - Fee and commission expense - Net provisions for risks and charges - Other expense	EMPLOYEES PERSONAL FINANCIAL ADVISERS SHAREHOLDER COMMUNITY
COSTS	The Group **invests in its operating departments.**	Operational risk Reputational risk Environmental risk	- Application of internal regulations regarding expenditure which aim to ensure continual improvement in quality standards and an attentive supplier selection process.	- Other administrative expenses - Depreciation and amortisation	CUSTOMERS EMPLOYEES PERSONAL FINANCIAL ADVISERS SUPPLIERS SHAREHOLDER
COSTS	The Group **procures goods and services** as part of its daily operations.	Social risk Environmental risk	- Ethical suppliers. - Professional assignments respecting human rights.	- Administrative expenses	SUPPLIERS SHAREHOLDER

Fideuram - Lecco Office

Fideuram and Sanpaolo Invest - Cagliari Office

4.8 Financial and non-financial results

The Fideuram Group uses the resources at its disposal in the value-creation process by means of 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.

Below there is a connection grid showing the contribution of the different types of capital to the value-creation process, indicating the relations between the capital, the Group's strategic objectives and its Key Performance Indicators. The grid shows the procedures used by the Group to achieve its strategic objectives by combining the different types of capital available, following its business model.

STRATEGIC OBJECTIVES

	DEDICATED SERVICE MODELS	ADVISERS FACTORY	UPGRADING OF PRODUCTS AND SERVICES OFFERED	GROWTH OF FOREIGN OPERATIONS	DIGITAL CHAMPION	STRONG FOCUS ON ISSUES RELATED TO CORPORATE SOCIAL RESPONSIBILITY
Financial capital	- Net Profit - Net fee and commission income - Client Assets by type of customer - Wealth created	- Net Profit - Net fee and commission income - Personnel expenses - Other administrative expenses - Wealth created	- Net Profit - Net fee and commission income - Advanced Advisory Service Fee and Commission Income - Customers subscribed to Advanced Advisory Services - Advanced Advisory Service client assets	- Net Profit - Net fee and commission income - Client Assets - Wealth created	- Net Profit - Client Assets - Wealth created	- Commitment to sustainable finance - Administrative expenses (donations and sponsorship)
Productive capital	- Expansion of Private Banking and HNWI Centre operations in key geographical areas	- Development of Fideuram Campus	- Area presence of Group logistics organisation - Number of Personal Financial Advisers by commercial area and region	- Growth of offices in strategic international centres		- Develop branch and office interventions to reduce area impact
Intellectual capital	- Development of the Fideuram Alfabeto platform - Upgrade dedicated organisational management	- Upgrade dedicated organisational management	- Reinforcement of online services - Customization of the advice offered	- Growth in foreign markets with high development potential	- Extension of current IT platform with further modules supporting investments - Investments in information systems	- Upgrading the range of products for growth in foreign markets and development in the Italian market
Human capital	- FINER researches - Recruitment of Personal Financial Advisers of high standing	- Recruitment of Personal Financial Advisers - Training of Employees and Personal Financial Advisers of high standing (hrs.) - Staff numbers by ranking - Highly specialised training	- Training at the Fideuram Campus - Employee and Personal Financial Adviser training - Number of Personal Financial Advisers	- Recruitment of Personal Financial Advisers of high standing and with international experience	- Digital Specialist	- Development of ESG skills of employees and of Personal Financial Advisers
Relational capital	- Develop dedicated local events to improve flow of information and customer relations - Brand and product communications in print and online	- Number of customers per Personal Financial Adviser - Client assets / Number of Personal Financial Advisers	- Complaint response times - Client Assets of in-house ESG products - Customer satisfaction: Net Promoter Score (NPS) Customer Satisfaction Index (CSI)		- Expansion of the digital customer interaction functions	- Improvement of the image, company reputation and customer and community satisfaction
Natural capital		- Reduction in paper consumption through digitalisation of forms and use of biometric signature and remote digital signature	- Client Assets of in-house ESG products		- Reduction in paper consumption through digital archiving	- Improvement of environmental KPIs with focus on scope1 and scope2 greenhouse gas emissions

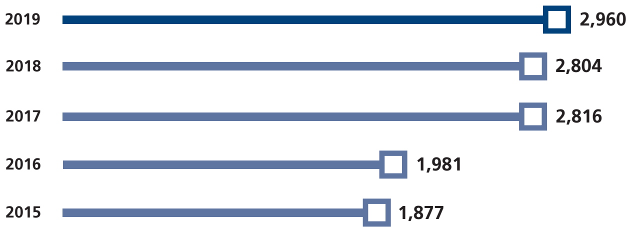
4.8.1 **Financial** Capital

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

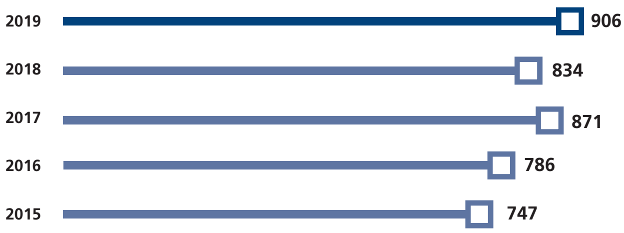
MATERIAL TOPICS	WHY TOPICS ARE MATERIAL	CORPORATE POLICIES
Maintenance of Group solidity and profitability Market competitiveness Continuity of customer services	The corporate mission highlights the importance of providing outstanding products and services that are personalised to suit customer needs 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 Ethical Conduct 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 (*)

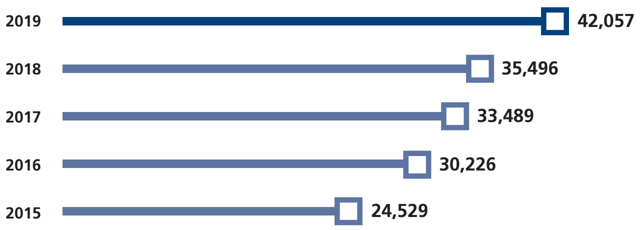
Group shareholders' equity
(€m)



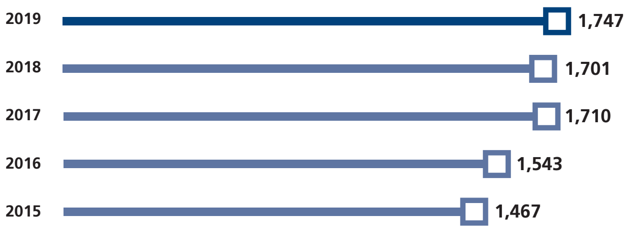
Consolidated net profit
(€m)



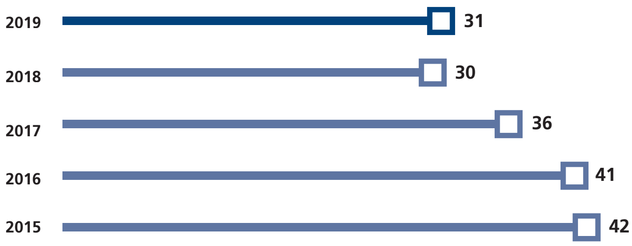
Bank and customer deposits
(€m)



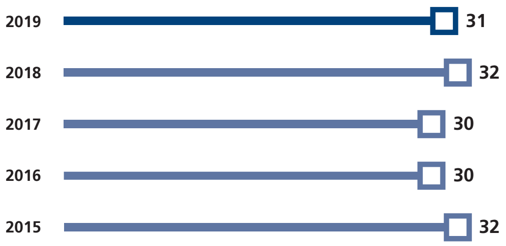
Consolidated net fees
(€m)



Return on Equity
(%)



Cost / Income ratio
(%)



(*) Restated on a like-for-like basis to take the changes in the scope of consolidation into account.

ANALYSIS OF THE INCOME STATEMENT

The Fideuram – Intesa Sanpaolo Private Banking Group ended 2019 with consolidated net profit of €906m, up €72m (+9%) on the last year. The profit for 2019, driven by the strong growth in net fee and commission income, is the Group's best-ever result.

Consolidated income statement

(reclassified - €m)

	2019	2018 (*)	CHANGE AMOUNT	CHANGE %
Net interest income	177	155	22	14
Net profit (loss) on financial assets and liabilities at fair value	41	21	20	95
Net fee and commission income	1,747	1,695	52	3
INTERMEDIATION MARGIN	**1,965**	**1,871**	**94**	**5**
Profit on equity investments and other income (expense)	5	10	(5)	-50
NET OPERATING INCOME	**1,970**	**1,881**	**89**	**5**
Personnel expenses	(356)	(349)	(7)	2
Other administrative expenses	(198)	(197)	(1)	1
Depreciation and amortisation	(55)	(47)	(8)	17
NET OPERATING EXPENSES	**(609)**	**(593)**	**(16)**	**3**
OPERATING MARGIN	**1,361**	**1,288**	**73**	**6**
Net impairment of loans	(2)	5	(7)	n.s.
Net provisions for risks and charges and net impairment of other assets	(30)	(17)	(13)	76
Net non-recurring income (expenses)	9	11	(2)	-18
GROSS INCOME (LOSS)	**1,338**	**1,287**	**51**	**4**
Income taxes for the year on continuing operations	(395)	(403)	8	-2
Integration and voluntary redundancy expenses (net of tax)	(20)	(31)	11	-35
Effects of purchase price allocation (net of tax)	(2)	(1)	(1)	100
Expenses regarding the banking system (net of tax)	(16)	(18)	2	-11
Net profit (loss) attributable to non-controlling interests	1	-	1	n.s.
NET PROFIT	**906**	**834**	**72**	**9**

(*) Restated on a like-for-like basis to take the changes in the scope of consolidation and application of IFRS 16 into account.

n.s.: not significant

Quarterly consolidated income statements

(reclassified - €m)

	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 (*) Q4	2018 (*) Q3	2018 (*) Q2	2018 (*) Q1
Net interest income	45	43	46	43	39	40	38	38
Net profit (loss) on financial assets and liabilities at fair value	8	5	15	13	2	2	5	12
Net fee and commission income	471	433	418	425	426	414	420	435
INTERMEDIATION MARGIN	**524**	**481**	**479**	**481**	**467**	**456**	**463**	**485**
Profit on equity investments and other income (expense)	2	1	2	-	5	1	1	3
NET OPERATING INCOME	**526**	**482**	**481**	**481**	**472**	**457**	**464**	**488**
Personnel expenses	(93)	(92)	(83)	(88)	(97)	(85)	(81)	(86)
Other administrative expenses	(55)	(52)	(46)	(45)	(56)	(52)	(44)	(45)
Depreciation and amortisation	(13)	(15)	(14)	(13)	(13)	(11)	(12)	(11)
NET OPERATING EXPENSES	**(161)**	**(159)**	**(143)**	**(146)**	**(166)**	**(148)**	**(137)**	**(142)**
OPERATING MARGIN	**365**	**323**	**338**	**335**	**306**	**309**	**327**	**346**
Net impairment of loans	(2)	2	1	(3)	6	(1)	1	(1)
Net provisions for risks and charges and net impairment of other assets	8	(15)	(13)	(10)	(5)	2	(10)	(4)
Net non-recurring income (expenses)	-	-	-	9	1	2	-	8
GROSS INCOME (LOSS)	**371**	**310**	**326**	**331**	**308**	**312**	**318**	**349**
Income taxes for the year on continuing operations	(116)	(96)	(89)	(94)	(109)	(96)	(95)	(103)
Integration and voluntary redundancy expenses (net of tax)	(7)	(4)	(5)	(4)	(15)	(7)	(5)	(4)
Effects of purchase price allocation (net of tax)	(1)	-	(1)	-	(1)	-	-	-
Expenses regarding the banking system (net of tax)	(1)	(7)	(4)	(4)	(6)	(6)	(3)	(3)
Net profit (loss) attributable to non-controlling interests	1	-	-	-	-	-	-	-
NET PROFIT	**247**	**203**	**227**	**229**	**177**	**203**	**215**	**239**

(*) Restated on a like-for-like basis to take the changes in the scope of consolidation and application of IFRS 16 into account.

€2 bn
Net operating income

Net operating income totalled €2bn, up €89m (+5%) compared to 2018. This result is attributable to:

- increased net interest income (+€22m);
- increased net profit on financial assets measured at fair value (+€20m);
- growth in net fee and commission income (+€52m);
- reduced profit on equity investments and other income (expense) (-€5m).

Net interest income

(€m)

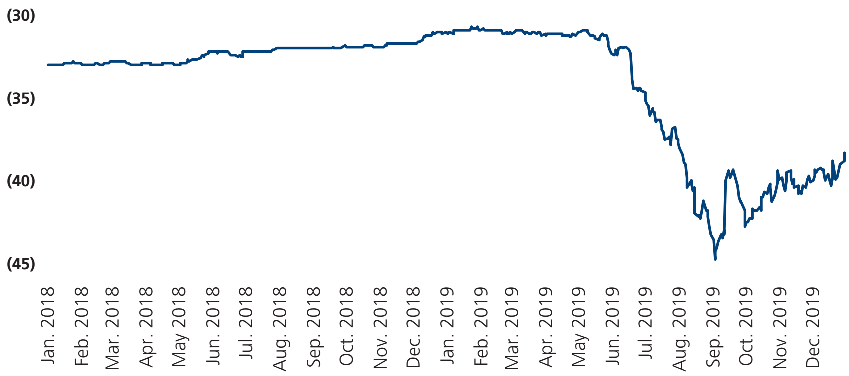
	2019	2018	CHANGE	
			AMOUNT	%
Interest expense on due to customers	(38)	(36)	(2)	6
Interest expense on due to banks	(17)	(18)	1	-6
Interest income on debt securities	228	222	6	3
Interest income on loans	118	106	12	11
Net interest on hedging derivatives	(95)	(94)	(1)	1
Other net interest income	(19)	(25)	6	-24
Total	**177**	**155**	**22**	**14**

€177 m
Net interest income

Net interest income totalled €177m, up €22m (+14%) compared to the previous year, due to the greater average volumes invested in the owned portfolios combined with rotation of the securities portfolio and rebalancing the maturities on treasury deposits. Analysis of the quarterly changes shows that net interest income was stably above its levels compared with the previous year and it was up in the last quarter also supported by the partial recovery of the Euribor 3-month interest rate curve.

3-month Euribor rate

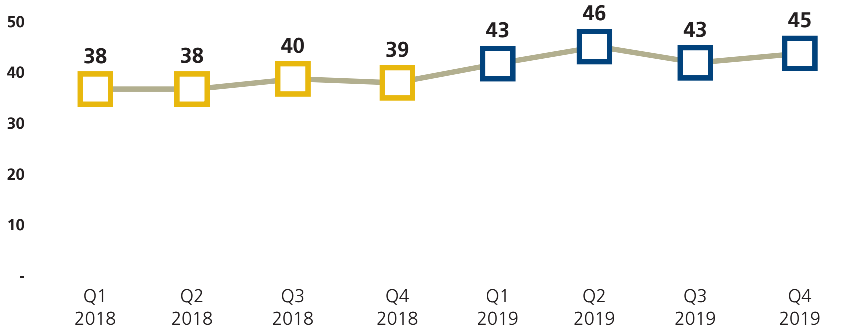
(bps)



Source: Bloomberg

Quarterly net interest income

(€m)



Net profit (loss) on financial assets and liabilities at fair value

(€m)

	2019	2018	CHANGE	
			AMOUNT	%
Net profit (loss) on sale of financial assets measured at fair value through other comprehensive income	24	13	11	85
Net profit (loss) of financial assets measured at fair value through profit or loss	17	8	9	113
Total	**41**	**21**	**20**	**95**

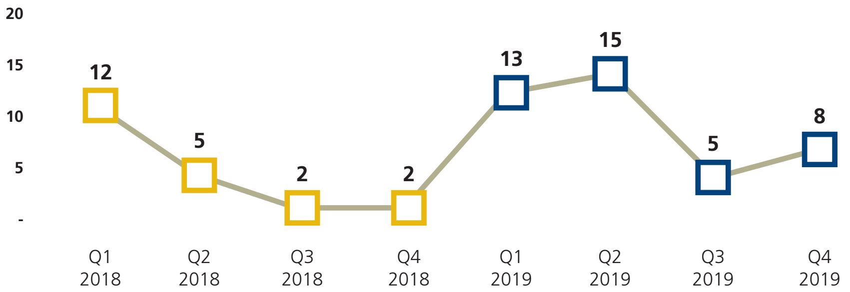
Net profit on financial assets and liabilities at fair value came to €41m, up €20m compared to the figure for 2018. This was mainly due to the higher gains realised from the sale of debt instruments in the Group portfolio and the growth in profit on financial assets measured at fair value through profit or loss.

€41m

Net profit on financial assets and liabilities at fair value

Quarterly net profit (loss) on financial assets and liabilities at fair value

(€m)



Fee and commission income

(€m)

	2019	2018	CHANGE	
			AMOUNT	%
Fee and commission income	2,527	2,459	68	3
Fee and commission expense	(780)	(764)	(16)	2
Net fee and commission income	**1,747**	**1,695**	**52**	**3**

Net fee and commission income totalled €1.75bn, up €52m (+3%) on the figure for 2018.

€1.7bn

Net fee and commission income

Net recurring fees

(€m)

	Q1	Q2	Q3	Q4	TOTAL
2019	394	394	404	414	1,606
2018	407	402	408	389	1,606
Change	**(13)**	**(8)**	**(4)**	**25**	**-**

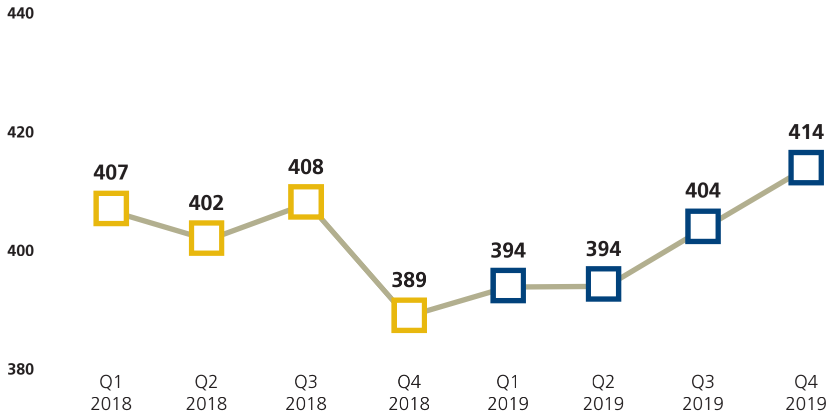
€1.6 bn

Net recurring fees

Net recurring fees totalled €1.6bn, in line with the figure for the previous year. The favourable effect of growth in average managed assets, which went from €152.3bn at 31 December 2018 to €156.6bn at 31 December 2019 (+€4.3bn, +3%) was entirely offset by the repositioning of customer assets towards lower-income products. The analysis of the quarterly changes shows that in 2019 the recurring fee and commission income tracked a growth trend compared with the fourth quarter of 2018 (which had been impacted by negative market performance), supported by the steady growth in average managed assets.

Quarterly net recurring fees

(€m)



Net performance fees

(€m)

	Q1	Q2	Q3	Q4	TOTAL
2019	1	-	1	29	31
2018	-	-	-	10	10
Change	**1**	**-**	**1**	**19**	**21**

€31 m

Net performance fees

Net performance fees totalled €31m, with strong growth compared to 2018 (+€21m). The Fideuram Group charges the performance fees on individual discretionary accounts annually (totalling €5m in 2019 compared with zero in 2018), except when the customer decides to close the account early. The group calculates the performance fees on its internal insurance funds (none charged in 2019 and 2018) 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 (€26m in 2019, compared with €10m in 2018) 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)

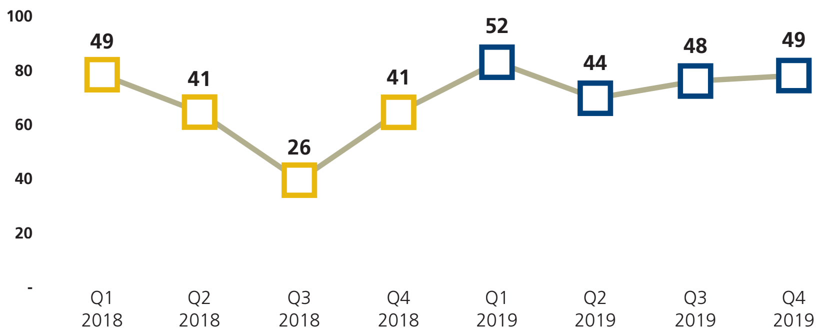
	Q1	Q2	Q3	Q4	TOTAL
2019	52	44	48	49	193
2018	49	41	26	41	157
Change	**3**	**3**	**22**	**8**	**36**

Net front-end fees came to €193m, up €36m (+23%) on the figure for the previous year, attributable to the growth in the front-end fee income on bonds and certificates. During the year, the Group's sales networks distributed bond loans and certificates, mainly issued by companies in the Intesa Sanpaolo Group, which brought in approximately €4.2bn in gross inflows, compared with €2.5bn in 2018.

€193m
Net front-end fees

Quarterly net front-end fees

(€m)



Other fee and commission expense

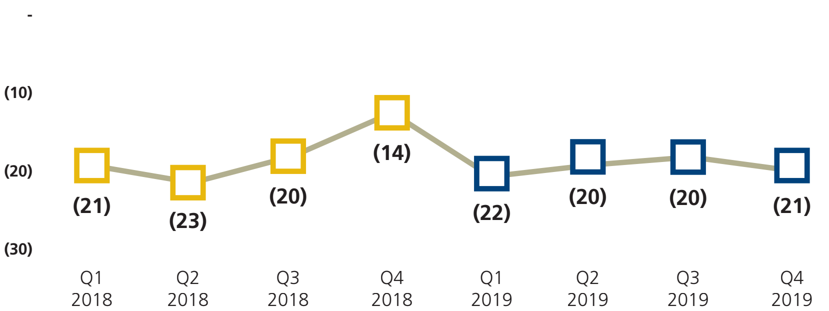
(€m)

	Q1	Q2	Q3	Q4	TOTAL
2019	(22)	(20)	(20)	(21)	(83)
2018	(21)	(23)	(20)	(14)	(78)
Change	**(1)**	**3**	**-**	**(7)**	**(5)**

The **other fee and commission expense** totalled €83m, up €5m on the figure for 2018 due to the higher incentives accrued in the period in favour of the sales Networks.

Quarterly other fee and commission expense

(€m)



Profit on equity investments and other income (expense) showed a reduction of €5m compared to the previous year. This stemmed largely from higher costs incurred on compensation paid to customers and from the reduction in the profit on equity investments, attributable to the losses recorded by Intesa Sanpaolo Private Bank (Suisse) Morval's subsidiaries consolidated with the equity method.

Net operating expenses

(€m)

	2019	2018	CHANGE	
			AMOUNT	%
Personnel expenses	356	349	7	2
Other administrative expenses	198	197	1	1
Depreciation and amortisation	55	47	8	17
Total	**609**	**593**	**16**	**3**

€609 m

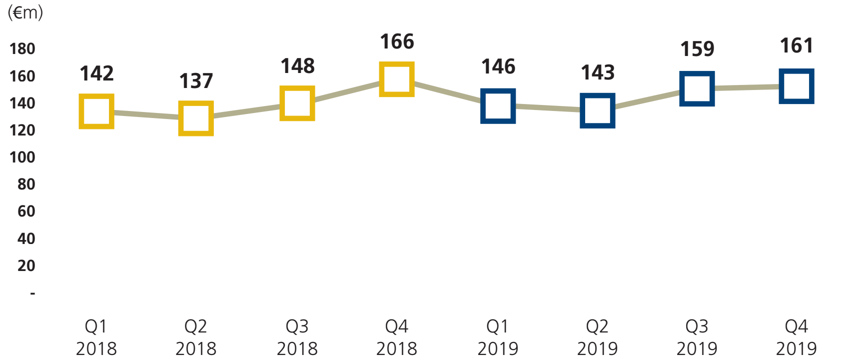
Net operating expenses

Net operating expenses, totalling €609m, rose €16m (+3%) on the figure for the previous year.

Analysis of the item shows that personnel expenses, which totalled €356m, were up €7m. This is mostly attributable to the greater provisions set aside for the variable component of the remuneration. Other administrative expenses, amounting to €198m were substantially in line with the year-end figure for 2018 (+1%). Although there were greater costs for IT and services provided by third parties, there were lower costs incurred for professional charges and other general expenses. Depreciation and amortisation on property and equipment and intangible assets increased by €8m, mainly due to the growth in the real estate lease costs, and, to a lesser extent, to higher depreciation on software.

Quarterly net operating expenses

(€m)



Net impairment of loans came to -€2m, principally due to impairment of loans to banks. In 2018, the positive balance of €5m consisted largely of net recoveries on loans to banks and customers.

Net provisions for risks and charges and net impairment of other assets

(€m)

	2019	2018	CHANGE	
			AMOUNT	%
Personal Financial Advisers' termination indemnities and incentives	15	17	(2)	-12
Litigation and complaints	9	(1)	10	n.s.
Network Loyalty Schemes	2	1	1	100
Net impairment of (recoveries on) debt securities	4	-	4	n.s.
Total	**30**	**17**	**13**	**76**

Net provisions for risks and charges and net impairment of other assets came to €30m, up €13m compared to 2018. Detailed analysis of the item shows that the provision for the termination of Personal Financial Adviser agency agreements decreased by €2m. This was mainly due to revision of the actuarial assumptions used to measure the value of the fund. The provisions set aside to cover contingent liabilities from lawsuits, litigation, claims from receivers and customer complaints recorded a net increase of €10m, mainly due to a lawsuit relating to offences committed by a former personal financial adviser of the Sanpaolo Invest Network. The provisions for Network Loyalty Schemes rose by €1m in line with the new investments in insurance policies taken out during the year in favour of Personal Financial Advisers. Net impairment (reversal of impairment) of debt securities showed a growth of €4m, attributable to new net impairments of bonds.

€30 m

Net provisions for risks and charges and net impairment of other assets

Net non-recurring income (expenses) include income and expenses that are not attributable to ordinary operations. In 2019, this item recorded income of €9m due to the release of a risk provision for tax dispute, set aside in previous financial years, following the favourable outcome of a judgement before the Court of Cassation. The balance in 2018 included €11m of gains on debt securities in the portfolio at amortised cost.

Income taxes, for which €395m was set aside in the year, were down €8m compared to 2018 largely due to the recognition of non-recurring items including €5 attributable to the tax redemption for the greater value of the equity investment in Morval Vonwiller referring to intangible assets, and contingent assets of €4m on the lower expenses incurred for a tax dispute relating to transfer pricing with the French subsidiary Financière Fideuram. The tax rate was 30% compared with 31% in the previous financial year.

Integration and voluntary redundancy expenses (net of tax) recorded a balance of €20m (compared to €31m in 2018) and refer mainly to the expenses incurred for the non-recurring integration transactions that concerned Intesa Sanpaolo Private Banking, Siref Fiduciaria and the companies of the Intesa Sanpaolo Private Bank (Suisse) Morval Group.

The **Effects of purchase price allocation (net of tax)** (€2m) refer to the amortisation of intangible assets recognised in 2018 after the acquisition of the Morval Group.

The item **Expenses regarding the banking system (net of tax)**, includes the expenses related to maintaining the stability of the banking system, recognised in the income statement in accordance with current regulations. In 2019, the net amount for this item was €16m, down €2m from the previous year. It includes €8m in expenses for the contribution to the Deposit Guarantee Scheme (DGS Fund) introduced by Directive 2014/49/EU and €8m in expenses accrued for the contribution to the Single Resolution Fund of credit institutions introduced by Directive 2014/59/EU.

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 2019, reclassified in accordance with the instructions of the Italian Banking Association (Associazione Bancaria Italiana – ABI), updated on 24 October 2019, following the guidelines of the Global Reporting Initiative (GRI). The Wealth created is the economic value generated in the year, which is for the most part distributed to the stakeholders with whom the Group has relations as part of its daily operations. The Value retained is the difference between the Wealth created and the Value distributed, and it is used for productive investments with the aim of enabling 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 €2.9bn (+€131m on 2018).

This wealth was distributed to stakeholders as follows:
- Colleagues received 37% of the Wealth created, amounting to a total of €1.1bn. This included the remuneration paid to employees and the amounts set aside for and paid to the Personal Financial Adviser Networks;
- our shareholder received 28.8% of the Wealth created, in the form of the proposed dividend pay-out totalling €837m and the result attributable to non-controlling interests (-€1m);
- the Government, public authorities, institutions and the Community received €638m, principally in the form of direct and indirect taxes, amounting to 22% of the Wealth created; this amount also includes the expenses for the European Single Resolution Fund and Deposit Guarantee Scheme;
- Suppliers received 7.2% of the Wealth created, totalling €209m paid for goods and services;
- the remaining amount, €147m, 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.

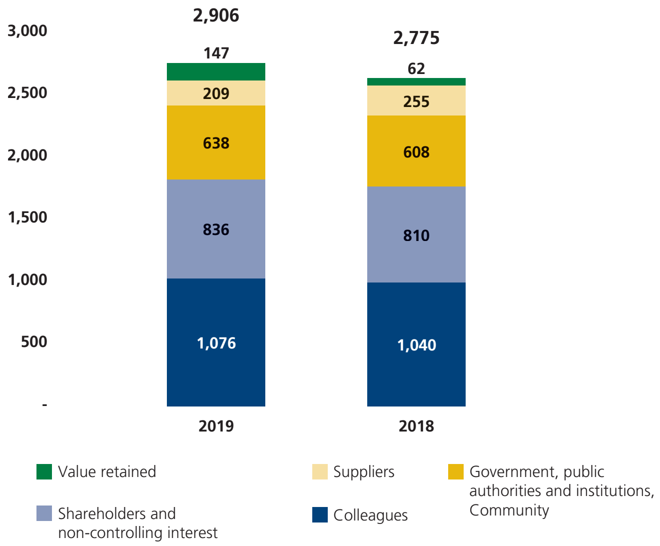
Economic value added

(€m)

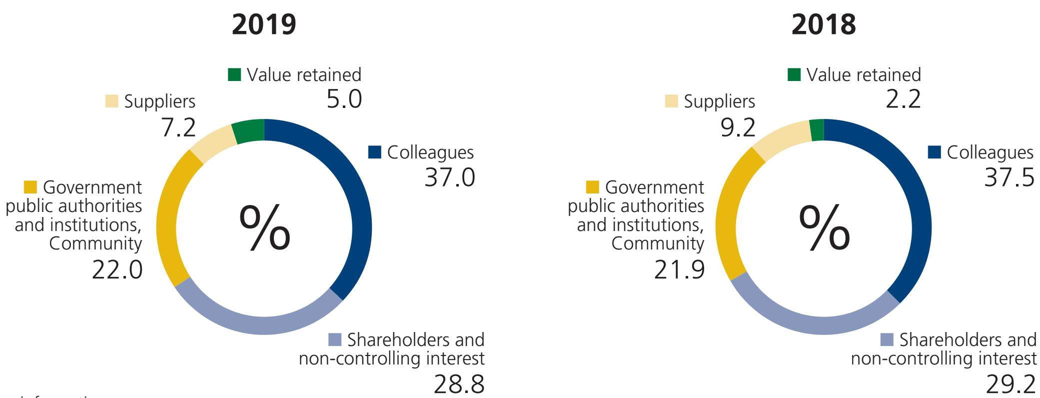
	2019	2018	CHANGE	
			AMOUNT	%
Wealth created	**2,906**	**2,775**	**131**	**5**
Value distributed	**(2,759)**	**(2,713)**	**(46)**	**2**
Colleagues	(1,076)	(1,040)	(36)	3
Shareholders and non-controlling interest	(836)	(810)	(26)	3
Government, public authorities and institutions, Community	(638)	(608)	(30)	5
Suppliers	(209)	(255)	46	-18
Value retained	**147**	**62**	**85**	**137**

Wealth created

(€m)



Distribution of Wealth created



Further information on page 412

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 2019

(€m)

	MANAGED FINANCIAL ASSETS	LIFE INSURANCE ASSETS	BANKING SERVICES	TOTAL FOR FIDEURAM GROUP
Net interest income	-	-	177	177
Net profit (loss) on financial assets and liabilities at fair value	-	-	41	41
Net fee and commission income	1,137	502	108	1,747
INTERMEDIATION MARGIN	**1,137**	**502**	**326**	**1,965**
Net operating expenses	(308)	(85)	(216)	(609)
Other	(14)	(6)	2	(18)
GROSS INCOME (LOSS)	**815**	**411**	**112**	**1,338**
Average Client Assets	**102,644**	**53,997**	**72,672**	**229,313**
Client Assets	**106,131**	**59,269**	**77,315**	**242,715**
Key indicators				
Cost / Income Ratio	27%	17%	64%	31%
Gross income (loss) / Average Client Assets	0.8%	0.8%	0.2%	0.6%
Net fee and commission income / Average Client Assets	1.1%	0.9%	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 €106.1bn at 31 December 2019 (44% of total client assets), a €9.4bn increase on 31 December 2018 mainly as a result of the market performance that positively impacted assets and, to a lesser extent, as a result of net inflows of €2bn. The contribution to the pre-tax profit on continuing operations was €815m and was substantially in line with the previous year since the favourable effect of growth in average managed assets was entirely offset by the repositioning of customer assets towards lower-income products. The ratio of net fee and commission income to client assets was 1.1%, while the ratio of gross income (loss) to client assets was 0.8%.

In 2019, with the aim of enhancing the solutions supporting the advisory service model and in light of market trends, Fideuram and Sanpaolo Invest enriched their range of products with new forms of investment strengthening their service platforms which, by exploiting their flexibility, permit growing levels of customisation to respond specifically to the needs of different customer segments. In this area, the offer of controlled risk solutions and solutions with progressive and planned entry into the markets was strengthened. Steps were also taken to implement the regulatory developments in the sector.

As regards **Fideuram funds**, the first part of the year was characterised mainly by actions taken to come into line with the new European legislation on money market funds, creating a new series of solutions with an investment policy that is more flexible and more suited to current conditions and with a commission structure that is also more in line with the reference context.

Managed financial assets

(€m)

	2019	2018 (*)	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities at fair value	-	-	-
Net fee and commission income	1,137	1,136	-
INTERMEDIATION MARGIN	**1,137**	**1,136**	**-**
Net operating expenses	(308)	(313)	-2
Other	(14)	(11)	27
GROSS INCOME (LOSS)	**815**	**812**	**-**
Average Client Assets	**102,644**	**101,414**	**1**
Client Assets	**106,131**	**96,756**	**10**
Key indicators			
Cost / Income Ratio	27%	28%	
Gross income (loss) / Average Client Assets	0.8%	0.8%	
Net fee and commission income / Average Client Assets	1.1%	1.1%	

(*) Restated on a like-for-like basis to take the changes in the scope of consolidation into account.

The changes concerned products in the Italian range (Fideuram Moneta and Fideuram Risparmio) and products in the Luxembourg range (Fonditalia Euro Currency and Fonditalia Euro Yield Plus). For Fonditalia, action was also taken for the transformation of the Fonditalia Flexible Risk Parity fund into Fonditalia Cross Asset Style Factor, a solution with a new form of multi-asset investment constructed with an allocation based on value factors.
Lastly, there was continued development in the last part of the year, of the Fideuram Alternative Investments (FAI) platform of Fideuram Investimenti, with the launch of FAI – Mercati Privati Europei, the fourth investment solution within the Fideuram Alternative Investments platform. This is a multi-asset, unreserved closed-end alternative investment fund which allows investments in the European private markets, through a diversified portfolio divided between different types of investment: equity investments, loans and property and infrastructure investments. The fund, characterised by a partnership between Fideuram Investimenti and Tikehau Capital (one of the most qualified operators in the international private market sector), has a dynamic and flexible investment process which envisages on-going monitoring of investments, integrated with ESG criteria to generate sustainable returns over time.

For the range of funds offered by third-party asset managers, in 2019 Fideuram ensured the development of the offer through a targeted selection of additional strategies of current partners, with a particular focus on theme-based solutions with an ESG approach. In the second part of the year, the offering of Fideuram Multibrand was then increased with the inclusion of a new SICAV under Luxembourg law, managed by UBS Asset Management.

The offering of funds and SICAVs distributed by Intesa Sanpaolo Private Banking was expanded during 2019 with the launch of new funds. In particular, Eurizon Capital SGR launched the following Italian funds:

- Eurizon Private Allocation 20-60, a flexible fund aimed at customers with a medium risk profile who are seeking a diversified investment and want to delegate the choice of investment markets and strategies to a professional manager, with an exposure to the equity market of between 20% and 60%. The fund allows access to the managerial skills of the High Net-Worth Individuals team of the asset management company, through an easily accessible product with a reporting quality that is typical of customised management.
- Eurizon Italian Fund, belonging to the new ELTIF type (European Long-Term Investment Funds) which aim to promote the real economy in all the Member States of the European Union, encouraging capital inflows from SMEs. A minimum of 70% of the fund portfolio is invested in instruments issued by non-financial companies listed in the markets devoted to SMEs (AIM, Star, MTA and MIV) and with a capitalisation of less than €500m. The reference geographical area is Italy and only a maximum of 20% is invested in instruments issued by companies from other European Countries. The fund, which is a closed-ended alternative investment fund, has an overall duration of 7 years.
- Eurizon Approccio Contrarian ESG, characterised by a flexible management approach based on a contrarian and sustainable strategy (ESG criteria) as regards the equity component and on absolute-return and sustainable strategies for the bond component.
- Eurizon Investi Protetto – Edizione 1, investment window fund which allows investors to participate in market trends with capital protection on maturity of the 5-year investment cycle. The management strategy provides for a protection component, consisting of

€106.1 bn

Managed financial assets

(44% of total client assets)

bond market instruments with maturity generally very close to that of the investment cycle, and a component aimed at moderate growth which invests, directly or through derivatives, in equities, bonds and foreign currencies.

- Eurizon Income Strategy, an investment window fund with the aim of generating revenues through a disciplined and flexible approach over a 5-year time horizon. The flexible multi-asset management strategy involves an equity exposure of between 40% and 60% of the portfolio, managed with a contrarian approach. More specifically, the equity investment increases when there are favourable listed prices and low volatility, and is reduced when there are high listed prices (based on models that assess the economic fundamentals of companies) and high volatility. The process of selecting securities within the equity category aims to identify shares that are in a position to distribute sustainable dividends over time. The bond component in the portfolio features a broad diversification in the world of global credit, with attention paid to the quality of issuers and liquidity of the securities. The fund involves an income-accumulation class and an income-distribution class.

The range of Luxembourg Funds managed by Eurizon Capital S.A. was increased with the launch of three new "megatrend" equity funds that invest by selecting equities of companies that can benefit from long-term global trends in safeguarding the planet (Eurizon Fund Equity Planet), in the well-being of people (Eurizon Fund Equity People) and in technological innovation (Eurizon Fund Equity Innovation).
The offering of the range managed by Fideuram Asset Management (Ireland) has also been expanded with new investment solutions in the form of an investment window dedicated to Intesa Sanpaolo Private Banking, through the Luxembourg SICAV Ailis and with their management being outsourced to leading international investment firms:

- Ailis BlackRock Multi-Asset Income, a flexible fund that aims to generate growth of the capital invested and positive returns through a global and dynamic exposure to asset classes over an investment time horizon of 5 years. The fund is managed by the Multi-Asset Income team of BlackRock Investment Management (UK) Limited, which can boast long and proven experience in the development and management of Multi-Asset strategies geared to customer requirements and that leverage an efficient approach for risk allocation in the portfolio.
- Ailis Pimco Target 2024, a flexible bond fund with a diversified portfolio that invests in bonds selected at a global level, belonging to various segments and with a maturity consistent with the investment objective of the fund (5 years). The fund portfolio can be invested up to 100% in bonds, up to 70% in High Yield bonds and up to 40% in bonds issued by emerging countries.
- Ailis Pictet Balanced Multitrend, a multi-asset fund with management outsourced to Pictet Asset Management which aims to generate positive returns over a defined time horizon (5 years), through a balanced global portfolio. The fund has a highly-diversified portfolio and invests in selected shares and bonds at the global level. The equity component of the portfolio consists of equities selected using a theme-based approach, i.e. chosen from those benefiting from medium-to-long term market themes, determined by demographic, lifestyle, regulatory or market context changes.
- Ailis Muzinich Target 2025, with management outsourced to Muzinich & CO Limited, which aims to produce positive returns over a time horizon of 5 years through research and selection of opportunities in the credit world. The portfolio adopts a buy & hold strategy with diversified exposure in multi-sector credit with a maximum high yield component of 80%, maximum exposure of 50% to Emerging Country issuers and maximum exposure of 15% to exchange rate risk.

During 2019, the offering of third-party funds and SICAVs was expanded with a new Swiss investment company, Pegaso Capital Partners S.A., based in Lugano which manages the Luxembourg company, Pegaso Capital Sicav. Franklin Target Income 2024 was also launched, an investment window fund with a 5-year time horizon. The product is a flexible bond fund of the new Luxembourg SICAV, Franklin Templeton Opportunities Funds, managed by Franklin Templeton Investments. The management aims to achieve capital growth over a 5-year time horizon, through significant geographical and sectoral diversification, applying an ESG approach integrated in the management of the bond portfolio. At the end of the year, a further increase in the range of investment firms was approved with the introduction of Goldman Sachs Asset Management, a worldwide manager with about 2,000 professionals and 36 offices throughout the world and investment strategies that range between different classes of assets, sectors and geographical areas. This increased offering from 2020 will cover a selection of focus funds (5 funds for 12 ISINs):

1. Goldman Sachs Global CORE® Equity Portfolio;
2. Goldman Sachs Europe CORE® Equity Portfolio;
3. Goldman Sachs Emerging Markets Debt Local Portfolio;
4. Goldman Sachs Absolute Return Tracker Portfolio;
5. Goldman Sachs Global Multi-Asset Balanced Portfolio.

Lastly, we also added new funds of international investment firms whose products we already distribute and continued our updating and maintenance of the funds offered.

As regards **discretionary accounts**, the actions focused on the Fideuram Folios platform with enriched ancillary services available to customers and five new investment solutions developed to seize the opportunities for returns that emerged at the beginning of 2019 in the world of government and high yield bonds (Investimento Sovrano 2023 and Rendimento 2024), to allow a gradual approach to equity and balanced investments (Global Equity and Bridge 2019) with a reduction in market timing risk and to meet the needs of that category of customers who are more sensitive to the topic of preserving the capital invested (Foglio Obiettivo Protezione 2026).
In 2019 the Omnia discretionary account of Fideuram Investimenti was enriched with two new equity manage-

ment lines (Ego High Conviction lines), developed in cooperation with Lombard Odier Investment Managers using a "Sustainable Equity High Conviction" strategy, aimed at Private Banking customers, and the Active Beta 100 line, developed with the Step-in logic, aimed at Upper Affluent customers.
Within the scope of Eurizon Capital SGR discretionary accounts, during the year there was a restyling of the Obiettivo Private discretionary account which aims to renew and re-launch the function of the portfolio discretionary account service as a package of financial services, with fiscal optimisation and detailed reporting, reserved exclusively to Intesa Sanpaolo Private Banking Customers. In particular, two new Management Lines have been added to the "Main Component" that are called "GP Obiettivo Private ISPB 0-40" and "GP Obiettivo Private ISPB 10-60", with advisory service from the Discretionary Accounts Team of Intesa Sanpaolo Private Banking, providing support for the three existing Management Lines managed by Eurizon. The Markets Component has become the Guided Selection Component, which provides 6 new Management Lines: 3 with active management and 3 with passive management. As regards the discretionary accounts offered by Intesa Sanpaolo Private Banking, ordinary maintenance and evolutionary adjustments to existing products continued.

LIFE INSURANCE ASSETS SEGMENT

This segment covers the Group's life insurance and pension fund business, which totalled €59.3bn at 31 December 2019 (24% of total client assets), up €9bn principally due to market performance, which favourably impacted portfolios. Total net inflows came to €2.6bn, up €1bn compared with the previous financial year. The contribution to pre-tax profit (loss) on continuing operations was €411m, substantially in line with the previous year. The ratio of net fee and commission income to client assets was 0.9%, while the ratio of gross income (loss) to client assets was 0.8%.

With reference to insurance products, the development activities mainly concerned the Fideuram Vita Insieme unit-linked range through a series of actions geared to improving its positioning and strengthening its operating content. More specifically, the entry threshold for the private banking version was reduced from €1m to €500k, whereas, in relation to investment solutions, four new internal funds were introduced as a response to the context and the search for value in sustainable finance:

- Orizzonte Responsabile (dedicated solely to the Private Banking version), a flexible, multi-asset solution that invests solely in financial instruments classed as sustainable and responsible. It is the first internal fund for sustainable investment in the Fideuram Vita offering, whose investment process requires the use of environmental, social and governance criteria (ESG).
- Valore Sostenibile: a balanced multi-asset solution which mainly invests in ETF with a moderate risk profile and a very modest overall cost.
- Dynamic Advisors: a dynamic multi-asset solution with advisory services from four selected Asset Managers, which reproduces a successful strategy already developed in the scope of the Omnia discretionary account.
- Global Equity Step-in: a solution that allows progressive entry into the global equity market over a period of 18 months, also on the insurance platform, starting from a defensive portfolio that is managed to optimise liquidity.

The increasingly greater need for protection, perceived by customers, also led to the proposal of guaranteed-capital solutions (Fideuram Vita Garanzia and Valore 2), as a conservative com-

Life insurance assets

(€m)

	2019	2018 (*)	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities at fair value	-	-	-
Net fee and commission income	502	496	1
INTERMEDIATION MARGIN	**502**	**496**	**1**
Net operating expenses	(85)	(83)	2
Other	(6)	(5)	20
GROSS INCOME (LOSS)	**411**	**408**	**1**
Average Client Assets	**53,997**	**50,870**	**6**
Client Assets	**59,269**	**50,220**	**18**
Key indicators			
Cost / Income Ratio	17%	17%	
Gross income (loss) / Average Client Assets	0.8%	0.8%	
Net fee and commission income / Average Client Assets	0.9%	1.0%	

(*) Restated on a like-for-like basis to take the changes in the scope of consolidation into account.

€59.3 bn

Life insurance assets

(24% of total client assets)

ponent in a managed assets portfolio. For Private Insurance solutions, with the aim of serving High Net Worth customers more comprehensively, there was continued development of the foreign Private Insurance offering.

As regards offering of Intesa Sanpaolo Private Banking, the "Programma Private" ("Private Banking programme") started to be offered during 2019. This is a Class I single-premium whole-of-life policy issued by Intesa Sanpaolo Vita, dedicated to individual customers. 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. As regards the products already being offered to customers, restyling actions were taken for the following products:

- Synthesis of Intesa Sanpaolo Vita: there was a change in allocation of the premium between Class I and Class III, raising the maximum percentage for Class I to 50% (previously the maximum percentage was 30%). The restyling also involved a change in the legal entity customer target, restricting it to fiduciary companies and entities that do not carry out any commercial activity.
- Penso a Te of Intesa Sanpaolo Vita, the Class I policy dedicated to customers needing to make an investment and wishing to leave a capital sum to a young beneficiary, and Base Sicura Tutelati, the Class I policy dedicated to a specific customer target consisting of minors and/or those represented by a Guardian. For the two products, the update concerned a reduction in loading costs for the lowest premium band, a reduction in the minimum periods in order to exercise surrender and a reduction in the minimum guaranteed amount in the event of death.
- Prospettiva 2.0 of Intesa Sanpaolo Life, the Unit Linked policy which offers a rich range of funds in which it is possible to invest, divided into 4 different capital management Areas (Outsourced, Co-Investment, Personalised and Protected), with different investment thresholds. The 3 funds characterising the Outsourced Area were updated through restyling, with the aim of reducing the monetary portion in favour of greater diversification with bond and equity components and the consequent change of the benchmarks underlying the three funds. Moreover, in the second half of 2019, the product was enhanced with the inclusion of a new internal window fund "Sviluppo nel Tempo 45", characterised by a policy of gradual entry into the equity market with the aim of establishing a global equity allocation of about 45% of the fund portfolio over an average timescale of about 3 years.
- "Il Mio Domani" of Intesa Sanpaolo Vita, an Open Pension Fund for people who want to build up a supplementary pension through payments of their own and/or their employment termination indemnities, with the opportunity of selecting from a range of investment lines or relying on a Life Cycle management. The product was updated with the inclusion of three benchmark funds with an ESG approach. These support companies that are careful about safeguarding the environment and comply with social values and the Progetto Life Cycle ESG which invests in the aforesaid funds.

The supplementary pension scheme solutions were also the forerunner in the launch of procedures for advanced offering of insurance products: the second half of 2019 saw the release of functions for offering in a dematerialised venue, remote offering, off-premises offering and, solely for the Open Pension Fund, the subscription using Internet Banking Self. Lastly, our inter-broker agreement with First Advisory Broker continued with the offering of Private Insurance solutions, in order to satisfy the growing demand for multi-class and Class I insurance products and for diversified investments. In the second half of the year, the offering was widened through the inclusion of dedicated internal funds with the management company, Intesa Sanpaolo Private Bank (Suisse) Morval.

Intesa Sanpaolo Private Banking - Milan, General Management

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 €77.3bn at 31 December 2019 (32% of total client assets), up €11.2bn compared with the figure at 31 December 2018. Total net inflows in the segment were €6.3bn, down €277m compared with the previous financial year. The segment's contribution to pre-tax profit (loss) on continuing operations totalled €112m, up €45m on the previous financial year, principally due to the increase in front-end fee income on bonds and certificates. The ratio of net fee and commission income to client assets was 0.1%, while the ratio of gross income (loss) to client assets was 0.2%.

Within the scope of **non-managed assets** and **banking services**, in order to support the extension of our banking facilities and the acquisition of new customers, there continued to be a number of initiatives offering current accounts with special interest rates, also with new formulas, combined with investment in managed assets (Step-in current accounts). Towards the end of the year, Fideuram Cash Deposit was proposed which provides for remuneration with special interest rates over a specified period in return for restricted availability. Also as regards the lending products component, the proposals made in recent years were continued with on-going Lending initiatives. As regards non-managed assets, the offering of controlled risk solutions was strengthened, by taking the opportunities on the interest rate market, in response to the need to preserve capital, mainly with issues of protected capital. During the year, twelve new issues were placed of Investment Certificates issued by Banca IMI on equity indices and baskets of equity indices, with complete protection of the principal on maturity and participation in the performance of the various underlying securities, with or without a cap. For the bond component, Fideuram participated, also on behalf of Sanpaolo Invest, in the placement of bonds of Intesa Sanpaolo, Mediobanca and Cassa Depositi e Prestiti. Lastly, certain initiatives regarding Repurchase agreements were promoted.
With reference to the offering of Intesa Sanpaolo Private Banking, in 2019 the offering of securities on the Primary Market was characterised by the placement of thirty Certificates with Banca IMI as issuer (seven of which upon request by individual customers) and ten bonds, four of which were Public Offers for Subscription (two from Mediobanca - one Step-up Fixed Rate bond and one Floored Floating Rate bond; one from Cassa Depositi e Prestiti with Mixed Rate; one 7-year Toyota Motor Fixed Rate Step Up bond in dollars) and six exclusively for the Private Banking Division (three Intesa Sanpaolo bonds - Fixed Rate with 3-year maturity, Fixed Rate and Floating Rate with 5-year maturity; two Intesa Sanpaolo Subordinate Tier 2 bonds with Fixed Rate and Floating Rate and 7-year maturity; one Mediobanca Fixed Rate Step Up bond with 4-year maturity in dollars). Lastly, two IPOs (Pattern and Sanlorenzo) reserved for professional customers were placed. As regards banking products, the new instant transfer service called "Bonifico Istantaneo" was made available from 23 March 2019 to all holders of current accounts in euro. This new form of transfer allows money to be transferred (in euro within the SEPA area) between authorised accounts held at banks that are part of the SEPA Instant Credit Transfer scheme. The instant transfer service allows users to receive and send money 24/7, up to the maximum limit permitted by the SEPA Instant Credit Transfer scheme. The maximum amount is €15k per transaction and the money is sent immediately, which means that the order cannot be revoked. As regards payment cards, the service offering American Express credit cards was renewed from 4 June 2019. The new Amex Platinum metal card offers new services in the field of travelling and lifestyle with a view to improving customer experience, by enhancing the card's physical nature. From that date, all Amex Platinum cards were enhanced with the following new services:

- Fast Track: priority at security checks in main Italian airports (Rome Fiumicino, Milan Malpensa, Milan Linate, Naples), in order to reach departure gates more quickly.
- Prestige level Priority Pass: free subscription to the Prestige level of the Priority Pass Programme, giving access to over 1,200 VIP Lounges in airports all over the world. Cardholders are also allowed the privilege of taking a guest with them.

Banking services

(€m)

	2019	2018 (*)	% CHANGE
Net interest income	177	155	14
Net profit (loss) on financial assets and liabilities at fair value	41	21	95
Net fee and commission income	108	63	71
INTERMEDIATION MARGIN	**326**	**239**	**36**
Net operating expenses	(216)	(197)	10
Other	2	25	-92
GROSS INCOME (LOSS)	**112**	**67**	**67**
Average Client Assets	**72,672**	**65,296**	**11**
Client Assets	**77,315**	**66,093**	**17**
Key indicators			
Cost / Income Ratio	64%	79%	
Gross income (loss) / Average Client Assets	0.2%	0.1%	
Net fee and commission income / Average Client Assets	0.1%	0.1%	

(*) Restated on a like-for-like basis to take the changes in the scope of consolidation into account.

€77.3 bn

Non-managed assets
(32% of total client assets)

- Insurance cover: compared to the previous Card, the maximum limits of cover in the event of injury have risen from €1m to €5m and purchase protection from €12k to €30k, whereas in the event of a journey cancellation, Platinum Card becomes the best card insurance cover on the market.

During the second half of the year, with the issue of the My Key remote service, the following new digital payment services (Apple Pay, Samsung Pay, Masterpass, Garmin Pay and Fitbit Pay) were issued on Intesa Sanpaolo Private Banking payment cards.
Digital payment services allow customers to use their own mobile device (e.g. smartphone, smartwatch) to perform proximity payment transactions and purchases via internet, through the virtualization of payment cards (debit cards, credit cards and pre-paid cards).
In addition, the JiffyPay service by SIA S.p.A. was terminated on 15 July 2019 and replaced by a new money transfer and payment service in real time called BANCOMAT Pay®, which accompanies the traditional BANCOMAT® withdrawal service and PagoBANCOMAT® payment service of Bancomat S.p.A.. BANCOMAT Pay® integrates the Jiffy service, allowing holders of debit cards issued by the Bank and of the My Key remote service to perform the following transactions simply using their mobile phone number (via the Intesa Sanpaolo Mobile app):

- send money to private individuals or non-profit-making associations, authorised to use the service;
- make payments – also via internet – in favour of retailers or public entities, authorised to use the service;
- receive money from other persons authorised to use the service.

On 14 September 2019, Regulation (EU) 2018/389 came into force, which supplements EU Directive no. 2015/2366 (PSD2). This Regulation provides for new technical standards for Customer authentication, aimed principally at improving the security of electronic payments and reducing the cases of fraud.
On 1 October 2019, marketing was launched of the XME Card Plus, a new debit card on two circuits (the Italian BANCOMAT®/PagoBANCOMAT circuit and the Visa or Mastercard international circuit, chosen by the customer when purchasing the card). In terms of its functions, this card is the synthesis and evolution of the two previous debit cards: BancoCard Plus and XME Card, the sale of which was suspended at the same time. The XME Card Plus represents the first time that a debit card has been available in the “bookable” version and the “off the shelf” version directly from the Branch.
XME Card Plus is aimed at all those individual, adult customers, resident in Italy or abroad, who are holders of current accounts in Euros, and can also be issued, linked to a current account held in the name of a legal person. It has a validity of 5 years, is automatically renewed on expiry and is a contactless debit card, authorised to make digital payments and geared to meet withdrawal and payment needs both in Italy and abroad and can also be used to make purchases on internet. In addition, the card offers a series of insurance guarantees, provided free of charge by Intesa Sanpaolo Assicura S.p.A..

Fideuram - Turin Office

OPERATIONS OUTSIDE ITALY

In geographical terms, the Fideuram Group operates mainly in Italy. Operations outside Italy are run by the product companies Fideuram Asset Management (Ireland) and Fideuram Bank (Luxembourg), the distribution network of Intesa Sanpaolo Private Bank Suisse (Morval) and Financierè Fideuram.

€41.8 bn

Client Assets by Fideuram Asset Management (Ireland)

Product companies

Fideuram Asset Management (Ireland) dac continued to act as manager of the Fideuram Group's collective investment products in 2019 (Luxembourg, Irish and Italian collective investment undertakings) and of the products developed by the Group's insurance companies (Italian pension fund and Irish unit-linked policies). Client assets in the Luxembourg products offered by Fideuram Asset Management (Ireland) totalled €41.8bn at 31 December 2019, an increase of €2.9bn on 31 December 2018 (€38.9bn).

Fideuram Bank (Luxembourg) S.A. plays a leading role in the 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 €41.8bn client assets at 31 December 2019. 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.

Fideuram Asset Management (Ireland) dac

Fideuram Bank (Luxembourg) S.A.

Distribution networks

As part of the actions implementing the international development Plan, Banque Morval S.A. was merged with Intesa Sanpaolo Private Bank (Suisse) S.A. in the first quarter of 2019 and then with Morval Vonwiller Holding S.A., creating **Intesa Sanpaolo Private Bank (Suisse) Morval S.A.**.

Intesa Sanpaolo Private Bank (Suisse) Morval S.A. is a Swiss bank specialising principally in investment services for private individuals. Its head office is in Geneva and its Client Assets totalled CHF 5.1bn at 31 December 2019, of which almost 38% comprised managed assets. The Bank is currently committed to implementing the international development Plan outlined in the Group's business Plan. This envisages consolidating its presence on the Private Banking international markets. Due to the important investments made as operating expenses and as capital expenditure, associated with the implementation of the aforesaid Plan, the year closed with a net consolidated loss of CHF32,3m. On 1 August 2019 the business and contractual relationships of the London branch of Intesa Sanpaolo Private Banking S.p.A .were transferred completely to the new English branch of Intesa Sanpaolo Private Bank (Suisse) Morval S.A.. Lastly, on 9 December 2019, the subsidiary Morval SIM S.p.A. was sold to Fideuram - Intesa Sanpaolo Private Banking S.p.A..

CHF5.1 bn

Client assets by Intesa Sanpaolo Private Bank (Suisse) Morval

Treasury

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 €2.3bn at 31 December 2019 (€2.4bn at year-end 2018).

Intesa Sanpaolo Private Bank (Suisse) Morval S.A. - London Branch

Intesa Sanpaolo Private Bank (Suisse) Morval S.A. - Representative Office Bahrein

Intesa Sanpaolo Private Argentina S.A.

Intesa Sanpaolo Private Bank (Suisse) Morval S.A. - Geneva Office

ASSET AND LIABILITY MANAGEMENT

The tables below show the main balance sheet items compared with the corresponding figures at 1 January 2019. The comparative amounts at 31 December 2018 on the reclassified balance sheet were restated by applying IFRS 16, entered into force on 1 January 2019.

Consolidated balance sheet

(reclassified - €m)

	31.12.2019	1.1.2019 (*)	CHANGE	
			AMOUNT	%
ASSETS				
Financial assets measured at fair value through profit or loss	349	294	55	19
Financial assets measured at fair value through other comprehensive income	3,189	3,294	(105)	-3
Debt securities measured at amortised cost	15,275	13,299	1,976	15
Loans to banks	17,198	12,301	4,897	40
Loans to customers	9,329	9,531	(202)	-2
Hedging derivatives	20	-	20	n.s.
Equity investments	170	151	19	13
Property and equipment and intangible assets	614	576	38	7
Tax assets	164	198	(34)	-17
Other assets	1,459	1,388	71	5
TOTAL ASSETS	**47,767**	**41,032**	**6,735**	**16**
LIABILITIES				
Due to banks	3,033	3,409	(376)	-11
Due to customers	39,024	32,354	6,670	21
Financial liabilities held for trading	33	28	5	18
Hedging derivatives	930	808	122	15
Tax liabilities	94	82	12	15
Other liabilities	1,215	1,079	136	13
Provisions for risks and charges	478	468	10	2
Share capital and reserves	2,054	1,970	84	4
Net profit	906	834	72	9
TOTAL LIABILITIES	**47,767**	**41,032**	**6,735**	**16**

(*) Restated on a like-for-like basis to take the application of IFRS 16 into account.
n.s.: not significant

Quarterly consolidated balance sheets

(reclassified - €m)

	31.12.2019	30.9.2019	30.6.2019	31.3.2019	1.1.2019 (*)	30.9.2018	30.6.2018	31.3.2018 (**)
ASSETS								
Financial assets measured at fair value through profit or loss	349	347	317	310	294	298	280	288
Financial assets measured at fair value through other comprehensive income	3,189	3,616	3,529	3,277	3,294	3,151	3,013	3,444
Debt securities measured at amortised cost	15,275	14,641	13,240	13,194	13,299	13,275	13,325	10,658
Loans to banks	17,198	16,244	15,135	14,525	12,301	12,968	13,373	15,337
Loans to customers	9,329	9,465	9,620	9,263	9,531	9,006	8,869	8,510
Hedging derivatives	20	12	7	1	-	2	1	2
Equity investments	170	166	163	158	151	156	148	151
Property and equipment and intangible assets	614	613	609	563	576	294	295	266
Tax assets	164	170	175	178	198	160	158	156
Other assets	1,459	1,596	1,520	1,472	1,388	1,260	1,192	1,182
TOTAL ASSETS	**47,767**	**46,870**	**44,315**	**42,941**	**41,032**	**40,570**	**40,654**	**39,994**
LIABILITIES								
Due to banks	3,033	3,030	3,098	3,741	3,409	2,469	2,464	2,566
Due to customers	39,024	37,983	35,775	34,131	32,354	32,975	33,175	31,668
Financial liabilities held for trading	33	42	25	27	28	30	32	18
Hedging derivatives	930	1,094	979	890	808	785	815	791
Tax liabilities	94	119	90	102	82	97	61	118
Other liabilities	1,215	1,405	1,399	1,329	1,079	1,115	1,214	1,164
Provisions for risks and charges	478	479	458	470	468	447	445	468
Share capital and reserves	2,054	2,059	2,035	2,022	1,970	1,995	1,994	2,814
Equity attributable to non-controlling interests	-	-	-	-	-	-	-	148
Net profit	906	659	456	229	834	657	454	239
TOTAL LIABILITIES	**47,767**	**46,870**	**44,315**	**42,941**	**41,032**	**40,570**	**40,654**	**39,994**

(*) Restated on a like-for-like basis to take the application of IFRS 16 into account.
(**) Restated on a like-for-like basis to take the changes in the scope of consolidation into account.

Financial assets of the Group totalled €18.8bn, up €1.9bn (+12%) compared to the figure at the beginning of the year.

€18.8bn

Financial assets

Financial assets

(€m)

	31.12.2019	1.1.2019	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through profit or loss	349	294	55	19
Financial assets measured at fair value through other comprehensive income	3,189	3,294	(105)	-3
Debt securities measured at amortised cost	15,275	13,299	1,976	15
Hedging derivatives	20	-	20	n.s.
Total	**18,833**	**16,887**	**1,946**	**12**

This trend is mainly attributable to the increase in debt securities measured at amortised cost (+€2bn) for the purchase of Intesa Sanpaolo bonds and, to a lesser extent, the increase in financial assets measured at fair value through profit or loss (+€55m) and hedging derivatives (+€20m), partly offset by the reduction of financial assets measured at fair value through other comprehensive income (-€105m).

Financial liabilities

(€m)

	31.12.2019	1.1.2019	CHANGE AMOUNT	CHANGE %
Financial liabilities held for trading	33	28	5	18
Hedging derivatives	930	808	122	15
Total	**963**	**836**	**127**	**15**

€1 bn
Financial liabilities

Financial liabilities, consisting of derivatives, totalled €1bn. This item was up €127m (+15%) compared to the figure at the beginning of the year, mainly as a result of fair value changes on the derivatives used to hedge the interest rate risk of certain fixed-rate bonds in the portfolio.

Loans to banks

(€m)

	31.12.2019	1.1.2019	CHANGE AMOUNT	CHANGE %
Due from Central Banks	163	339	(176)	-52
Current account	3,547	5,584	(2,037)	-36
Term deposits	12,868	6,259	6,609	106
Repurchase agreements	500	-	500	n.s.
Other	120	119	1	1
Total	**17,198**	**12,301**	**4,897**	**40**

€17.2 bn
Loans to banks

Loans to banks totalled €17.2bn, up €4.9bn (+40%) on the figure at the beginning of the year. This trend is mainly due to the sharp rise in investments in term deposits with Intesa Sanpaolo (+€6.6bn) and, to a lesser extent, the growth in repurchase agreements. Current accounts included €1.2bn in cash linked to securities lending, secured entirely by cash collateral recognised in the financial statements under Loans to banks and Due to banks (Loans to Intesa Sanpaolo and Due to Banca IMI).

Due to banks

(€m)

	31.12.2019	1.1.2019	CHANGE AMOUNT	CHANGE %
Current accounts	408	882	(474)	-54
Term deposits	578	359	219	61
Repurchase agreements	1,944	2,101	(157)	-7
Debts for leases	22	43	(21)	-49
Other	81	24	57	n.s.
Total	**3,033**	**3,409**	**(376)**	**-11**

€3 bn
Due to banks

Due to banks totalled €3bn, down €376m from the beginning of the year largely due to the decrease in inflows to current accounts (-€474m) and repurchase agreements (-€157m), only partly offset by the increase in term deposits (+€219m). The Group continued to be a net lender on the interbank market, with net interbank deposits of €14.2bn (€17.2bn in deposits and €3bn in loans), €13.9bn of which (approximately 98% of the total) was held by companies in the Intesa Sanpaolo Group.

Loans to customers

(€m)

	31.12.2019	1.1.2019	CHANGE	
			AMOUNT	%
Current accounts	6,663	6,222	441	7
Repurchase agreements	214	726	(512)	-71
Mortgages	862	815	47	6
Other loans	1,555	1,756	(201)	-11
Non-performing assets	35	12	23	192
Total	**9,329**	**9,531**	**(202)**	**-2**

Loans to customers totalled €9.3bn and mainly comprised short-term loans (repayable within 12 months or revocable loans without a specified term). The change of €202m from the beginning of the year is attributable to the decrease in loans under repurchase agreements with institutional customers (-€512m) and other loans (-€201m, mainly due to the reduction in interest income paid as security for the repurchase agreements), partly offset by the growth in current account overdrafts (+€441m) and mortgages (+€47m).
Net problem loans, representing a minimal amount in the portfolio, totalled €35m, up €23m on the figure at the beginning of the year. In detail: doubtful loans totalled €1m, down €1m on the figure at the beginning of 2019. Unlikely to pay loans totalled €19m, up €12m from 1 January 2019, due to new positions arisen during the year; while past due or overdue loans amounted to €15m, up €12m from the beginning of the year, mainly as a result of the application from 1 November 2019 of the new Regulation (EU) 2018/171 which introduced more restrictive criteria as regards the classification of past due loans.

€9.3bn

Loans to customers

Due to customers

(€m)

	31.12.2019	1.1.2019	CHANGE	
			AMOUNT	%
Current accounts	35,193	30,210	4,983	16
Term deposits	3,411	1,795	1,616	90
Repurchase agreements	32	46	(14)	-30
Debts for leases	280	224	56	25
Other debts	108	79	29	37
Total	**39,024**	**32,354**	**6,670**	**21**

Due to customers totalled €39bn, up €6.7bn (+21%) compared with the figure at the beginning of 2019, essentially due to the growth in customer current account deposits (+€5bn) and in term deposits (+€1.6bn).

€39 bn

Due to customers

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	2,278	293	2,571
Spain	-	291	291
United States	-	254	254
Ireland	-	66	66
Belgium	-	54	54
Finland	-	30	30
Luxembourg	-	20	20
United Kingdom	-	19	19
France	-	10	10
Germany	-	10	10
Switzerland	-	3	3
Austria	-	1	1
Total	**2,278**	**1,051**	**3,329**

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

Property and equipment and intangible assets

(€m)

	31.12.2019	1.1.2019	CHANGE	
			AMOUNT	%
Owned real estate	62	69	(7)	-10
Rights of use of leased assets	304	267	37	14
Other property and equipment	14	14	-	-
Property and equipment	**380**	**350**	**30**	**9**
Goodwill	140	140	-	-
Other intangible assets	94	86	8	9
Intangible assets	**234**	**226**	**8**	**4**
Total property and equipment and intangible assets	**614**	**576**	**38**	**7**

€614 m

Property and equipment and intangible assets

Property and equipment and intangible assets, totalling €614m, recorded an increase of €38m compared to the beginning of the year. This is attributable to the increase in the rights to use leased assets, entered under assets in the balance sheet starting from 1 January 2019 following application of the new IFRS 16. The item also includes €140m in goodwill regarding Private Banking divisions acquired by the subsidiary Intesa Sanpaolo Private Banking between 2009 and 2013. Other intangible assets also include, for €30m, the valuation of Client Assets recognised after purchase price allocation 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 an intangible asset with a finite useful life for €34m, to be amortised in the income statement for 15 years based on the estimated life cycle of the acquired client assets. An impairment test was conducted for this intangible asset and it was decided that there was no need to adjust its carrying amount in the balance sheet.

The **provisions for risks and charges** at 31 December 2019 were up €10m on the figure at the beginning of 2019, as shown below:

Provisions for risks and charges

(€m)

	31.12.2019	1.1.2019	CHANGE	
			AMOUNT	%
Litigation, securities in default and complaints	79	88	(9)	-10
Personnel expenses	106	103	3	3
Personal Financial Advisers' termination indemnities	235	232	3	1
Network Loyalty Schemes	55	40	15	38
Other	3	5	(2)	-40
Total	**478**	**468**	**10**	**2**

The provision for litigation, disputes, securities in default and complaints was down €9m from the figure at the beginning of the year as a result of utilisation during the year. The provisions for personnel costs rose by €3m, due to higher provisions set aside for pension funds. The increase of €3m in the provisions for the termination of Personal Financial Adviser agency agreements was attributable to accruals for the year. At the end of 2019, it was decided that there was a need, as regards this provision, to change the curve used to determine the current value of the liability, since the Eur Composite AA curve (as a result of the steep reduction in interest rates that fell into negative figures on maturities of up to 6 years) was no longer fit to represent the value of the money over time, and was therefore substituted with the curve used for Italian government bonds. This change led to a lower provision to the fund of €14m for Personal Financial Adviser agency agreements.
The growth of €15m in provisions for Network Loyalty Schemes was due to the increase in the fair value of insurance policies made to cover the Personal Financial Advisers.

Fideuram - Monza Office

SHAREHOLDERS' EQUITY

€3 bn

Shareholders' equity

Group shareholders' equity including net profit for the year totalled €3bn at 31 December 2019, having changed as follows:

Group shareholders' equity

(€m)

Shareholders' equity at 31 December 2018	**2,804**
Dividend distribution	(810)
Change in valuation reserves	45
Other changes	15
Net profit	906
Shareholders' equity at 31 December 2019	**2,960**

The €45m increase largely refers to the increase in the valuation reserve for financial assets measured at fair value through other comprehensive income after changes in the fair value of the bond portfolio at the year-end. At 31 December 2019, the valuation reserve of financial assets measured at fair value through other comprehensive income totalled €20m.
The Group did not hold any treasury shares at 31 December 2019.

Reconciliation of the shareholders' equity and net profit of the Parent Company Fideuram S.p.A. with those of the Group

(€m)

	31.12.2019	
	SHAREHOLDERS' EQUITY	**INCLUDING: NET PROFIT**
Parent company's balances	**1,919**	**851**
Net profit of subsidiaries consolidated line-by-line	653	653
Valuation reserves of subsidiaries consolidated line-by-line	(7)	-
Effect of consolidation of subsidiaries and associated companies	395	(117)
Dividend income from Group companies	-	(481)
Consolidated balances	**2,960**	**906**

Fideuram S.p.A.'s own funds and main capital ratios at 31 December 2019 are shown below.

Fideuram S.p.A. Capital Ratios

(€m)

	31.12.2019	31.12.2018
CET1	1,033	991
Tier 1	1,033	991
Own funds	1,033	991
Total risk-weighted assets	6,218	5,672
CET1 Ratio	**16.6%**	**17.5%**
Tier 1 Ratio	**16.6%**	**17.5%**
Total Capital Ratio	**16.6%**	**17.5%**

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. In order to provide comprehensive information, the Group voluntarily estimates its consolidated capital requirements, taking its membership of the Intesa Sanpaolo Banking Group into account. At 31 December 2019, our Common Equity Tier 1 Ratio was estimated to be 19.2% (20.1% at 31 December 2018).

Intesa Sanpaolo Private Banking - Bologna, HNWI Branch

4.8.2 **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
Development of sales Networks and quality of service offered Consolidation of the sales Network	The Personal Financial Adviser occupies a central role in the Group's business model, publicising and promoting banking services outside bank premises. 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.	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.
Customer satisfaction Accessibility of services for customers with physical disabilities	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.	

(No.)	2019	2018	2017 (*)
Bank branches - Fideuram Network	98	96	96
Bank branches - Intesa Sanpaolo Private Banking Network	132	126	127
- of which High Net Worth Individual Branches	*9*	*7*	*7*
Bank branches outside Italy	5	6	6
Total Bank Branches	**235**	**228**	**229**
Personal financial advisers' offices - Fideuram Network	203	202	201
- of which Private Banking Centres	*3*	*10*	*10*
Personal financial advisers' offices - Sanpaolo Invest Network	116	121	119
Personal financial advisers' offices - Intesa Sanpaolo Private Banking Network	2	3	3
Total Personal Financial Advisers' Offices	**321**	**326**	**323**

(*) 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. 235

Bank Branches

No. 321

Personal Financial Advisers' offices

Our Personal Financial Advisers are supported in their work by the Group's logistics structure, which consists of 230 bank branches across Italy (98 in the Fideuram Network and 132 in the Intesa Sanpaolo Private Banking Network) and 5 branches outside Italy (London, Geneva, Lugano, Luxembourg and George Town), as well as 321 Personal Financial Advisers' Offices (203 in the Fideuram Network, 116 in the Sanpaolo Invest Network and 2 in the Intesa Sanpaolo Private Banking Network).
For our high-end customers there are three Private Banking Centres, supporting the sales activities of the Fideuram and Sanpaolo Invest Networks, and nine HNWI Branches, serving the Intesa Sanpaolo Private Banking Network.

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 further consolidated during 2019, with the shared goal of optimising costs and rationalising logistics' interventions.

Further local improvements are planned for 2020 (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 the Intesa Sanpaolo Private Bank (Suisse) Morval Network operating in Switzerland, the United Kingdom, Cayman Islands, Argentina, Uruguay and the Kingdom of Bahrain.

To respond to the complex demands posed by the market context, significant restructuring was undertaken at the start of 2019 in the territorial-based organisation of the Fideuram and Sanpaolo Invest Networks. This new territorial structure intends to broaden the Networks coverage in Italy based on a higher number of Area Managers. They will be in a better position to 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 three to six 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 a higher administered financial wealth.
Specifically, in the Fideuram Network, the Liguria Region was incorporated into Area 1 together with the Lombardy provinces of Lodi and Pavia. The province of Bergamo (except for the municipality of Treviglio) have been incorporated into Area 2. Area 3 includes Lombardy (provinces of Brescia, Cremona and Mantua and the municipality of Treviglio). Area 4 is created with the regions of Veneto, Friuli-Venezia Giulia, Trentino Alto Adige and Emilia Romagna (provinces of Ferrara, Ravenna, Forlì-Cesena, Rimini, and the municipality of Imola) Area 5 includes Tuscany, the remaining provinces of Emilia Romagna (Piacenza, Parma, Reggio Emilia, Modena and Bologna excluding the municipality of Imola) and the municipality of Città di Castello. The regions of Lazio, Marche and Umbria (except for the municipality of Città di Castello) are included in Area 6. Lastly, Area 7 consists of Abruzzo, Molise, Campania, Puglia, Basilicata, Calabria, Sicily and Sardinia.
The splitting up of the Sanpaolo Invest Network into six Areas has allowed greater coverage over the country, greater efficiency with the sales initiatives addressed to customers and also positive effects with development both in terms of numbers and quality for the Personal Financial Advisers.
The merging in some Areas of the Fideuram and Sanpaolo Invest units under the coordination of a single Area Manager has allowed improved exploitation of the corporate infrastructures and an increase in sales synergies and shared development policies.
The changes to the sales Areas of the Fideuram and Sanpaolo Invest Networks that had begun at the start of 2019, continued to the end of the year.
The total of thirteen sales Areas (seven for Fideuram Network and six for Sanpaolo Invest Network) into which the two Networks were organised in 2019 have been confirmed for 2020 although with a different distribution (eight for Fideuram and five for Sanpaolo Invest).

The sales structure of the Intesa Sanpaolo Private Banking Network was also revised during 2019, with the number of areas reduced from twelve to eleven. In particular, the North-East Area has incorporated Vicenza and Bassano, the Lombardy 1 Area has been renamed Lombardy Adige and has incorporated Trento, Verona, Bolzano, Monza and Melzo, Lombardy 2 Area has been renamed Lombardy North and has incorporated Bergamo and Lecco, the Veneto North-West Trentino Alto Adige Area has been closed.

The implementation of the project for international development continued in 2019, as outlined in the 2018-2021 Business Plan, through expansion of the distribution networks of Intesa Sanpaolo Private Bank (Suisse) Morval in the international markets (Switzerland, United Kingdom, Cayman Islands, Argentina, Uruguay and Kingdom of Bahrein). As from 1 August, the contracts and assets relating to the London branch were transferred to Intesa Sanpaolo Private Bank (Suisse) Morval.

The area structures of the four Networks are shown below.

Area Structure of the Fideuram Network

AREA	1.1.2020 REGIONS	31.12.2019 REGIONS	31.12.2018 REGIONS
1	Piedmont, Valle d'Aosta	Piedmont, Valle d'Aosta, Liguria, Lombardy (provinces of Lodi and Pavia)	Piedmont, Valle d'Aosta
2	Lombardy (provinces of Como, Lecco, Milan, Sondrio, Varese)	Lombardy (provinces of Como, Lecco, Milan, Monza-Brianza, Sondrio, Varese and Bergamo - except for the municipality of Treviglio)	Lombardy (provinces of Como, Lecco, Milan, Monza-Brianza, Sondrio, Varese)
3	Lombardy (provinces of Bergamo, Brescia, Cremona, Mantua, Monza-Brianza)	Lombardy (provinces of Brescia, Cremona, Mantua and the municipality of Treviglio)	Liguria, Lombardy (provinces of Bergamo, Brescia, Cremona, Lodi, Mantua, Pavia)
4	Veneto, Friuli-Venezia Giulia, Trentino Alto Adige	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)
5	Liguria, Lombardy (provinces of Pavia and Lodi), Emilia Romagna (provinces of Piacenza, Parma, Reggio Emilia, Bologna, Modena), Tuscany (provinces of Florence and Prato)	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)
6	Lazio, Tuscany (provinces of Grosseto, Livorno, Lucca, Massa, Pisa, Pistoia)	Lazio, Marche, Umbria (except for the municipality of Città di Castello)	Lazio, Marche, Umbria (except for the municipality of Città di Castello)
7	Marche, Umbria, Tuscany (provinces of Arezzo and Siena), Emilia Romagna (provinces of Ferrara, Forlì-Cesena, Ravenna, Rimini)	Abruzzo, Molise, Campania, Puglia, Basilicata, Calabria, Sicily, Sardinia	Abruzzo, Molise, Campania, Puglia, Basilicata, Calabria, Sicily, Sardinia
8	Abruzzo, Molise, Campania, Basilicata, Puglia, Calabria, Sicily, Sardinia		

Area Structure of the Sanpaolo Invest Network

AREA	1.1.2020 REGIONS	31.12.2019 (*) REGIONS	31.12.2018 REGIONS
1	Piedmont, Valle d'Aosta, Lombardy (except for the province of Mantua)	Piedmont, Valle d'Aosta, Lombardy, Liguria	Piedmont, Valle d'Aosta, Lombardy, Trentino Alto Adige, Friuli-Venezia Giulia, Veneto, Emilia Romagna
2	Veneto, Friuli-Venezia Giulia, Trentino Alto Adige, Lombardy (province of Mantua)	Veneto, Friuli-Venezia Giulia, Trentino Alto Adige, Emilia Romagna	Liguria, Tuscany, Umbria, Marche, Lazio
3	Liguria, Emilia Romagna, Tuscany, Umbria, Marche	Tuscany, Umbria, Marche	Abruzzo, Molise, Campania, Puglia, Basilicata, Calabria, Sicily, Sardinia
4	Lazio	North of Lazio and part of the province of Rome	
5	Abruzzo, Molise, Campania, Basilicata, Puglia, Calabria, Sicily	South of Lazio and part of the province of Rome	
6		Abruzzo, Campania, Molise, Basilicata, Puglia, Calabria, Sicily	

(*) As from 1 January 2019, Sardinia is excluded from the Sanpaolo Invest Network organisational structure. The Personal Financial Advisers and Offices were integrated into Fideuram Network A at the end of January 2019.

Area Structure of the Intesa Sanpaolo Private Banking Network

31.12.2019		31.12.2018	
AREA	REGIONS	AREA	REGIONS
Municipality and province of Turin	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 (except for the municipality and province of Turin), Liguria
Municipality of Milan	Lombardy (Municipality of Milan only)	Municipality of Milan	Lombardy (Municipality of Milan only)
Northern Lombardy	Lombardy (provinces of Como, Varese, Bergamo, Lecco and Sondrio, province of Milan excluding the municipality of Milan and the municipality of Melzo)	Lombardy 1	Lombardy (provinces of Pavia, Lodi, Cremona, Brescia, Bergamo, Lecco, Sondrio and Mantua)
Lombardy Adige	Lombardy (provinces of Monza-Brianza, Pavia, Lodi, Cremona, Brescia and Mantua, municipality of Melzo), Veneto (province of Verona), Trentino Alto Adige	Lombardy 2	Lombardy (province of Milan excepting the Municipality of Milan, Monza-Brianza, Como and Varese)
North East	Veneto (provinces of Belluno, Vicenza, Venice, Treviso, Padua and Rovigo), Friuli-Venezia Giulia	North-West Veneto and Trentino Alto Adige	Veneto (provinces of Verona, Vicenza and Belluno), Trentino Alto Adige
Emilia Romagna	Emilia Romagna	North East	Veneto (provinces of Venice, Treviso, Padua and Rovigo), Friuli-Venezia Giulia
Tuscany and Umbria	Tuscany, Umbria	Emilia Romagna	Emilia Romagna
Lazio, Sardinia and Campania	Lazio, Sardinia, Campania	Tuscany and Umbria	Tuscany, Umbria
Adriatic Area, Puglia, Calabria and Basilicata	Marche, Abruzzo, Molise, Puglia, Calabria and Basilicata	Lazio, Sardinia and Campania	Lazio, Sardinia and Campania
Sicily	Sicily	Adriatic Area, Puglia, Calabria and Basilicata	Marche, Abruzzo, Molise, Puglia, Calabria and Basilicata
		Sicily	Sicily

Area Structure of the Intesa Sanpaolo Private Bank (Suisse) Morval Network

	31.12.2019	31.12.2018
	COUNTRIES	COUNTRIES
Intesa Sanpaolo Private Bank (Suisse) Morval	United Kingdom - London	
	Switzerland - Lugano, Geneva	Switzerland - Lugano, Geneva
	Cayman Islands - George Town	Cayman Islands - George Town
	Kingdom of Bahrain - Manama	Kingdom of Bahrain - Manama

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.

At the end of 2019, a preliminary contract was signed for the sale of the real estate asset of Intesa Sanpaolo Private Bank (Suisse) Morval located in Geneva in Rue Rodolphe Toepffer 14.

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

(No.)

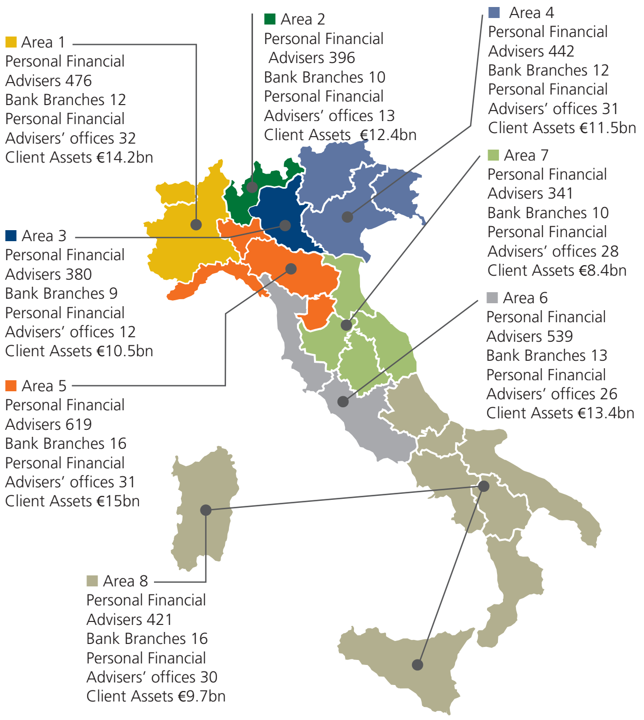
	BANK BRANCHES			PERSONAL FINANCIAL ADVISERS' OFFICES			PERSONAL FINANCIAL ADVISERS		
	2019	2018	2017 (*)	2019	2018	2017	2019	2018	2017 (*)
Piedmont	37	34	34	42	43	43	777	797	776
Valle d'Aosta	1	1	1	2	2	2	14	15	13
Liguria	10	9	9	20	21	21	293	301	310
Lombardy	48	45	45	42	42	40	1,224	1,237	1,227
Veneto	25	25	25	27	27	27	514	522	498
Friuli-Venezia Giulia	6	6	6	10	9	9	124	129	126
Trentino Alto Adige	4	4	4	7	7	7	50	50	51
Emilia Romagna	21	21	21	33	32	32	557	561	548
Tuscany	21	21	21	34	34	34	545	546	541
Umbria	3	3	3	8	8	8	88	91	85
Marche	5	5	5	10	11	12	121	127	124
Lazio	13	12	12	29	30	28	713	742	749
Abruzzo	2	2	3	10	10	10	81	88	97
Molise	-	-	-	2	2	2	15	14	19
Campania	13	13	13	15	15	15	303	320	351
Basilicata	-	-	-	2	2	2	13	16	15
Puglia	7	7	7	10	9	10	116	122	129
Calabria	4	4	4	4	4	4	34	34	38
Sicily	7	7	7	11	12	11	152	167	180
Sardinia	3	3	3	3	6	6	46	54	66
Intesa Sanpaolo Private Bank (Suisse) Morval	4	5	5	-	-	-	54	62	47
Fideuram Bank (Luxembourg)	1	1	1	-	-	-	-	-	-
Total	**235**	**228**	**229**	**321**	**326**	**323**	**5,834**	**5,995**	**5,990**

(*) Restated on a like-for-like basis to take into account the contribution of the Morval Vonwiller Group acquired during the second quarter of 2018.

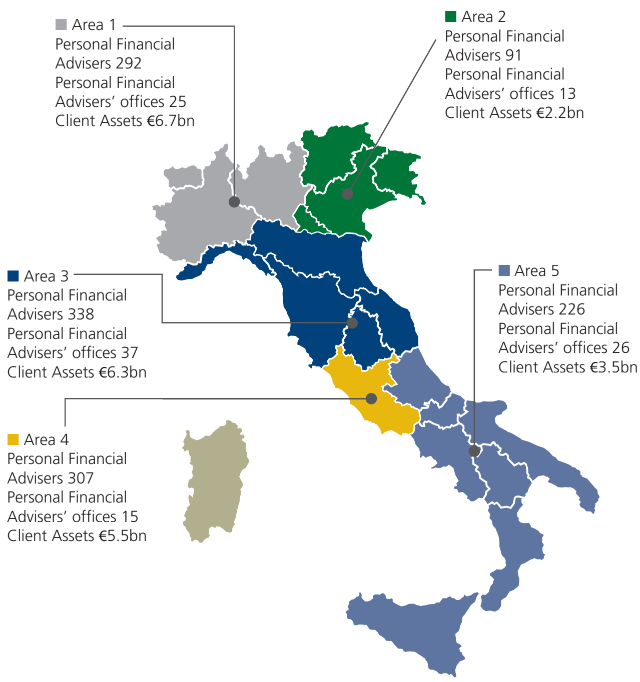
Sales Areas of the three Fideuram Group Networks

The new structure of the sales Areas of the Fideuram and Sanpaolo Invest Networks that have been operational since 1 January 2020 is provided below.

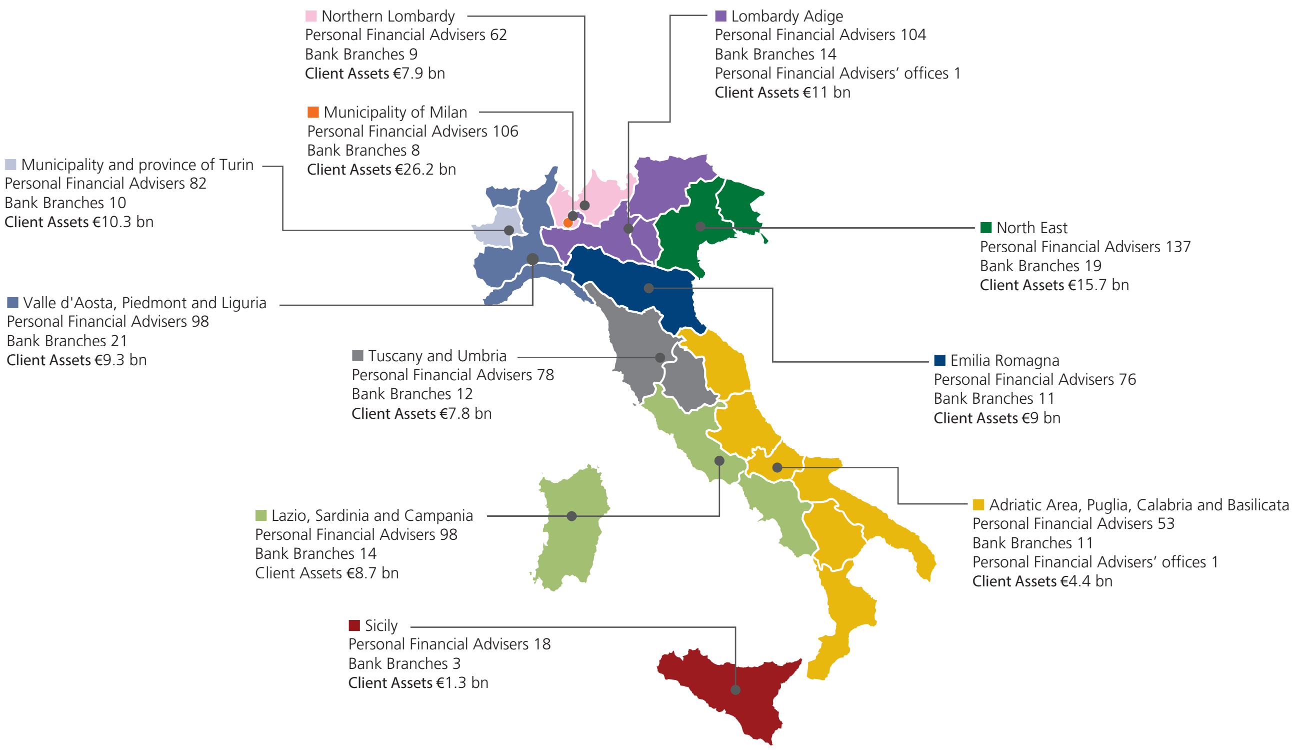
Fideuram Network: 8 Areas



Sanpaolo Invest Network: 5 Areas



Intesa Sanpaolo Private Banking Network: 11 Areas



4.8.3 **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
Security and management of customer portfolios Transparent management of customer portfolios **Development of sales Networks and quality of service offered** 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 **Suitability of financial product offered** 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) **Innovation** New tools available to customers Product innovation Service innovation **Brand reputation** IT security in terms of preventing computer fraud and personal data protection (privacy) **High Net Worth Individuals and Private Banking customers** Services dedicated to HNWI customer segment **Internet and home banking** E-banking and virtualization of services	Offering professional and cutting-edge advisory services underpins the Group's competitiveness. These are 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. 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 is based on customers' knowledge level and propensity to risk. 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.	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. 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. Evolving current technologies, changes to operating processes subsequent to their automation and continual developments in the economy 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 "Private Banking Division 's IT risk governance guidelines". 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. 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. 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.

	2019	2018	2017
Customers subscribed to Advanced Advisory Services (No.)	66,151	68,498	70,816
Advanced Advisory Service client assets (€m)	38,784	36,341	38,671

ADVISORY SERVICES

MAIN OBJECTIVES FOR 2019	ACTIONS AND RESULTS ACHIEVED
Consolidation and expansion of the content provided to customers as part of the SEI Advanced Advisory Service and SEI "Versione Private" for private banking customers.	During 2019, the SEI ancillary services "Nucleo", "Monitoraggio Immobiliare" and "Passaggio Generazionale" were consolidated with 2,507 new activations compared to 2018, for a total of 7,482 services activated since the launch in March 2018. New information and operational content was made available to the Personal Financial Advisers in support of the advisory services they provide to customers.
Introduction of the advisory services contract dedicated to professional customers.	An advisory services contract has been prepared for professional customers, which, as opposed to the retail customers' advisory contract, provides for less stringent suitability criteria, given the typical characteristics of a "professional customer". Lastly in 2019, a new profile questionnaire was introduced to gauge the level of experience and knowledge of the joint account-holder customers.
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.	In 2019, the multi-function work group consisting of the main departments of the Group consolidated the impacts of the MIFID 2 on the business model, focusing especially on the accounting of costs actually incurred by customers with respect to the returns obtained and the monitoring of applied costs in relation to the 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).
Consolidation and improvement of the VIEW Advanced Advisory Service and Private Banking Advanced Advisory Service in order to increase penetration in the target customer segment, as well as improve the usability of these services via new digital platforms.	During 2019, improvements were made to the use of the VIEW Advanced Advisory Service and Private Banking Advanced Advisory Service, through the development of the section for Proposals for Advisory Services within the new digital experience for natural persons.

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 services 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 2019, 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 Advanced Advisory Service and Private Banking Advanced Advisory Services 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 and diversification 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 a customer's total assets even if they are held with other financial brokers, and also include an analysis during the diagnosis phase of their non-financial assets: real estate assets, corporate assets and other high-value goods.
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 Private Wealth Management unit was further strengthened in 2019, with a view to developing and serving the Private Banking and High Net Worth Individuals segments through a pro-active approach and dedicated business model. The model follows a combined global approach that considers every aspect of a customer and their household's asset management needs, using cross-sectorial skills and expertise based on team work and shared best practices. The integrated offering provided by the Private Wealth Management unit covers the following areas: Financial Products and Lending Offer, Corporate Advisory, Legal and Tax Advisory Services, Property Services, Art and Luxury.
The service, operating alongside support from our Personal Financial Advisers, is provided by offering integrated advice on financial assets, real estate, company shareholdings and family businesses with a view to increasing management and allocation efficiencies and also in terms of succession management and asset and wealth protection and 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.
Fideuram currently has dedicated Private Banking Centres for meetings with customers in Milan, Turin and Rome.

Ancillary services to the SEI Advanced Advisory Service and SEI "Versione Private"

The analysis of customers' needs, a distinctive feature of the service, is strengthened by channelling the advanced advisory 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 "SEI" Advanced Advisory Service and SEI "Versione Private" 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.

- "Passaggio Generazionale" 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.
The year 2019 saw the consolidation of the ancillary services "Nucleo", "Monitoraggio Immobiliare" and "Passaggio Generazionale": 2,507 new activations compared to 2018, for a total of 7,482 services activated since the launch in March 2018.

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

VIEW ADVANCED ADVISORY SERVICE

VIEW is the 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 ADVANCED ADVISORY SERVICE

The Private Banking Advanced 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 Advanced 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.

As regards the interrelationship between the Bank's new multi-channel platform for natural persons and the Advanced Advisory Services, a special section was developed of the new digital tool, called Proposals for Advisory Services, in which a customer, who has subscribed to online reporting, can view and express his interest for the proposals developed within the scope of the Private Banking Advanced Advisory Service and the VIEW Advisory functions.

During 2019, 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 22 professionals and its Head, and is divided into three organisational units: Client Business Development, Competence Centre and Investment Solutions and Service Model. 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 year 2019 witnessed the opening of the HNWI Branch in Como and sub-branches in Bergamo and Varese, and of the HNWI Branch in Turin, with sub-branches in Genoa, Cuneo and Novara. Therefore, the specialist network currently consists of 9 segment-dedicated hubs throughout Italy (Milan, Turin, Padua, Bologna, Florence, Rome, Naples and Como).

As regards dedicated solutions, constant search for innovation continued, aimed at offering more targeted and complex solutions compared to what is traditionally offered in private banking.

WM REPORT

The WM Report is the new advanced reporting service on investments available to Intesa Sanpaolo Private Banking customers. It is an integrated reporting service that provides the customer with a single document detailing the assets held, 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 for the enhancement of artistic heritage (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 also continued activity within the scope of Intesa Sanpaolo Private Banking HNWI Management unit, with a special focus on the growing interest for Donor Advised Funds and for the Theory of Change.

DONOR ADVISED FUNDS AND THEORY OF CHANGE

Intesa Sanpaolo Private Banking, within the scope of support from Philanthropy Advisory of the HNWI Management unit, provided impetus for the setting up of **philanthropic funds**, also called **"DAF"** (Donor Advised Funds).
A Donor Advised Fund is a kind of juridical tool that ensures donors to maintain direction and control powers, while alleviating them from the responsibilities of management and administration. These funds can be created through foundations which already exist and offer to act as philanthropic intermediaries.
In addition, within the scope of its offering, the HNWI Management unit also introduced support for organisations or for certain specific projects, in defining the **Theory of Change "ToC"**, a rigorous process used by organisations and stakeholders to structure their objectives in terms of social impact.

MAIN IMPROVEMENT OBJECTIVES FOR 2020

ADVISORY SERVICES

The main objectives are as follows:

- consolidation of the SEI Advanced Advisory Service and SEI "Versione Private", with a view to reinforcing its distinctive model and improving the usability of these services via new digital platforms that are due for release and optimisation during 2020;
- introduction of a financial wealth threshold for joining customers, below which the validity of the Advanced Advisory Services is suspended;
- introduction of the new "Saving Map" service, an automated service for portfolio requalification towards Fideuram Folios and optimisation of current account liquidity;
- 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 effectively applied costs and received benefits;
- extention the contents available to customers of the VIEW and Private Banking Advanced Advisory Services, through strengthening of the service model aimed at different customer targets and the continued increase in the level of information supplied in relation to assets analysis and the characteristics of the products and services provided.

TOOLS SUPPORTING ADVISORY SERVICES

MAIN OBJECTIVES FOR 2019	ACTIONS AND RESULTS ACHIEVED
FIDEURAM ALFABETO Increase of services available on the Alfabeto platform in the scope of the Fideuram Folios offering.	During 2019, with the aim of increasing the level of customisation available to Personal Financial Advisers, the viewing function of customer assets in Folios (Folios position keeping) was enhanced with a number of commercial contents and product performance views.
ADVISORY PLATFORM Increased usage by Personal Financial Advisers and completion of the scope of customers managed and developments and improvements in the sales proposal phase.	During 2019, the scope of customers, who Personal Financial Advisers can manage, was completed within the Advisory platform, with the inclusion of the joint account-holder customers, the Third-Party Fiduciary Companies and other types of customers. The revision of the Sales Proposal was completed which allows Personal Financial Advisers to streamline, complete and speed up their operations during the purchase and sale phase of the available financial products. With the introduction of the new "Products Report", the Personal Financial Advisers have been provided with a new, modern and efficient reporting tool that allows them to have an immediate, simple and easy-to-customise snapshot of the customer's financial position.
Extending functions and content supporting Personal Financial Advisers' advisory activities, with easier browsing on the platform.	Also additional functions were added that enrich the information and operational content found on the Advisory platform, supporting the work of the Personal Financial Advisers. These functions were only available previously on other applications that will be discontinued during 2020. To facilitate and spread the use of the Advisory platform in the Networks, some training classrooms were set up throughout the country, run by a group of Personal Financial Advisers with particular skills in the use of digital tools (so-called "Digital Specialists"). The Digital Specialists had the opportunity of using the new functions in advance and then shared their knowledge through the Network thus ensuring a greater use of the platform by all Personal Financial Advisers.
Modification of operations to comply with MiFID 2 regulations.	Targeted actions were made to bring the Proposal into line with the MiFID 2 regulations.
WELCOME AND EASYSIGN APPS Consolidation and development of the new functions and distribution in the Networks of the "Welcome" and "EasySign" apps.	During 2019, Welcome became the only digital tool available to the Networks for opening the main categories of current accounts dedicated to natural persons. With the introduction of a new function in Welcome, the "à la carte" transfer of funds from other Banks has been optimised and digitalised. The use of the application was also extended to TFAs (Trainee Financial Advisors) and a new process available to Network Managers was developed to speed up the acquisition and opening of current accounts for newly-entered customers of Personal Financial Advisers. In addition, certain actions were taken to bring Welcome into line with the PSD2 European Directive. The biometric signature app, "EasySign", also underwent further changes aimed at improving user experience for Personal Financial Advisers, in terms of speed and usability.

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MAIN OBJECTIVES FOR 2019	ACTIONS AND RESULTS ACHIEVED
EASYDOC 2.0 APP Revision and extension of the functions in the "EasyDoc" app.	Significant changes were made to the "EasyDoc" app during 2019, with regard to the process, functions and graphic layout. In addition to enabling the acquisition of identity cards and with improved and optimised user experience, the new "EasyDoc 2.0" app was supplemented with the management of the main regulatory obligations. Through the notification feature, Personal Financial Advisers are always informed, when they need to fulfil certain obligations, and can manage them quickly and effectively on mobile devices. The new "EasyDoc 2.0" app was released in advance exclusively to small groups of Personal Financial Advisers who had participated in special initiatives ("Digital Specialists").
PORTAL FOR PERSONAL FINANCIAL ADVISERS Maintenance of the efficiency and effectiveness levels achieved by the portal as the info-training channel servicing the Fideuram and Sanpaolo Invest Networks.	The portal for Personal Financial Advisers maintained its central role during 2019 as a method for distributing info-training content to the Fideuram and Sanpaolo Invest Personal Financial Adviser Networks with constant updating of content, implementation of new areas and the creation of new pages to support activities and to promote the product offer.
KEY TV COMMUNICATIONS Increase of the info-training tools that can support Personal Financial Advisers' everyday activities and their relations with customers.	During 2019, Key TV diversified and increased its areas of operation beyond the creation of content for internal communications, by dealing with the production of institutional videos used during corporate events, adverts supporting sales campaigns (e.g. for Fideuram Alternative Investments) and producing specific content aimed at current and potential customers that was suitable for distribution via social network.

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.

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

Alfabeto is available both online and through dedicated **apps** for mobile devices which provide 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, **approximately 4,400 Personal Financial Advisers** have published personal web pages on the platform, supported by dedicated training, and **almost 140,000 customers** have been enabled.

During the year, the greatest efforts were focused on defining the requirements of Alfabeto 2.0, the innovative platform that will take the place of Alfabeto during the coming year. Alfabeto 2.0 is part of the wider Digital Bank project, where Fideuram will be the main player in a revolution in terms of customer experience not only for the web platform, but also as regards the cluster of inter-connected applications, made for smartphones.
The strengths of Alfabeto 2.0 can be summarised as follows:

- single platform for customers including all banking, trading and advisory features with access from the Personal Financial Adviser's public site;
- comprehensive renewal and improvements in usability and customer experience with a state-of-the-art platform in the financial panorama;
- all-round usability through smartphone app: banking, trading, electronic signature and financial asset analysis.

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.

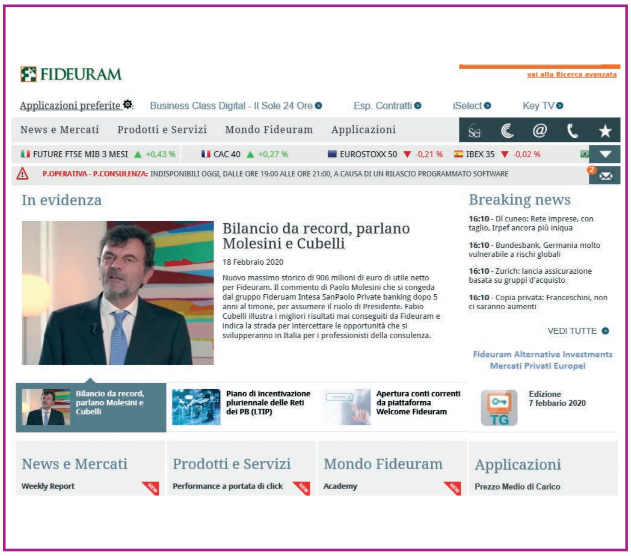
Based on responsive web design technology, Personal Financial Advisers can use the Advisory platform from a PC or iPad. Information of interest is easily accessible and classified according to customer category, based on simple and intuitive navigation.

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)) of the client and his household, 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.

Additional functions were released during 2019 aiming to enhance the tool's information and operational content, allowing the Personal Financial Adviser to conduct a more detailed and accurate study of individual customers assets and portfolios. In particular, the introduction of the new "Products Report", the Personal Financial Advisers are provided with a modern and efficient reporting tool that delivers an immediate, simple and easy-to-customise "snapshot" of the customer's position.
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.
During the year , the developments for the total revision of the Sales Proposal were completed: the new proposal feature was issued to the Networks, affording significant improvements in terms of simplification, completeness and speed for Personal Financial Advisers' operation during the purchase and sale phase of the available financial products. Further adjustments were made to bring the proposal into line with the MiFID 2 regulations.
To facilitate and spread the use of the Advisory platform, a group of Personal Financial Advisers with particular skills in the use of digital tools was created. These "Digital Specialists" were given the opportunity of using the new features in advance and then proceeded to spread their use in the Networks by setting up specific training classrooms all over the country. Based on this initiative and the continual development of content and functions, the 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 2019, the portal for Personal Financial Advisers maintained its central role as a method for distributing info-training content to the Fideuram and Sanpaolo Invest Personal Financial Adviser Networks. In addition to the constant updates in content such as, for example, the Private Wealth Management Hub and Private Wealth Advisor areas, Events, Conosci Fideuram/Sanpaolo Invest and MiFID 2 areas, a number of new areas and pages were introduced supporting the specific activities and promotion of the product offering like the creation of the page dedicated to promoting and supporting Fideuram Alternative Investments (FAI), the financial instrument for investments in real assets and the creation of pages geared to providing support on topics such as PSD2 and Cybersecurity. Once again in 2019, the Incentives Regulations were published directly on the portal for Personal Financial Advisers, with the previous editions archived. Moreover, through the editorial contribution platform (CMS), the portal continues to be the source of contributions created specifically for the public and distributed through Alfabeto.



KEY TV COMMUNICATIONS

Also during 2019, Key TV provided timely information on highly-relevant topics for the work of our Personal Financial Advisers and for customers' needs, with the cooperation from leading guests in the Italian world of finance including economists, university lecturers and professionals. A number of diversified topics were covered: the importance of advisory services, the real estate sector, risk perception, pensions, succession management, to name but a few.
Considerable space was also given to examining macroeconomic and geopolitical scenarios and financial markets, with monthly appointments featuring guest speakers from inside and outside the Group.
The quantitative aspects of Key TV were also significant and on the rise. The level of access of the TV within the Networks stood at 84.1%, with an average of 20 episodes viewed, and 30 by managers. 48% of Top Personal Financial Advisers and Private Wealth Advisors were frequent users, who viewed at least 4 episodes per month.

WEB TV COMMUNICATIONS

During 2019, 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 colleagues were able to view various Web TV clips, including:

- the episodes in the series "Filo diretto con la Rete", in which the General Manager, Saverio Perissinotto, comments on the results achieved and outlines sales strategies for the following periods;
- "Futuro Insieme. Incontro con la Rete, settembre 2019", a series of four videos containing speeches by Paolo Molesini, Managing Director of the Fideuram – Intesa Sanpaolo Private Banking, Saverio Perissinotto, General Manager of Intesa Sanpaolo Private Banking, Francesco Velluti, Head of the Marketing and Network Department, Barbara Calza, Monica Di Luccio and Cristiana Fiorini, Heads of Commercial Incentives, Marketing and HNWI Departments;
- Intesa Sanpaolo Private Banking, a company of success, dedicated to the end-of-year meeting with the Network. The team spirit and excellent results were the main features of this event.

The Bank also used this channel to disseminate information about its sponsorship of certain important cultural events such as miart 2019 and Genoa Shipping Week.

FIDEURAM MOBILE SOLUTION

Fideuram Mobile Solution has supported and streamlined the work of our Personal Financial Advisers for nearly ten years, enabling them to dedicate more time to their customer relations. Through use of the most advanced technologies, the Personal Financial Advisers can:

- access correct, constantly-updated documentation at any time, also on mobile devices, and share them with customers;
- acquire the customers' personal detail documents in electronic format, through the smartphone "Easy Doc 2.0" app that has been fully revised and improved during the year and through the Cruscotto Compliance Clienti application;
- 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 the "EasySign" dedicated app on their Personal Financial Advisers' iPads.

At the same time as the revision of the Sales Proposal on the Advisory platform, and with a view to broadening the range of products, the Personal Financial Advisers have been able since July 2019 to acquire, through the Fideuram Mobile Solution, the "à la carte" fund-earning plans and the placement of certificates on the primary market, meaning that such operations have become digital, without the need to use carbonless copy paper.
Furthermore, during 2019, the Personal Financial Advisers were provided with a Document Archive which enables easy and immediate access to all the forms used in investment operations and regulatory obligations, which are produced in digital format within the Fideuram Mobile Solution and signed by the customers in a holographic, electronic or biometric manner.

REMOTE BIOMETRIC AND DIGITAL SIGNATURES

Also in 2019, the transition to paperless documents was supported with two ways of signing the many banking contracts and documents, both inside and outside branch premises:

- Biometric Signature (FEA: Firma Elettronica Avanzata i.e. Advanced Electronic Signature);
- Digital Signature (FDR: Firma Digitale Remota i.e. 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 on the Bank's website and sign them using their Digital Signature certificates. There are many important benefits for our customers and Personal Financial Advisers:

- our Personal Financial Advisers are able to select the most appropriate communication channel for their customers' needs with a view to optimising the relationship, taking them through guided processes to the formulation of a sales proposal;
- our customers can receive their copy of the contract in digital format, as well as sign the contract proposal directly in the personal area of the internet site.

MAIN IMPROVEMENT OBJECTIVES FOR 2020

TOOLS SUPPORTING ADVISORY SERVICES

Fideuram Alfabeto
The following is planned for Alfabeto:
- complete renewal of customer experience with the launch of Alfabeto 2.0;
- full integration for the customer between the world of internet banking, trading and asset advisory services;
- extension to the range of features that the customer can use (new features for digital payments, aggregation of accounts with third-party intermediaries, analysis of performance of own wealth);
- improvement in user experience on mobile channels, through new native applications that are inter-connected through a single authentication mechanism;
- section dedicated to the new "Saving Map" service, where the customer can promptly and easily view all the components in their "Saving Map" agreement, such as current account liquidity, amount destined to the Saving Map solution, the amount of automatic contributions and the credit amount.

Advisory platform
The Advisory platform must become the main tool available to Personal Financial Advisers to assist them in providing their advisory services in favour of customers, and therefore it envisages:
- the migration, to the Advisory platform, of the added-value features found on the obsolete applications and which will be discontinued during 2020;
- further improvements to the New Sales Proposal, also supporting the new "Saving Map" service;
- further information enhancement and the possibility of increased customisation in reporting;
- extending functions and content supporting Personal Financial Advisers' advisory activities;
- modification of operations to comply with MiFID 2 regulations.

Fideuram Mobile Solution
With the aim of making the operations of Personal Financial Advisers easier, the following developments are envisaged for Fideuram Mobile Solution:
- broadening the range of products and managed operations;
- the extension of Fideuram Mobile Solution to all types of customers;
- the discontinuation of carbonless copy paper;
- modification of operations to comply with MiFID 2 regulations;
- the closure of obsolete acquisition systems.

Welcome
Welcome shall become the main "entry point" available to the Networks for acquiring new customers, opening current accounts and transferring funds "à la carte" from other Banks, with an extension of the categories of current accounts managed, the extension to all types of customers and the elimination of certain operational restrictions that do not allow the use of Welcome in certain cases.

EasyDoc 2.0
EasyDoc 2.0 will be released to all Networks and will be the subject of further developments with the aim of extending its scope of customers, the types of obligatory procedures and functions.

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 Personal Financial Advisers Networks. The continual updating of content and greater focus on sales communication aspects will allow the Personal Financial Advisers to concentrate their attention on the core business.

Key TV Communications
The aim of Key TV will be to transform itself increasingly into a multimedia hub where the various professionalisms can be converged to cooperate with each other with a view to producing various contributions that use different languages according to the target audience and distribution procedures: social platforms, the portal and live streaming, so as to produce effective content that can, on the one hand, support the daily activities of the Personal Financial Advisers and, on the other, the dialogue with customers. Financial education will always occupy a central role in programming, and also the constant updating on topics associated with macroeconomic dynamics or financial markets.

NETWORK SERVICES

MAIN OBJECTIVES FOR 2019	ACTIONS AND RESULTS ACHIEVED
Online Services Increase in security standards during the process of customer authentication in compliance with the PSD2 regulations.	During 2019, all the developments required to make the Fideuram Group banking applications compliant with PSD2 were completed. Customers were informed and given guidance on the process of certifying their mobile phones and on the choice of the PSD2-compliant authentication procedure (O-Key Smart or O-Key SMS) replacing the physical O-Key device, in order to have continued access and operations via the Group's Online Services, after the deadline of 14 September set by the European Directive.
Introduction of mobile payment tools at participating stores and on the web, using smartphones and smartwatches supporting this function.	During 2019, the payment systems Apple Pay, Samsung Pay, Garmin Pay and Fitbit Pay, via mobile devices, were launched and made available to customers.
Commitment to Intesa Sanpaolo Private Banking's continuous evolution of the multi-channel services.	During the year, Intesa Sanpaolo Private Banking undertook a series of activities with the introduction of the new digital tool for natural persons and the subscription of the My Key digital identity agreement.
Websites Updating and development of the editorial content and information material on products on the websites.	The Fideuram and Intesa Sanpaolo Private Banking institutional websites circulated media content relating to the Bank and Group during 2019 (results of the Private Banking Division, awards and sponsorships), as well as considerable editorial content. In particular, ample space was given to the communication campaign which supported the launch of the new digital experience, the adoption of the new authentication procedures for online services, the launch of the new digital payment services and issues linked to security.

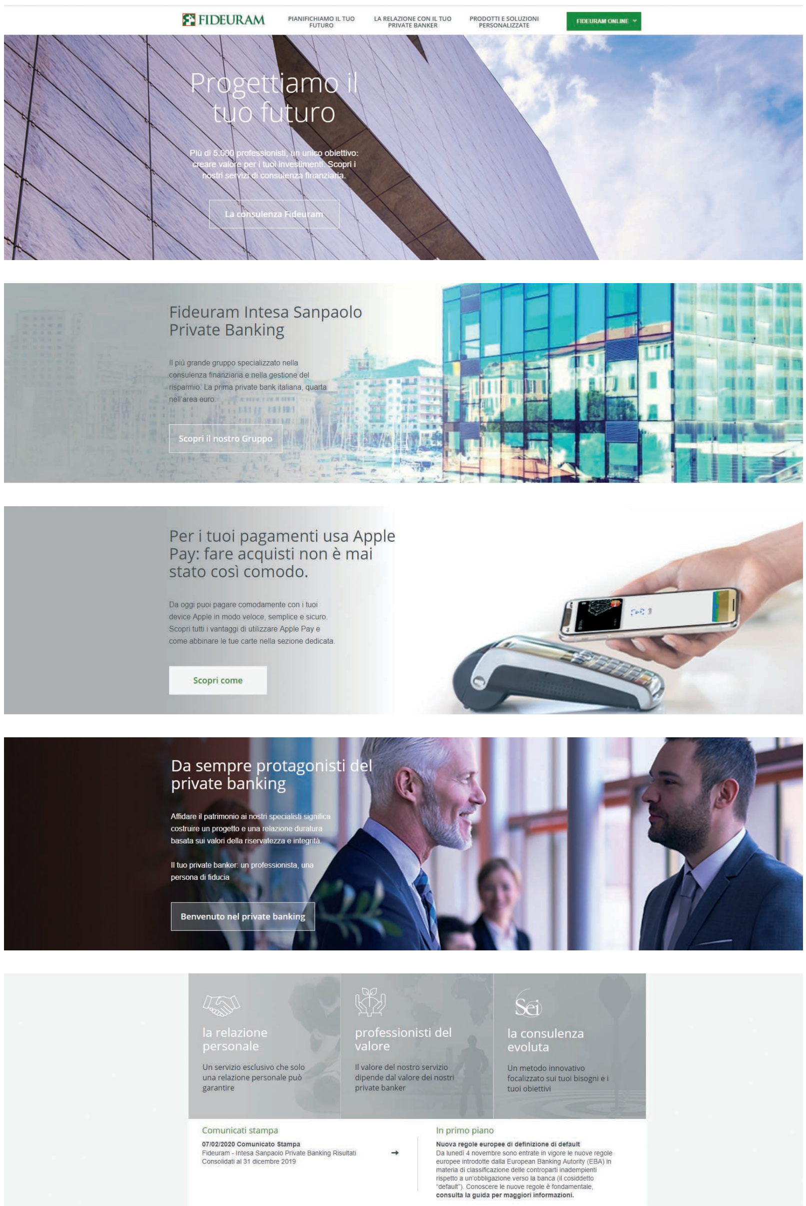
ONLINE SERVICES

In 2019, Fideuram and Sanpaolo Invest enjoyed another year of great innovation and developments from the point of view of online services provided to customers. In addition to the ever-growing usage trend, during the year Fideuram had to deal with some important changes dictated by regulatory requirements, aimed at customer protection.
Fideuram succeeded in turning these regulatory inputs into opportunities for developing the services it offers to its customers, thus combining high technological standards with security.
In order to mitigate the new stringent authentication procedures for its customers when accessing online services, Fideuram launched a digitalisation process for the O-Key Smart and O-Key SMS recognition tools, replacing the old "physical key device", with the aim of making the authentication phase for customers accessing online platforms even more secure.
Fideuram also targeted improved digital experience, by developing a series of functions geared to promoting customer-operated actions: in this area, the procedures for **online certification** of mobile phone numbers and the **generation of PIN codes** for payment cards (E-Pin) directly via home banking have been defined in line with paperless policies.

In 2019, the multi-channel services of Intesa Sanpaolo Private Banking were provided with further, significant improvements, thanks to:

- the complete revision of the reserved area of the bank's website and apps (Intesa Sanpaolo Mobile and Intesa Sanpaolo Investo) offering a new digital experience to individual customers in terms of transactions and investment operations;
- the subscription of the Bank to the Intesa Sanpaolo Group's digital identity agreement, called My Key Persone Fisiche, which, in addition to regulating remote services, also regulates, under a single contractual umbrella, the digital signature, biometric signature and the sending of documentation to customers in paperless format. The My Key agreement allows authentication on the channels using PSD2-compliant procedures with O-Key Smart and O-Key SMS.
- The adoption of the new O-Key SMS authentication procedures for legal persons also in compliance with the PSD2 regulations.

Thanks to these important developments, there is confirmed growth in the use of multi-channel services, both in the number of customers (with an increase in the number of subscriptions compared to the previous year) and in the number of transactions completed online. About half the banking and investment transactions were actually completed through the online channels (website and apps). In particular, the most frequent transactions were transfers and movements between accounts in the transactions area and the trading of securities on the investments front.



WEBSITES

Fideuram and Sanpaolo Invest

In 2019 the website continued to be an important information channel for our customers and a method of promotion towards non-customers. This is confirmed by the data on access and consultation, with over 1.7 million users visiting the website, about 6.2 million sessions and over 7.8 million page views.
In addition to the communications about new services and products that characterised Fideuram's sales offering, the new digital payment services also found space with detailed information on their activation and usability. The agreement with Apple allowed Fideuram and Sanpaolo Invest customers to experience a new digital payment method directly from their smartphones and smartwatches.

The websites have been subject to communication actions and dedicated sections aiming to illustrate the advantages of using Apple Pay, guiding customers both in the phases of pairing their card with the chosen device and in the payment methods according to the features of the means used.
The websites also welcomed and promoted the launch of Intesa Sanpaolo's open banking platform and informed customers about digital safety warnings and European regulations such as the "New Definition of Default".

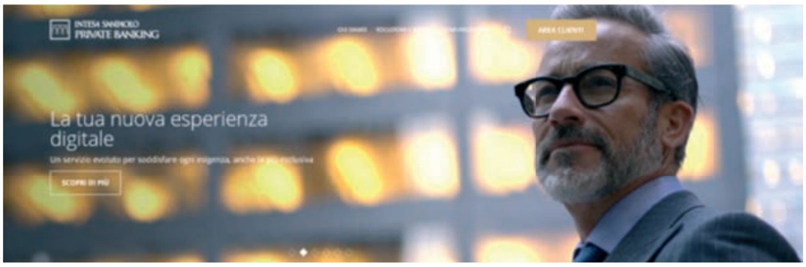
Intesa Sanpaolo Private Banking

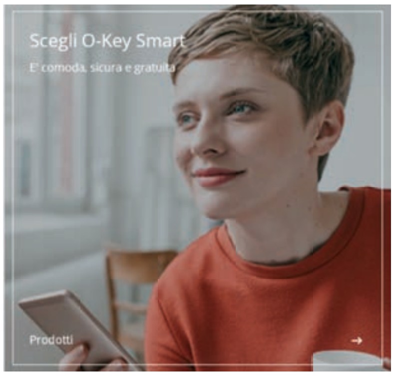
The relationship of Intesa Sanpaolo Private Banking with its customers remains a core element of its service model, based on an in-depth understanding of its customers and the ability to meet the needs of this specific market segment, which are the principal reasons for its leadership.
Individuals are 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. During 2019, over 550 thousand users visited the website, with about 1.7 million sessions and over 2.7 million pages displayed.
The editorial content expressed in the home page accompanied the birth of the new digital experience of Intesa Sanpaolo Private Banking and the adoption of the My Key digital identity, with a communications campaign covering the period from March to the end of October.

Particular attention was paid to digital payments, made possible by the adoption of the Intesa Sanpaolo Mobile app (within the scope of the new digital experience project), and to the agreement entered into between Intesa Sanpaolo Private Banking and Apple for the launch of Apple Pay.
Furthermore, in line with the promotion of self-performed operations and with the adoption of the new authentication procedures required by PSD2 regulations, a special campaign was held to raise the awareness of customers regarding the 7 most common IT frauds and how to avoid them.

The Intesa Sanpaolo Private Banking institutional website, alongside the websites of the other Intesa Sanpaolo Group companies, also supported the launch of the open banking platform and the information campaign relating to the entry into force of the new European default-definition regulations.

Continuing the tradition set in previous years, there was further development of editorial content focusing on non-financial matters, associated with Wealth Management topics, with particular reference to the analysis of real estate market trends and the synergies with Gallerie d'Italia which contributed to increased visibility for the various initiatives promoted during the year by the Intesa Sanpaolo network of museums and cultural events: *Prospettiva – Arte contemporanea* (Perspectives – Contemporary Art), *Dall'argilla all'algoritmo – Arte e tecnologia* (From clay to algorithms - Art and Technology), *Botticelli – Compianto sul Cristo morto* (Botticelli – mourning over the Dead Christ) and *Canova Thorvaldsen – La nascita della scultura moderna* (Canova Thorvaldsen – The Birth of Modern Sculpture).





MAIN IMPROVEMENT OBJECTIVES FOR 2020

NETWORK SERVICES

Online Services

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

- the launch of Alfabeto 2.0, the new platform will revolutionise user experience by integrating all the banking, trading and asset analysis features in a single environment. Alfabeto 2.0 is part of the wider "Digital Bank" program in which all the smartphone applications will also be reviewed and developed;
- further added adjustments are also envisaged to comply with developments in European regulations, including alignment of fees and commission for cross-border payments and transparency as regards exchange-rate fees and commission on bank transfers.

In particular, Intesa Sanpaolo Private Banking intends to continue to consolidate experience on customers' digital channels, further improving user experience for natural persons on all digital channels, with maximum attention paid to security within authentication procedures and to usability of the platforms with a particular focus on the development of Apps.

Website

There are plans for further enhancement and use of websites as channels of communication, addressed to current and potential customers, dedicating ample space to new products and services, with the aim of highlighting the new business developments, which will characterise the new year. Furthermore, in order to assist customers in dealing consciously with the changes in the way digital services are used, particular importance will be given to security in managing existing relationships.
In addition, digital communication will be a priority objective, with constant updates on editorial 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. More specifically, a new brochure was prepared to launch Fideuram's fourth alternative investment fund, FAI Mercati Privati Europei, a few product brochures were updated, including **Omnia** with the addition of the new Ego Active Lines, and the leaflet on **Private Wealth Management** was redesigned, in terms of content and layout, with the presentation of new services dedicated to Private Banking customers.
On the subject of alternative investments, two new advertising campaigns were run. One campaign was in February 2019 to highlight the results achieved by the first placement of the third alternative fund, **FAI Mercati Privati Globali**, and to announce the opening of a second window. In December 2019, the second campaign was dedicated to the excellent results achieved with the placement of the new **FAI Mercati Privati Europei**.
Communications relating to the new Fonditalia sub-funds, in continuation from the previous year, 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. During the year, the information sheet on the **Fonditalia Cross Asset Style Factor** was also produced.

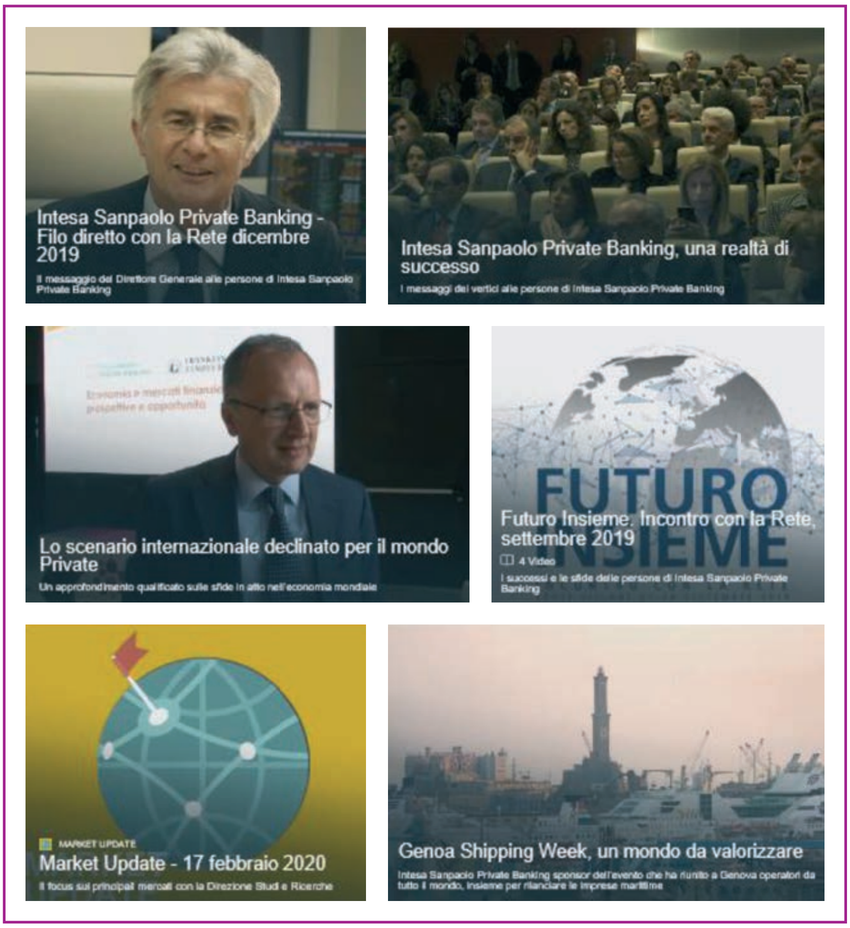
As a support for internal communications on products and services, a newsletter entitled "Advanced news on products and services" was designed in order to update Personal Financial Advisers on the main available news for customers.

During 2019, Intesa Sanpaolo Private Banking maintained its commitment to offering customers clear, transparent and comprehensive information on the Bank's service model and on services and products offered, as with all activities for disseminating and consolidating the brand identity.
There was an all-round focus on all aspects of institutional material and product documentation, geared to describing the range of services offered by the Bank to the various customer targets. Care was taken with the updates to **institutional presentations** and with the restyling of the **WM presentation addressed to HNWI customers**, featuring a specifically-designed format in line with the private bank identity.
Within the area of payment systems, a specific layout was created during the year for the new **XME Card Plus**, the debit card that works on both national and international circuits, whereas, within the scope of new agreements with primary partners in the digital payment services sector, care was taken to protect the aspects of brand identity.
New institutional roll-ups were used for events and partnerships.
As regards hospitality that the bank offers to its leading customers in the skyboxes, new **panels** were produced and positioned in highly visible areas.

INTERNAL COMMUNICATION

During 2019, the Intesa Sanpaolo Private Banking internal communication initiatives were created with the commitment to spread awareness of the private banking market and the service model adopted to satisfy the needs of customers in that market. The main initiatives implemented were as follows:

- **Group Intranet** with updates on Intesa Sanpaolo Private Banking results and projects;
- **Intranet News**, with important information on the results achieved, the positioning recorded periodically in the private banking sector, the main initiatives taken and the launch of the Web TV clips;
- **Web TV**, the television channel used to convey Bank information and initiatives.



ORGANISATION AND INFORMATION SYSTEMS

ORGANISATION

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 businesses 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 2019 were as follows:

1. Regulatory projects

- Development of the MiFID 2 project for the Division.
- Completion of the activities to implement the measures needed to comply with security and open banking requirements under the European Payment Service Directive (PSD2).

2. Corporate projects

- Monitoring of organisational aspects under the International project, and integration of the London Branch of Intesa Sanpaolo Private Banking within the scope of the Swiss subsidiary Intesa Sanpaolo Private Bank (Suisse) Morval.

3. Management projects

- Continuation of the activities for the adoption of the New Master File for the Intesa Sanpaolo Group (“Nuova Anagrafe delle Controparti del Gruppo Intesa Sanpaolo - NAG”).
- Launch of the project work for the Enhancement of the Operational Models for Fideuram and Intesa Sanpaolo Private Banking Networks geared to simplifying the processes with a view to a more effective governance of operational risks.
- Management of the development of the Internal Control System with the centralisation within Intesa Sanpaolo of the Chief Compliance Officer and Data Protection Officer units.

4. Commercial projects

- Management of the development work towards the Group’s Internet platform, New Digital Customer Experience (NDCE).
- Continued reinforcement of the organisational model dedicated to the High Net Worth Individuals segment.
- Management of the development work for the organisational model dedicated to the Mass and Affluent customer segments.

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 completed in 2019. This allows 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.

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 SECURITY AND BUSINESS CONTINUITY

The Fideuram Group pays particular attention to issues related to IT Security and the developments in Cybersecurity. In a context where these issues continue to acquire increasing importance for the correct conduct of business activities and where being able to ensure adequate levels of security is becoming essential in an environment where the services offered to customers are continually under threat, Fideuram has set up its own IT Security and business continuity function, defining a coherent Cybersecurity strategy.
This strategy is developed through two main sets of measures, which outline a shift from an approach based on security of boundaries to the concept of security by design:

- the improvements to the Cybersecurity safeguards through the completion of a series of initiatives within the Masterplan included in the 2018-2021 Business Plan;
- extension of the Cybersecurity safeguards to the Group through the completion of a series of initiatives involving integration of the various subsidiaries to bring them into line with the IT Security Model and the target safeguards defined by Intesa Sanpaolo (“Security Integration Plan” project).

In 2019, the gradual implementation and extension of the security model went hand in hand with all the recurrent Cybersecurity activities, which make up the foundations on which the Cyber Readiness of the Group rests and which have seen an extension to their perimeter and scope, also due to the conclusion of certain important projects, such as:

- updating of the regulatory framework with a view to being compliant with the developments in Italian, European and sectorial regulations (“Reengineering of the regulatory framework on Cybersecurity and Business Continuity” project);
- updating of the process of managing critical events, which involved the definition of the department delegated to manage critical events (GEC), which acts as an intermediate layer between the affected functions and the emergency and crisis units, as a result of the widening of the scenarios managed by the Organisational Model for Crisis Management (MOGC) of Fideuram. Within this

process, the Information Security Officer proceeds with classifying events according to the methods defined by Intesa Sanpaolo and, if necessary, notifying the counterparties concerned;

- operational launch of the Integrated Controls Model of Information Security and Business Continuity;
- launch of the roll out of the Data Loss Prevention (DLP) solution supporting the information classification model and the launch of the masking/anonymity of personal data under the GDPR (General Data Protection Regulation);
- launch of the definition and implementation project for the new Identity and Access Management (IAM) and the release of the IUPnet 2.0 platform, whose objectives are to ensure the best security standards (e.g. through the use of Strong Authentication solutions) facilitating the Group's digital transformation, and to increase the efficiency and level of compliance of the processes of application profiling and user profiling;
- analysis, planning and gradual implementation of "target" security measures of a technological nature (logical and physical segregation of testing and production environments, new platform for change management, disposal of equipment with obsolete operating systems, logging and monitoring events);
- launch of the monitoring model for critical suppliers.

With reference to the critical events detected in 2019, it should be noted that the correct guidance and management thereof meant that there no noteworthy impacts occurred with any company in the Fideuram Group.
The function is engaged, on an on-going basis, in 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.

INFORMATION SYSTEMS

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 2019, with the aim of fully exploiting the opportunities offered by new technologies, the system development and streamlining activities focused on three areas:
1. activities in support of business;
2. projects to develop and streamline the architecture and digitalisation of our operating processes;
3. compliance with regulatory requirements.

The most significant projects in the first area were as follows:
- **Digital Bank:**
  - the New Digital Customer Experience internet banking and the new Trading platform called "Investo" were released for the Intesa Sanpaolo Private Banking Network. Both platforms allow access via the web and via mobile app;
  - the project was launched for the adoption of the New Digital Customer Experience solution for the Fideuram Network, and its integration with the financial advisory functions through a single customer access, which in 2020 will be the Alfabeto 2.0 solution;
- **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 Folios both in the form of pre-packed Folios (e.g. Thematic, Class, Advice and Style) and underlying elements for customised Folios (Il Mio Foglio). The fulfilment of the "Mutual funds transfer" process to Fideuram Folios was an important innovation both in terms of the funds already held by customers within Fideuram and funds from third-party banks;
- **extension of Products range:** several additions were made in order to develop the offering. The developments regarded various sub-funds of non-managed assets (e.g. various Certificates), of managed assets (numerous new SICAVs, development of Discretionary Accounts and new Alternative Funds) and life insurance assets (new policies and existing policies). The integration project with the First Advisory broker was particularly significant for launching the "insurance wrappers";
- for the **Advisory platform**, the most important development was the release of the "New Proposal" with a comprehensive revision of the functions for creating sales proposals, which makes considerable improvements and simplifications for Personal Financial Advisers in the Fideuram and Sanpaolo Invest Networks. A few functional enhancements were performed and, in particular, the creation of the "Products Report" which creates the foundations for a new, more modern and comprehensive reporting style for Personal Financial Advisers and customers. As part of the broader process to simplify applications, the Advisory platform was further integrated with the porting of a number of functions that had previously resided on the SIM PB application (Portfolio Analysis, Advanced Product Search, Extension of the scope of customers to joint account holders);
- improvements to reporting in support of Personal Financial Advisers of Intesa Sanpaolo Private Banking with daily feeds of instrument-specific **Average prices**, and reception of the details on the Private Banking platform, New Digital Customer Experience, VIEW, WM Report and Financial Area;
- **evolution of VIEW** (Value Investing Evolution Wealth): the Advanced Advisory Service for Intesa Sanpaolo Private Banking customers underwent a few adjustments including the integration of the proposal in Policies with the (ABC) acquisition platform and Split payments.

The following projects were completed in continuity and consistently with activities over recent years, as part of a broader process for architectural transformation and digitalisation of operational processes:
- **Welcome and EasyDoc 2.0:** the app for onboarding of customers was extended with new features to make the opening of current accounts easier and quicker by using paperless procedures. At the same time, EasyDoc was evolved into its 2.0 version for the management of regulatory obligations on mobile devices.

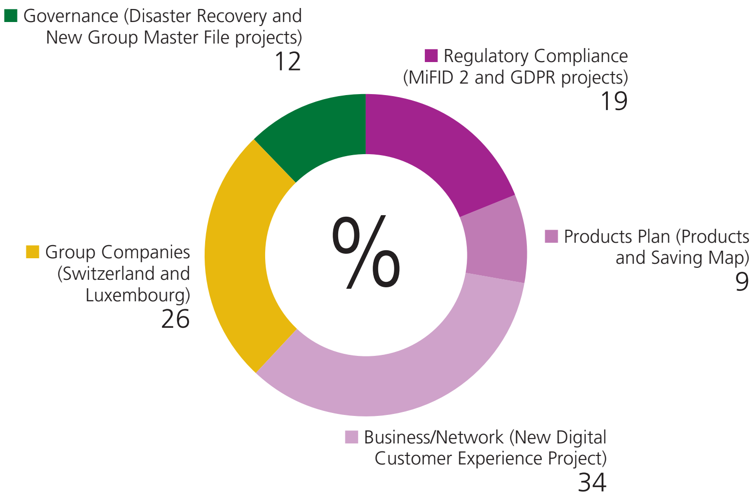
- **Fideuram Mobile Assistant (FMA):** the mobile app was distributed throughout the Fideuram Network and enhanced with a number of new contents which allow Personal Financial Advisers to request documentation and reports also via mobile devices using a voice-based interface.
- **SmartRC (Sales Reporting):** a new mobile app was developed and distributed throughout the Fideuram Network for the viewing by Personal Financial Advisers and management of the sales results, incentives, rankings and various KPIs.
- **Installation of Private Banking Rooms for AES (Advanced Electronic Signature) usage:** the installation of a PC with a Wacom 10" tablet, for use by customers when putting a biometric signature, has been completed in every branch of Intesa Sanpaolo Private Banking, including the HNWI Network.
- **Evolution of the Tableau de Bord of Intesa Sanpaolo Private Banking** with numerous technical/functional measures on systems and technological aspects with upgrades, on the operating system, on the SAS version and also from a functional point of view with enrichment from Revenue Projections (Introduction of Market Rates/FTP), Non Profitable Assets, the Praesidium application.
- **Windows10 Fideuram Project:** this project, launched at the beginning of the year, ensures technological developments for the workstations of all employees and Personal Financial Advisers of the Fideuram and Sanpaolo Invest Networks with the introduction of the Win10 operating system. The project will be completed during 2020.

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

- **MiFID 2 regulations** introduced application and process changes to several Bank and Personal Financial Advisers activities. Specifically, the more intense areas covered in 2019 referred to:
  - Ex-post reporting on costs, charges and incentives for all customers.
  - Profiling and Suitability on second Holders.
  - Service Model (Switching and Suitability, ex-ante Disclosure, Record Keeping).
  - Product Governance (Product Comparison, ex-post Monitoring, Target Market).
  - Finance compliance (Orders and Transactions register, Post-trade transparency).
  - Training for employees and Personal Financial Advisers.
- **PSD2 regulations**, which came into force in September and led to changes in the mechanisms for customers gaining access to internet banking through dynamic linking with OTP technology via SMS or with push notifications. During the year, all active customers had their mobile phones certified and chose their preferred authentication procedure.
- Operational and technical work was undertaken relating to **GDPR regulations**, which will continue well in 2020.
- As regards regulations on insurance products, the process for placement of a Policy was supplemented with the addition of the **Insurance Due Diligence Questionnaire** process.

During the year the Information Systems managed around 70 development projects, complying with business requirements and sales deadlines, with a total investment of approximately €50m.

Investments in information systems



BUSINESS OPERATIONAL SUPPORT

The Business Operational Support unit played an active role in various projects, testing many newly-created or restyled product solutions of major applications (including: NAG; New Proposal, Alfabeto 2.0 and Saving Map), while also coordinating specific implementation initiatives. Moreover, the monitoring and contribution towards distributing the Welcome app for onboarding customers continued. 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.

An important contribution was also provided in managing the MiFID 2 project and active participation in the creation of important releases for the Products Plan: Pension Fund Redemptions, Development of Fonditalia Forms, new Life Insurance Products. In placing new products, particularly those which envisaged an investment "window", the management of post-investment outcomes was monitored so as to complement and maximise the inflows achieved by the Networks.

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.

In addition, certain initiatives were undertaken in agreement with the Personnel to promote job rotation (Smart Rotation) and also, in agreement with Procurement, purchases were made during peak work times (Smart Sourcing).

Automation and simplification of operating processes: the change management process was continued, in which all resources were asked to rethink 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 external companies have been expanded. As a part of these activities, an Operational Excellence Academy was launched and consolidated during 2019. The Lean Banking & Six Sigma certifications were awarded in the presence of top management. In addition to the new Green Belt certifications, some colleagues obtained the next level of certification during the year: Black Belt. There was a continued drive through a single master initiative called "Go Paperless", identifying new activities and proposing actions that will ensure better overall positioning of the Group as regards this important issue.

COORDINATION AND OPERATIONAL STRATEGIES

In relation to Governance, the Coordination and Operational Strategies unit completed the onboarding of Fideuram Investimenti SGR, Siref Fiduciaria and Intesa Sanpaolo Private Bank (Suisse) Morval, regarding Demand Management, IT Budget Governance and project monitoring processes, and also launched the onboarding of Fideuram Bank (Luxembourg) which will be completed during 2020.

These actions ensure the strengthening of governance in the Fideuram Group through the adoption of tools and processes that guarantee constant and timely monitoring and growing collaboration and synergy among the parties. Through the management of the Projects Committee, the Division's Project Portfolio is monitored effectively with a specific focus on International Development. For this purpose, the Project Management tools were further developed and support reporting was reviewed, with the preparation of new, summarised and aggregated views that provide a clearer, integrated and coherent representation of the information covering the entire, end-to-end process, from the creation of initiatives to the realisation of IT measures.

Within the scope of the international development initiatives in the private banking business, an effective contribution was provided to the companies involved (Intesa Sanpaolo Private Bank (Suisse) Morval and Fideuram Bank (Luxembourg)) in drawing up their service agreements and with the negotiation and drawing up of new agreements with Avaloq Sourcing (in setting up and also in running the project).

The project activities of the Swiss hub were also managed with constant monitoring of costs and checks on the progress of regulatory matters (especially MiFID 2) as well as the functional and product developments on the Avaloq platform.

As regards the transfer of the Wealth Management & Private Banking business from Intesa Sanpaolo Bank Luxembourg to Fideuram Bank (Luxembourg), the IT construction site was supervised, support was provided in defining and managing the budget and forecasts and also with maintaining positive relations between the various parties involved.

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 cooperation 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

the application management contracts approaching expiry, 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 suppliers so as to more effectively manage the calls for tenders to develop software.
Thanks to careful monitoring, service levels remained satisfactory despite the introduction of increasingly stringent KPIs, while negotiations with suppliers and important releases of core applications were guaranteed.

The Coordination and Operational Strategies unit continued its Technical Secretariat role in the scope of across-the-board duties in the Chief Operating Officer Area as regards relations with external supervisory authorities (ABI, Bank of Italy and ISTAT) and internal bodies (Financial Management Governance and Audit). It actively participated in the updating of the Strategic Plan (2018-2021) and was the primary interface in respect of Intesa Sanpaolo'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, the repository was further integrated with information on costs, contracts, applications and SLAs of all IT suppliers, providing shared and integrated management of dedicated reporting. In addition, within the scope of budget demand and governance, management and monitoring was introduced of the process for requesting assessment of the subjective role envisaged under Privacy legislation.

NETWORK AND CUSTOMER ASSISTANCE
The contact volumes reported by the Contact Centre dedicated to requests for assistance from the Networks increased compared to the previous year as regards requests for support provided to Personal Financial Advisers on the use of tools (these included onboarding, biometric signatures, new Advisory platform proposal, etc.). Assistance was also provided on managing regulatory compliance (including the new Insurance Due Diligence Questionnaire) and products (wide dissemination of the Fideuram Folios product and placement of securities for the signing of many transactions with Certificates).
The support provided to the Networks continued to be 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.

Fideuram and Sanpaolo Invest - Trento Office

4.8.4 **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
Security and management of customer portfolios Reinforcement of Personal Financial Advisers retention measures **Training and development of Personal Financial Advisers** Recruitment and induction of young talent in sales network through diverse systems of entry to the profession Specialist training for Personal Financial Advisers **Employee training** 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 **Performance management and career paths** 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	Professionalism among employees in the Fideuram Group ensures quality and excellence in the services provided to customers. 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. 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. 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.	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.

PERSONAL FINANCIAL ADVISERS

	2019	2018	2017 (*)
Fideuram Network - No. of customers per Personal Financial Adviser	162:1	155:1	151:1
Sanpaolo Invest Network - No. of customers per Personal Financial Adviser	124:1	113:1	103:1
Intesa Sanpaolo Private Banking Network - No. of customers per Personal Financial Adviser	41:1	40:1	41:1
Intesa Sanpaolo Private Bank (Suisse) Morval Network - No. of customers per Personal Financial Adviser	33:1	31:1	36:1
Ratio of Client Assets to Personal Financial Advisers (€m)	42	36	36

(*) Restated on a like-for-like basis to take into account the contribution of the Morval Vonwiller Group acquired during the second quarter of 2018.

MAIN OBJECTIVES FOR 2019	ACTIONS AND RESULTS ACHIEVED
Attention towards high-profile recruitment to enable the Group to make progress in offering excellent levels of professionalism that can focus on meeting even complex customer needs, by expanding the services provided, especially in terms of quality, effectiveness and competence.	The commitment on recruiting was also very important in 2019 for the Fideuram Group. Confirmation of this comes from the 268 recruited Personal Financial Advisers and the constant growth in professional quality of the candidates. The enhancement and fine-tuning of the services made available to network Managers continued with particular attention to the management of the recruiting process and the onboarding of new entries.
Continuation of the Alfabeto developments with improved user experience when browsing the website and especially when using the digital interaction tools, and extending the service offering as regards Fideuram Folios.	During 2019, Alfabeto was developed and enriched with new functions relating to the Fideuram Folios offering. In particular, there was the introduction of the "Il Mio Foglio" feature, which enables Personal Financial Advisers to customise the underlying elements of the wrappers and to send customers investment proposals on the Folio prepared specifically for them. By accessing Alfabeto and using their digital signatures, customers can sign the investment proposals in just a few steps and share them with their Personal Financial Advisers.
For the Advisory platform, there are plans to complete the scope of customers managed, make developments and improvements in the sales proposal phase and extend functions and content supporting Personal Financial Advisers' advisory activities.	During 2019, the scope of customers, who Personal Financial Advisers can manage within the Advisory platform, was completed. The revision of the Sales Proposal was completed which allows Personal Financial Advisers to streamline, complete and speed up their operations during the purchase and sale phase of the available financial products. Additional functions were added in support of Personal Financial Advisers' activities. In addition, during the year, some training classrooms were set up throughout the country, run by a group of Personal Financial Advisers with particular skills in the use of digital tools (so-called "Digital Specialists").

SIZE OF NETWORKS

The Group's Networks (Fideuram, Sanpaolo Invest, Intesa Sanpaolo Private Banking and Intesa Sanpaolo Private Bank (Suisse) Morval Networks) totalled 5,834 Personal Financial Advisers at 31 December 2019, compared with 5,995 at the end of 2018, as shown below:

Group Personal Financial Advisers

(No.)

	BEGINNING OF PERIOD 1.1.2019	IN	OUT	NET	END OF PERIOD 31.12.2019
Fideuram Network	3,662	177	225	(48)	3,614
Sanpaolo Invest Network	1,344	48	138	(90)	1,254
Intesa Sanpaolo Private Banking Network	927	37	52	(15)	912
Intesa Sanpaolo Private Bank (Suisse) Morval Network	62	6	14	(8)	54
Total	**5,995**	**268**	**429**	**(161)**	**5,834**

Fideuram Personal Financial Advisers

(No.)

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1.1.2019 - 31.12.2019	3,662	177	225	(48)	3,614
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

Sanpaolo Invest Personal Financial Advisers

(No.)

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1.1.2019 - 31.12.2019	1,344	48	138	(90)	1,254
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

Intesa Sanpaolo Private Banking Personal Financial Advisers (*)

(No.)

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1.1.2019 - 31.12.2019	927	37	52	(15)	912
1.1.2018 - 31.12.2018	880	88	41	47	927
1.1.2017 - 31.12.2017	842	69	31	38	880

(*) At the end of 2019, the Intesa Sanpaolo Private Banking Network numbered 862 Personal Financial Advisers who are salaried employees registered in Italy's Unified Register of Financial Advisers and 50 freelance professionals on agency contracts.

Intesa Sanpaolo Private Bank (Suisse) Morval Personal Financial Advisers

(No.)

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1.1.2019 - 31.12.2019	62	6	14	(8)	54
1.1.2018 - 31.12.2018	47	21	6	15	62
1.1.2017 - 31.12.2017	45	4	2	2	47

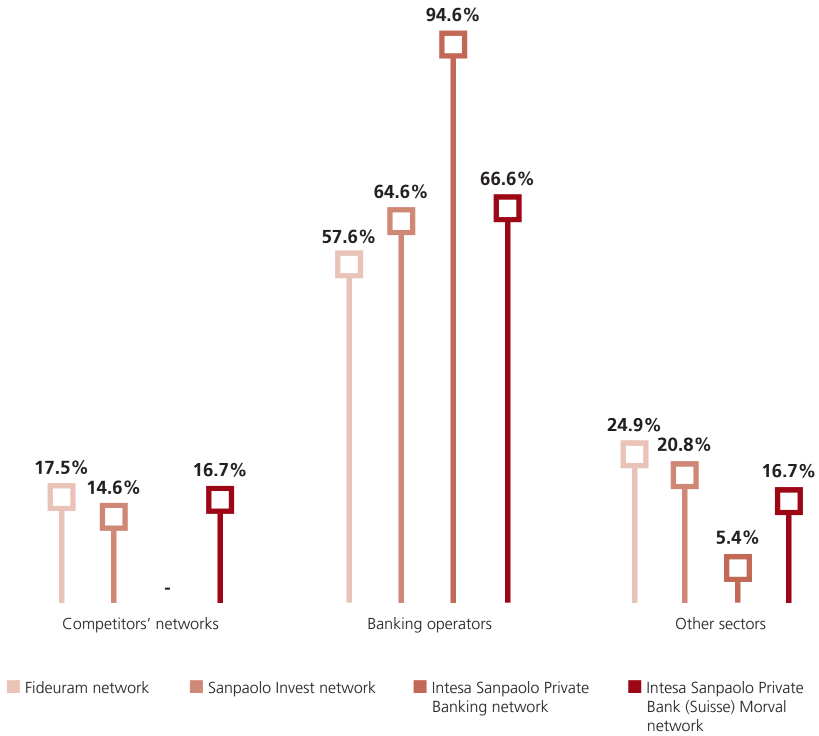
During 2019, our recruitment programme brought 268 new Personal Financial Advisers into the Group, 15% of which coming from competitor networks, compared with 328 in 2018. A total of 429 Personal Financial Advisers left the Group during the year, with 23% of them moving to competitor networks.

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.

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

Origin of professionals joining the Fideuram Network



Intesa Sanpaolo Private Banking - Milan, HNWI Branch

2019 TURNOVER BY AGE AND GENDER

Fideuram Network

GENDER	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Men	132	4.4	192	6.5
Women	45	7.0	33	5.1
Total	**177**	**4.9**	**225**	**6.2**

AGE	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Under 30	18	23.7	6	7.9
30 to 50	105	9.0	39	3.3
over 50	54	2.3	180	7.6
Total	**177**	**4.9**	**225**	**6.2**

Sanpaolo Invest Network

GENDER	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Men	35	3.6	109	11.1
Women	13	4.7	29	10.6
Total	**48**	**3.8**	**138**	**11.0**

AGE	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Under 30	5	26.3	2	10.5
30 to 50	26	6.5	41	10.3
over 50	17	2.0	95	11.4
Total	**48**	**3.8**	**138**	**11.0**

Intesa Sanpaolo Private Banking Network

GENDER	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Men	22	3.7	31	5.2
Women	15	4.8	21	6.7
Total	**37**	**4.1**	**52**	**5.7**

AGE	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Under 30	2	50.0	-	-
30 to 50	28	6.6	12	2.8
over 50	7	1.5	40	8.3
Total	**37**	**4.1**	**52**	**5.7**

Intesa Sanpaolo Private Bank (Suisse) Morval Network (*)

GENDER	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Men	5	15.6	8	25.0
Women	-	-	1	12.5
Total	**5**	**12.5**	**9**	**22.5**

AGE	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Under 30	-	-	-	-
30 to 50	3	15.0	6	30.0
over 50	2	10.0	3	15.0
Total	**5**	**12.5**	**9**	**22.5**

(*) The figures do not include legal persons acting as agents.

Fideuram - Padua 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:

FIDEURAM
INTESA SANPAOLO PRIVATE BANKING

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

GROUP MANAGEMENT AND DEVELOPMENT
Management and guidance of Personal Financial Advisers under supervision.

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:

ROLE	RESPONSIBILITIES
AREA MANAGER	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

ROLE	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 - Savona 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.

Sanpaolo Invest - Turin Office

The following tables show the 2019 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	6	-	6	61	25
Divisional Manager	20	-	20	58	29
Regional Managers	90	3	93	56	21
Group Managers	324	21	345	54	17
Personal Financial Advisers	2,527	623	3,150	53	15
Total	**2,967**	**647**	**3,614**	**53**	**15**

Sanpaolo Invest Network

	MEN	WOMEN	TOTAL	AVERAGE AGE	AVERAGE LENGTH OF SERVICE
Area Manager	-	-	-	-	-
Divisional Manager	7	-	7	56	26
Regional Managers	36	1	37	55	17
Group Managers	120	17	137	54	17
Personal Financial Advisers	817	256	1,073	53	13
Total	**980**	**274**	**1,254**	**53**	**14**

Intesa Sanpaolo Private Banking Network

	MEN	WOMEN	TOTAL	AVERAGE AGE	AVERAGE LENGTH OF SERVICE
HNWI Branch managers	7	2	9	53	30
Private Banking Branch managers	76	24	100	54	28
Global Relationship Managers	13	4	17	52	27
Team Leaders	49	28	77	52	27
Executive Personal Financial Advisers	45	28	73	52	25
Personal Financial Advisers	367	219	586	49	19
Freelancers on agency contracts	40	10	50	61	8
Total	**597**	**315**	**912**	**51**	**21**

Intesa Sanpaolo Private Bank (Suisse) Morval Network (*)

	MEN	WOMEN	TOTAL	AVERAGE AGE	AVERAGE LENGTH OF SERVICE
Manager / Area Manager	3	-	3	53	19
Personal Financial Advisers	29	8	37	47	4
Total	**32**	**8**	**40**	**48**	**5**

(*) Data do not include 14 legal persons acting as agents.

TEAM

The Team 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.

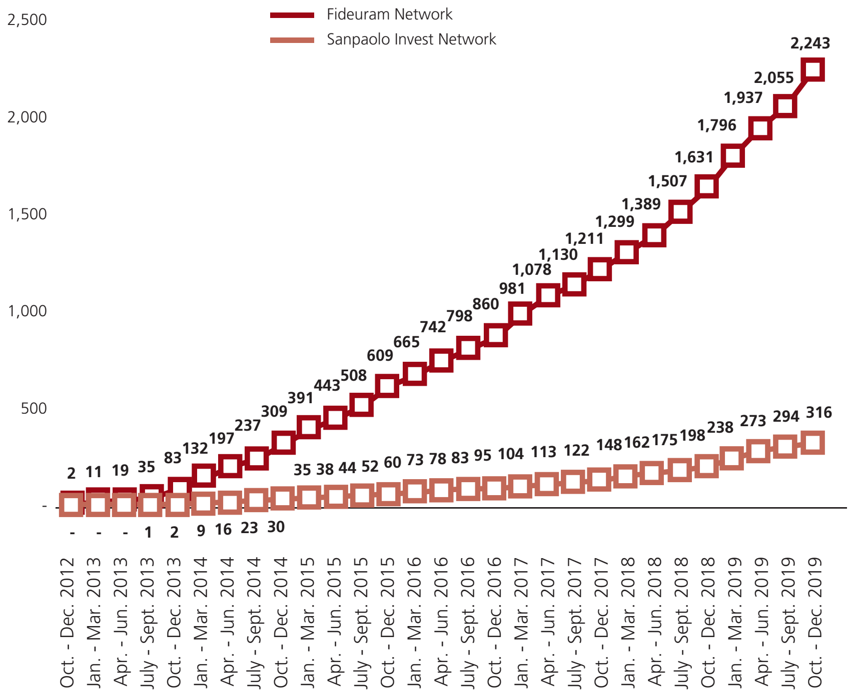
Seven years on from its launch, 1,308 Personal Financial Advisers are working together in the Team (about 28% of the Personal Financial Advisers in the Fideuram and Sanpaolo Invest Networks), jointly managing a total of around €12.5bn assets for over 100 thousand customers.

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.

2,559
agreements signed since the launch of Team Fideuram

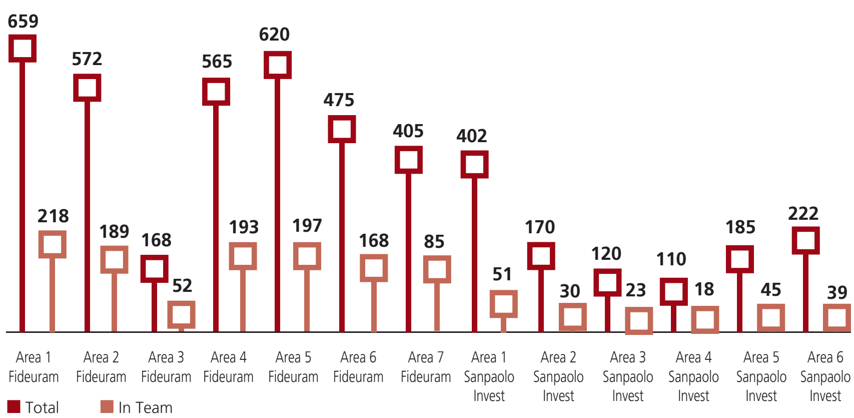
Number of agreements

(No.)



Team

No. Personal Financial Advisers (*)



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

1,026
Team Leaders

and

1,067
Team Partners

involving

1,308
Personal Financial Advisers

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

CONTRACTUAL RELATIONS

Relations with the Fideuram and Sanpaolo Invest Networks' Personal Financial Advisers are governed by an open-ended agency contract, without representation, based on Italy's Collective Economic Agreement for Agents in the Commerce sector.

This contract stipulates the basic collective provisions for our Personal Financial Advisers 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 in 2018. This contract was submitted to all Personal Financial Advisers joining from 2018 onwards, whereas contracts signed between each Personal Financial Adviser and the respective Company 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 Personal Financial Advisers at Intesa Sanpaolo Private Banking are direct employees of the Bank in the same way as other branch positions. There is, however, a small number of agents (50 at 31 December 2019) with agency contracts.

Fideuram - Florence 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 (s.c. 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

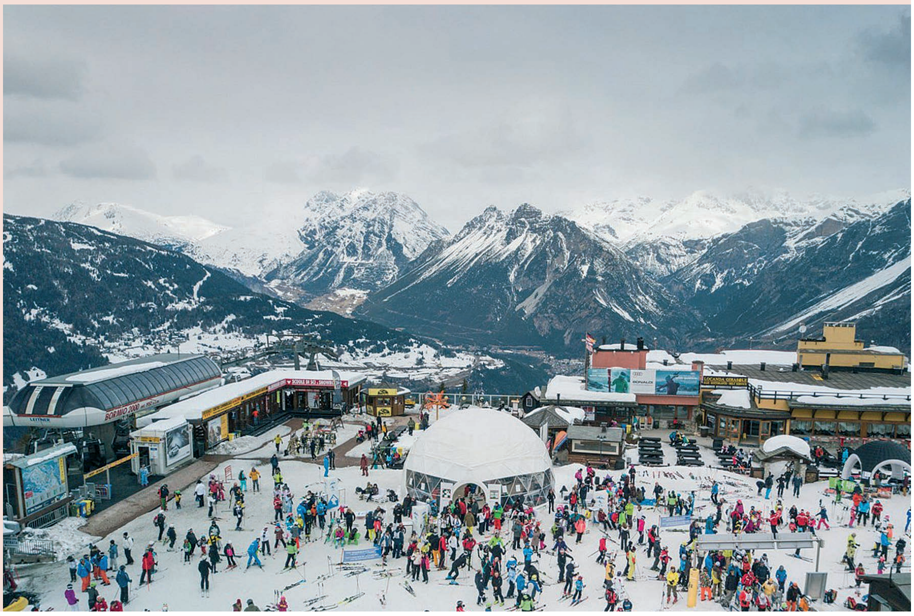
In order to enhance the contribution of employees and in line with the objectives of the Group's Business Plan, Intesa Sanpaolo Private Banking has activated an incentive scheme for Network staff dedicated to the management of Private Banking customers, which involves the provision of bonuses subject 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.

NETWORK EVENTS IN 2019

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.

FESTA DELLA NEVE - BORMIO

The winter event that kicks off the annual incentive events received the honours in Bormio in the 20th company competition of the Festa della Neve, now in its ninth institutional contest. The ski area of Valtellina, which has hosted many competitions of the highest level, has also welcomed a number of editions with the athletes of Fideuram and Sanpaolo Invest Networks, winners in financial profession, but also holders of victories and participants in the sports competition on the Stella Alpina slopes where all categories (Top, Pioneers, Amateur, Family, Puppies or young participants) compete annually in the slalom, with respectable times, contributing to the success of a historical event that is becoming an increasingly festive and family-based occasion.



The competitors mounting the podium of the company competition are celebrated on the final evening which is held every year at the Pentagon, the sports hall in Bormio, along with the winners of the incentive contest. A mention also goes at the same time to the sales area which every year is the winner of the team parallel slalom competition.

SUPERVIAGGIO PERÙ, TURKS & CAICOS

A vibrant and authentic journey through cultural excellences, World heritage sites, ancestral traditions and cosmopolitan experiences. Peru is all this and much more, the destination chosen in 2019 to reward the Personal Financial Advisers of the Fideuram and Sanpaolo Invest Networks who distinguished themselves in the most important incentive competition and who completed the travelling part of the journey with a unique stay in Turks & Caicos, a Caribbean destination that is less known on the usual tourist circuits.

A highly-appealing destination that only a planned incentive trip can enrich with a number of attractions: the seduction of the Sacred Valley, Machu Picchu and its terraces in a landscape where the line between the cultural contribution of the wisdom of the Incas and the wonder of nature, becomes almost imperceptible. And then Cusco, the navel of the world, which masterfully blends Inca engineering with historic colonial structures, not to mention the capital Lima, the Ciudad de los Reyes, founded in the desert and surrounded by the contrasts of a big city where almost 10 million people live. A heterogeneous city, artistically lively with one of the finest cuisines in the world. Its districts have a heart of their own, each with its own history: the European profile of Miraflores, with its skyscrapers and the Malecón and the colonial homes of Barranco with its Lima's nightlife.

The recreational opportunities did not preclude paying due attention to the problems of the area: effective support was also given this year to one of the solidest and most active foundations in Cusco, Niños de l'Arco Iris, which deals with the education and physical and emotional health of children and their families in need, working with group homes, orphanages and child protection services.

CONVENTION IBIZA

In our imagination, Ibiza is thought of as the undisputed queen of nightlife, the cool location of the latest trends, chosen again this year to host the winners of the Fideuram and Sanpaolo Invest Networks in the most important event of the year. A flagship occasion in terms of numbers in the annual incentive calendar, but also because it is a moment for Personal Financial Advisers to exchange knowledge and experiences, with the contents of the closing plenary session, the institutional award ceremonies, theme-based workshops on products, sales tools and the implementation of digital technology in the financial profession. Games and sports are an inevitable ingredient: the tennis tournament, football, Fideurun and the Silent party which was a great success. The Ibiza conference centre was decorated for the Convention Day, with the show by Andrea Pucci and music by the Zurawski band at the conclusion of the Gala farewell dinner.

FIDEURAM CUP ISCHIA

Our sailors were also quick of the mark this year in responding to the call of a good wind that blew on the 19th edition of the Fideuram Cup, unleashing their skills with the gennaker in a new seascape, the island of Ischia. Eight crews represented the sales areas of the Fideuram and Sanpaolo Invest Networks together with a special guest, Eurizon Capital, grappling with the Este24 and the mild climate of Ischia in late September. Late summer views provided the backdrop to a weekend full of fun, competitions and after-race relaxation at the dinner table that ensured moments of conviviality between goliardic award ceremonies for the "motorboat" and "anchored" vessels, and prizes after the first day of water trials, for the fastest boat and for the last to cross the line. Leading protagonist again this year, winning the top spot on the podium, was the Fideuram Area 3 crew from Brescia "ZeroTrenta", followed by "Tacco 12" and Eurizon Capital in third place.

MILANO MARITTIMA TENNIS MEETING

The Mare Pineta Resort ***** in Milano Marittima hosted the 6th Fideuram and Sanpaolo Invest Tennis Meeting. An increasingly competitive event, which as in the previous editions, involved eight teams, representing all Sales Areas of the Fideuram and Sanpaolo Invest Networks with a total of about 80 players. Almost all matches were decided with the final doubles game: the end result this year saw the Fideuram Area 6 team as winners after defeating the Fideuram Area 5 team with a score of 4-1. The consolation tournament was won by Fideuram Area 2. The sports and organisational aspects of the Meeting received again this year very positive feedback from players and supporters alike, who are all looking forward to seeing each other next year for another engaging encounter.

MEETING WITH INTESA SANPAOLO PRIVATE BANKING NETWORK

The meeting with the Intesa Sanpaolo Private Banking Network was held in September, with around 500 employees taking part. Organised in Sardinia at the Forte Village facility, the 2019 edition had as its main theme music and teamwork.
The meeting was entitled "Futuro Insieme" (Future Together), with the ultimate aim of further improving the level of service offered to our customers.
In the morning, guests took part in various workshops with financial updates and a seminar devoted to the topic of relational intelligence, offering participants the opportunity to reflect on the effectiveness of their own relational style, and as a team, to provide our customers with quality service.
The afternoon meetings were animated by Nicola Savino, the anecdotes from the musical producer Vittorio Cosma and the economic insights provided by the journalist Andrea Cabrini, who moderated the presentations from the major international investment companies.
The presentations by top management rounded off the flow of information to Network managers and staff, as always with the aim of sharing the results achieved and future strategies.

FINER MARKET RESEARCH 2019

The **FINER CF EXPLORER 2019** market research survey confirmed that the Fideuram Network continued to lead the sector in terms of its standing among Italian financial advisers.

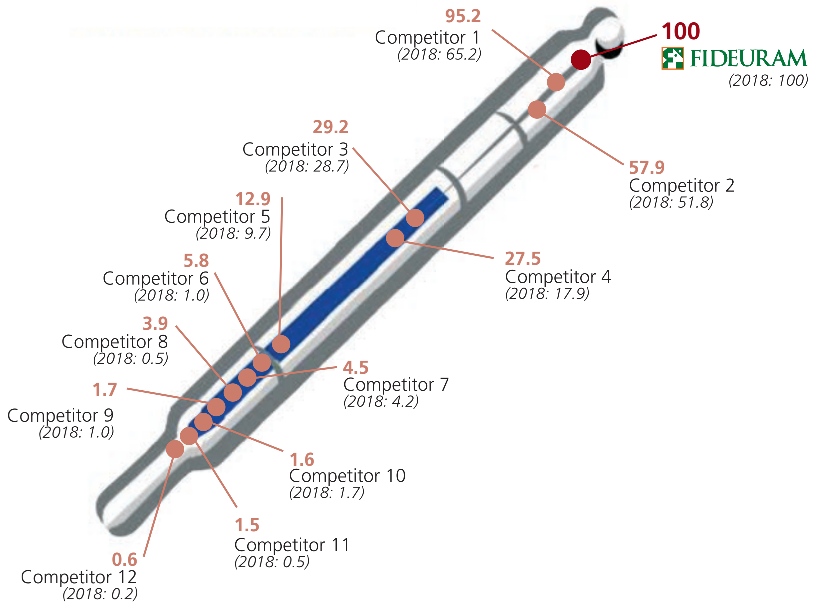
The survey showed that Fideuram:

- had an exceptionally high percentage of **satisfied Personal Financial Advisers at 97%**, securing it a good 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;
- better contribution levels;
- an excellent working climate;
- its focus on Network training and financial advisory services.

Synthetic index of Brand Equity 2019



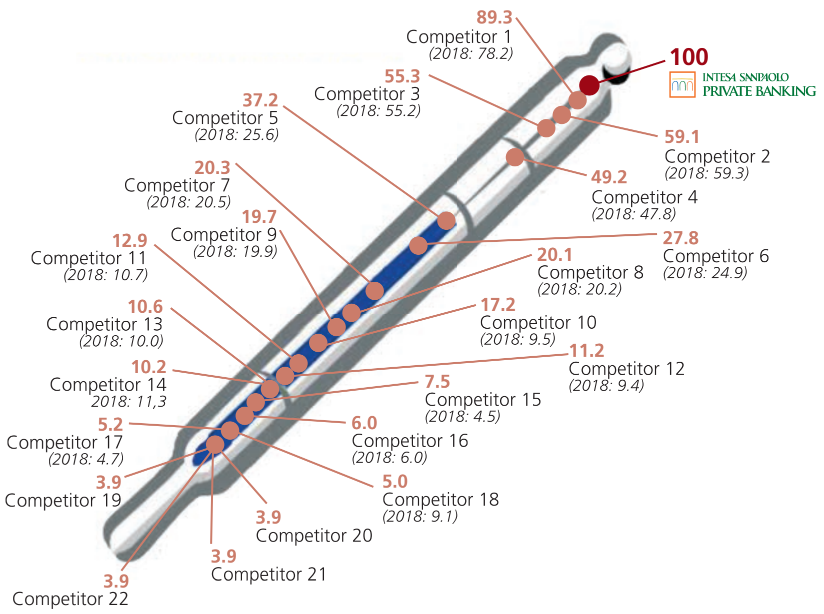
In a market scenario that continues to be challenging for Italy's banks and financial institutions, recognition such as this is especially significant and a source of great satisfaction.

The findings of the **FINER PB EXPLORER 2019** survey confirmed that Intesa Sanpaolo Private Banking was the best Equity brand in terms of know-how and appreciation from Private Banking professionals.

The survey was conducted through 1,790 telephone interviews with the Personal Financial Advisers of the 34 largest and most important Private Banking and Wealth Management companies in Italy.

The Sales Network confirmed its strong sense of belonging and loyalty to the company. It plays a part in company decisions and is satisfied with the interaction with the management departments, the professional and career paths and the training initiatives provided. Appreciation was also expressed for the breadth of products on offer and the support provided by the back and middle office units.

Synthetic index of Brand Equity 2019



MAIN IMPROVEMENT OBJECTIVES FOR 2020

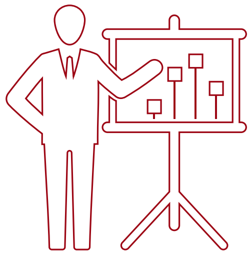
The Group intends to increasingly focus on managing generational turnover through the introduction of young talent and on continued scouting for the best senior professional profiles.

The Group plans to launch Alfabeto 2.0. The new platform will revolutionise user experience by integrating all the banking, trading and asset analysis features in a single environment.

The Advisory platform will become the main tool available to Personal Financial Advisers to assist them in providing their customers with advisory services. The Personal Financial Advisers will be able to take advantage of new value-added features, with the introduction of improvements to the Sales Proposal, support from the new "Saving Map" service and with enhanced information and greater customisation in reporting.

NETWORK TRAINING

447,338
Training hours



MAIN OBJECTIVES FOR 2019	ACTIONS AND RESULTS ACHIEVED
Fideuram and Sanpaolo Invest Networks	
MiFID 2: Consolidation of training framework.	During 2019, Network Training was committed mainly to consolidating the framework for analysing, assessing and measuring competencies within the scope of MiFID 2. The implemented structural activities and processes were conducted in three phases: • Analysis: defining the teaching framework and Network Training Plan in line with the criteria indicated by Consob/Esma; • Assessment: designing and implementing customised actions to bridge the educational gap that emerged from the analysis conducted at the end of the previous year; • Measurement: establishing the level of competence of individual Personal Financial Advisers by administering and correcting an end-of-course test for personally-attended courses and distance learning activities. This system with highly-articulated features and contents were provided by using a wide spectrum of teaching "methods" with the organisation of physically-attended sessions at the Fideuram Campus and the use of techniques for distance learning.
Certification for Executive Personal Financial Advisers and retaining certifications as Top Personal Financial Advisers in collaboration with the Cattolica University.	In 2019, the certification process of the Personal Financial Advisers in the Top segment was completed and the same process for the Executive segment got underway. Personal Financial Advisers needed to complete the program initially to obtain the requisite number of hours in order to register for the examination, and then take the actual exam at the Fideuram Campus with the teaching staff from the Cattolica University in Milan. Conversely, as regards those in the Top segment who had already received certification in 2018, they attended specific workshops to maintain their certified competencies.

Continued overleaf >>

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MAIN OBJECTIVES FOR 2019	ACTIONS AND RESULTS ACHIEVED
Developing in-area training, to increase and promote the use of digital applications and apps, to eliminate hard-copy content and simplify processes.	During 2019, the training on the new aspects of applications and apps was delivered throughout the country with a view to promoting the adoption of IT and digital tools dedicated to Personal Financial Advisers. This training program was agreed with the Divisional Managers and coordinated with local offices. A total of 82 workshops were provided (30 Advisory platform Classrooms, 20 Workshops on digital aspects and on digital financial education, 14 Alfabeto Classrooms, 12 Classrooms dedicated to new entries and 6 Workshops on Welcome, Easy Sign and the other apps). The testing of the sessions also started via webinars so as to use them as a new training procedure: an excellent tool for presenting new features on a web application for easy fruition and time optimisation. From June 2019 onwards, a total of 38 webinars were delivered on Welcome, digital aspects, the new features of the Advisory platform and the Sales Proposal.
Intesa Sanpaolo Private Banking Network	
Exploitation of the technological opportunities in the area of sales, and nurture interaction with customers based increasingly on excellence.	Completion of the change management initiative "Technological innovation to improve the business", geared to providing the professional skills required in line with the increasing levels of digital innovation and changes in regulations on investment services.
Development of an approach for the staff operating in the HNWI segment which remains in line with the required standards, both in terms of relations and specialisation, with the implementation of specific interventions.	Realisation of the activity "Team spirit and interoperability: key values of an advanced HNWI service" to develop a professional approach that systematically builds on the available internal expertise.
Increase in knowledge and culture levels pertaining to compliance as a distinctive feature in relations with customers.	Completion of the three-year Anti-money laundering plan and systematic dissemination of information about the sector regulations that would have the greatest impact on our business (Consob and IVASS), and about the main risks related to sales activities.
Promotion of managerial styles characterised by authoritative, transparent and motivating leadership, enhancing a coaching approach.	Activation of programs on a one-to-one and group basis, to meet the specific needs of enhancing key managerial skills for the effective coverage of positions of responsibility.

FIDEURAM CAMPUS: FROM CORPORATE BUSINESS SCHOOL TO ACADEMY

The consolidation within Fideuram Campus of a real company Academy continued in 2019, with progress made as regards the skills certification project, developed in collaboration with the Cattolica University in Milan. The Academy had the opportunity to show its full potential, freeing itself from being considered the traditional department of corporate training and being finally recognised as a place where knowledge is produced and shared. But what makes the Academy a real innovation compared to the past is the fact that this production of knowledge is no longer simply aimed at bridging training gaps, but is tied hand in glove with corporate strategies: the Academy contributes towards achieving the business objectives and creating value and sustainability.

TRAINING PROGRAMMES AND INITIATIVES: FOCUS FOR 2019

The year 2019 was characterised by the entry into force of the MiFID 2 regulation that demanded new requirements from intermediaries aimed at raising the quality standards of financial advisory services. The role of the financial adviser is strengthened and enhanced, but, at the same time, a greater effort is required since the ESMA Guidelines emphasised the need to review development and training needs, in order to ensure the possession of suitable qualifications and constant refreshing and maintenance of knowledge and skills.

The main courses that were updated were:

1. MIFID 2 Program

The entire training program for the year, divided up according to the respective Top, Executive, Senior and new-entry segments, was conditioned by the entry into force of the MiFID 2 regulation. Within the various training programs, in the light of the new regulations, the issue of the Value of Advisory Services was addressed across the board, in its components aimed at the financial education of customers, the management of emotions and the relationship of trust with customers.

Fideuram also developed two specific interventions relating to area of regulations:

a) MiFID 2 Training: a specific training area was developed on the changes made by this regulation and especially a tutorial presentation on the new Statement of Financial Advisory Services.
The area has been divided into three sections:
- Main elements of the regulation: presentation of regulatory changes introduced by the new legal instrument;
- Fideuram/Sanpaolo Invest MiFID 2 Vademecum: presentation of the interpretations/applications of the Regulation in the Fideuram world that is kept constantly updated;
- Statement of Financial Advisory Services: Tutorial dedicated to an in-depth analysis of the new Statement.

b) Online training course: aimed at looking more closely at the subject of financial Intermediation with technical and operational aspects.

2. Certification of Top Personal Financial Advisers

As part of the efforts to build a common culture and to spread corporate values, Fideuram established the **Certification of Skills Program** in collaboration with the Cattolica University in Milan. For the Personal Financial Advisers involved, belonging to the Top and Executive segments, at least 100 training credits need to be awarded and a written and oral examination needs to be passed in addition to reasoned comments on a case study. The preparatory courses, defined on the basis of specific Rules and, for the most part, involving physical attendance, have the objective of strengthening strategic skills in markets, tools, legislation and not least in relational skills. In early 2019, during an event held at the Regent's University of London, 88 Top Personal Financial Advisers attained Certification. The Cattolica University arranged the training on markets and expertise in the area of finance and, within the same context, the content on asset planning and pension and succession planning were examined in detail. During 2019, another 16 examination sessions were planned for the Personal Financial Advisers in the Executive segment. The initiative was enriched by the presence at the Campus of a Personal Branding corner and the provision of a support kit to enhance Certification (Book of Personal Branding and video presentation on the Certification). Key TV was also available to support Personal Financial Advisers who wanted to shoot a short, personalised video and have professional photos taken. In November 2019, at the Aula Magna of the Cattolica University, the related Certificates were awarded to a further 370 Executive Personal Financial Advisers. The event also featured a "lectio magistralis" held by Prof. Carlo Cottarelli.

3. Programs for the new-entry, Senior and Executive segments

All Personal Financial Advisers benefit from a structured program of courses and training initiatives delivered through the annual programs. The general layout of Training Programs still remains valid and customises educational appointments based on the relevant segment of the Personal Financial Advisers, in turn resulting from their years of service in the role and the characteristics of their portfolios.
The main programs that are added to the asset certification program are:
- Entry to the Profession Program (target: new-entry Personal Financial Advisers);
- Financial Advisory Services Program (target: Senior Personal Financial Advisers);
- Advanced Training Program (target: Executive Personal Financial Advisers).

Entry to the Profession Program

The program dedicated to new-entries was expanded and is structured into four learning modules of two days: Welcome Day, Service Model, Digital Adviser, Sales Methods (Planning and customer service). The Service Model Module, in agreement with the Compliance Department, was made mandatory due to the importance of the issues covered and their role as introductions to other topics: the Fideuram Business Model, the awareness of the Role of the Personal Financial Adviser and the approach to customers. A new teaching module, called the "Digital Adviser", was introduced, in line with the digitisation process of Personal Financial Advisers, which develops digital skills and also provides for the publication of the showcase Alfabeto.

Financial Advisory Services Program

The program for Senior Personal Financial Advisers was divided into four modules, respectively dedicated to Relations, Financial Advisory Services, Asset Advisory Services and New

Technologies. The Program was enriched with regional theme-based workshops for a total duration of 12 months.

Advanced Training Program

The program for Executive Personal Financial Advisers aims to cover three basic skills: the role of financial educator, in-depth knowledge of Advanced Advisory Services and the need to face up to digital challenges. Every Personal Financial Adviser in the segment benefited from 2 days of courses at the Fideuram Campus on each of the above topics.

IN-AREA TRAINING INITIATIVES

In addition to the numerous theme-based seminars and workshops connected to the Senior Personal Financial Advisers program, three other important initiatives were organised locally:

- **The Insurance solutions: the value beyond performance:** the initiative, dedicated to an in-depth examination of the insurance and pension world, was developed in collaboration with Fideuram Vita. A total of 1,162 Personal Financial Advisers took part in the initiative for 48 editions.
- **Anti-money laundering course:** the three-year plan, prepared and designed by Intesa Sanpaolo in cooperation with the Anti-money Laundering function and launched in 2017, reached its conclusion. A total of 719 Personal Financial Advisers took part in the initiative for 28 editions.
- **The changing role of the Personal Financial Adviser - The Value of Personal Financial Adviser:** the course, which was attended by 2,745 Personal Financial Advisers in its 126 editions, aimed to provide greater in-depth knowledge of the new Statement of Financial Advisory Services.

ON-LINE TRAINING

During 2019, steps were taken to adapt the software to bring it into line with the regulatory changes in the Consob and IVASS Regulations. The following courses were released:

- Insurance distribution: IDD (Insurance Distribution Directive), POG (Product Oversight Governance), disclosure and publicity.
- Distribution of insurance products and IBIPs (Insurance Based Investment Products): ethics, rules of conduct and operations.
- Wealth management advisory services for family businesses.
- The subject of financial intermediation: technical and operational aspects.
- The mitigation of cyber risk, a technical analysis.
- The mitigation of cyber risk, a juridical analysis.

Some of the above courses allow the awarding of credits also for maintaining the EFA and EFP certifications for about 600 certified Personal Financial Advisers.

CAMPUS APP

In September 2019, the Campus App was released to the Networks during the Plenary Meetings.

This new application, available for both iOS and Android smartphones, enables the management of various activities both by Personal Financial Advisers and managers.

The most important use, performed at the launch, was the opportunity for Personal Financial Advisers to carry out the MiFID 2 final test in the classroom, directly on their smartphones, in short times, without using paper and with immediate results. This information is available in real time even to managers throughout their reference group.

Since the launch of the Campus App, almost all the Personal Financial Advisers have learnt how to use this procedure habitually, which has proved to be much more practical. It is also used for the satisfaction questionnaires and the end-of-course tests regionally (run by local facilities) and at the Campus, allowing huge savings of paper and a safe, permanent filing.

Campus App also allows users to read news, check deadlines as well as read and download articles and publications which are available in the Media Library on a weekly basis. In the future, other features will be developed in order to make training more agile, multi-channelled and usable anywhere.

PROJECTS AND INITIATIVES FOR THE INTESA SANPAOLO PRIVATE BANKING NETWORK

The increasing complexity of the private banking sector has required a careful focus on actions to enhance the skills needed for managing the sales role which is becoming increasingly qualified and advanced. The main initiatives were activated, based on the following lines of activity:

- **Managerial Empowerment**, through group coaching actions aimed at enhancing specific key skills, useful in monitoring business contexts that are constantly changing.
- **Development of sales and relational skills**
  - **Relational intelligence for a quality service**, a training module delivered as part of the annual meeting with the Network, which aims to create awareness of personal sales styles and their impact in the relationship with customers.
  - **Technological innovation to improve the business,** a change management initiative for the enhancement of the ability to govern the changes taking place in private banking, with standards of professional excellence, encouraging the development of a business model and customer experience that complies with the acceleration in digital innovation and with the changes in legislation regarding investment services.
  - **Team spirit and interoperability: key values of an advanced HNWI service,** with the aim of assisting colleagues in the segment branches to work systematically within a network of professionals so as to ensure better customer satisfaction. The action involved all the HNWI sales roles across the board and key representatives from the same Department.
  - **Emotional dynamics in relationships in managing Private Banking customers,** dedicated to new Personal Financial Advisers coming from a position as assistant or newly-recruited, with the aim of preparing them to meet the challenges of

their new professional context with with the necessary level of awareness and authority.

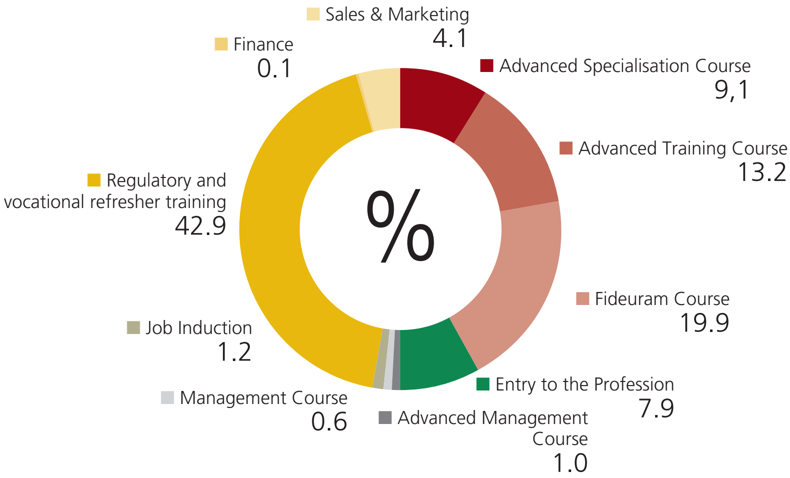
- **Development of specialist and organizational skills**
  - **Plan of info-educational meetings with Third-Party Companies**, focused on in-depth study and updating on the subject of markets and products.
  - **The new digital experience of ISPB (NDCE)**, a distance learning initiative dedicated to a group of Network figures (approximately one per branch) to provide the appropriate instruments for guiding customer in the digital changes and in understanding the new tools available online.
  - **Streamlining of operating processes and risk management**, an initiative aimed at further spreading the culture of risk, in line with the guidelines set by the European Central Bank and the Bank of Italy.
  - **Getting to know ISPB**, an initiative for new entries, aimed at helping people to understand the main business operation and organisational mechanisms.
  - **Preparation for the exam of Personal Financial Adviser**, a pre-condition for enrolling in the Register of Financial Advisers.
- **Development of sales profile compliance skills**
  - **Consob**, modular training program focusing on an annual refresher course for anyone providing customer advisory services related to MiFID 2 regulation.
  - **IVASS** (the Italian Insurance Regulator: Istituto per la Vigilanza sulle Assicurazioni), throw basic and refresher training program in line with the requirements of the Italian Unified Register of Insurance Brokers (RUI).
  - **Anti-money laundering,** with the release on Apprendo of the updated version of the online course for the Network staff "in contact with customers", allowing for the substantial completion of the activities specified in the three-year plan 2017-2019.

Lastly, 50 of Intesa Sanpaolo Private Banking Agents were involved in the "Technological innovation to improve the business" initiative, in the sales training initiatives in partnership with the Third-Party Companies and in those required on compliance issues.

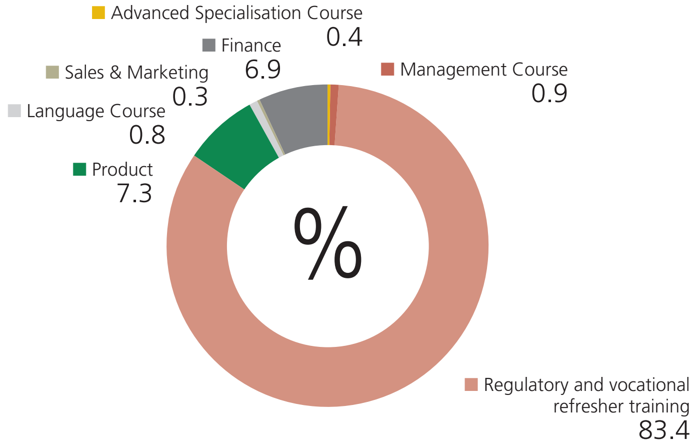
Personal Financial Adviser training is analysed in the graphs below, both with regard to on-line training and class-based training.

Group training hours in 2019, analysed by Training Area (%)

Class-based training



Online training



MAIN IMPROVEMENT OBJECTIVES FOR 2020

Fideuram and Sanpaolo Invest Networks Training

Our main improvement objectives include the following:

1) MiFID Programs: Training programs aimed at covering training requirements under Art. 81 of Consob Regulation no. 20307 of 15 February 2018

The training initiatives will continue during 2020 with the aim of increasing the skills of Personal Financial Advisers in specific areas related to MiFID 2 regulation.

2) Wealth Management Adviser Certification

In 2020, the Certification course, developed in conjunction with the Cattolica University in Milan, will continue with the aim of certifying another group of Executive Personal Financial Advisers. A similar certification program will also be initiated dedicated to managerial figures. Personal Financial Advisers and Managers will need to complete the program initially to obtain the requisite number of hours in order to register for the examination, and then take the actual exam at the Fideuram Campus with the teaching staff from the Cattolica University in Milan.
Conversely, as regards those in the Top and Executive segments who had already received certification in the 2018-2019 period, they will attend specific workshops to maintain their certified competencies.

3) Launch of the Fideuram Academy (Partners)

Following the opening of the construction site with Key Sales Partners of the Bank to create a Virtual Academy consisting of multimedia educational contributions made by the same product companies. Courses entered into a specific area of the online Campus platform, will first be validated by the Bank and subsequently made available to the Networks. The initiative will be launched in the first quarter of 2020.

Intesa Sanpaolo Private Banking Network Training

The main objectives for 2020 aim to:

- support the actions of enhancing branches, in terms of organisation and managerial and sales development, through the gradual involvement of all Network figures, with particular reference to Managers and Team Leaders;
- promote and further foster the spirit of identity, sense of belonging and integration;
- disseminate ample knowledge on the subject of behavioural finance issues to enhance business management skills;
- continue efforts to raise awareness on the subject of operational risk by promoting a qualified understanding of the connections between sales activities and corporate compliance.

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 3,335 at 31 December 2018 to 3,179 at 31 December 2019.

The reduction is attributable mainly to the centralisation of certain control functions (Audit and Compliance) within Intesa Sanpaolo.

The breakdown of employees by gender continued to be largely unchanged from the previous financial year, with female employees accounting for 45% of total Group staff while male employees accounted for 55%. Group personnel working in Italy accounted for 90% of total employees, while those working outside Italy accounted for 10%.

Data for 2017 were restated on a like-for-like basis to take into account the contribution of the Morval Vonwiller Group acquired during the second quarter of 2018.

	31.12.2019	31.12.2018	31.12.2017
Private Banking	**2,841**	**2,997**	**2,894**
Fideuram - Intesa Sanpaolo Private Banking	1,261	1,356	1,362
Intesa Sanpaolo Private Banking	1,392	1,426	1,363
Sanpaolo Invest SIM	16	46	49
Intesa Sanpaolo Private Bank (Suisse) Morval	146	139	101
Morval Bank & Trust Cayman	10	10	12
Intesa Sanpaolo Private Argentina	5	5	-
Morval Vonwiller Advisors	11	15	7
Asset Management	**252**	**249**	**248**
Fideuram Asset Management (Ireland)	66	63	66
Fideuram Bank (Luxembourg)	65	66	66
Fideuram Investimenti SGR	104	103	99
Morval Gestion SAM	3	3	3
Morval SIM	14	14	14
Fiduciary and treasury services	**86**	**89**	**91**
Financière Fideuram	4	4	4
Siref Fiduciaria (*)	82	85	87
Total	**3,179**	**3,335**	**3,233**

(*) Restated, to consider the merger of FI.GE. Fiduciaria into Siref Fiduciaria with effect from 1 January 2019.

Fideuram Group employees

	2019	2018	2017
Directors	93	94	95
Executive Management	1,918	2,014	1,976
Professional Areas	1,150	1,197	1,145
Temporary work agency and project work contracts	18	30	17
Total	**3,179**	**3,335**	**3,233**

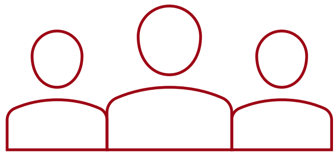
Men

	2019		2018		2017	
	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY
Directors	64	20	66	20	65	20
Executive Management	1,111	98	1,181	96	1,149	98
Professional Areas	364	93	383	97	399	65
Temporary work agency and project work contracts	7	-	11	-	7	-
Total	**1,546**	**211**	**1,641**	**213**	**1,620**	**183**

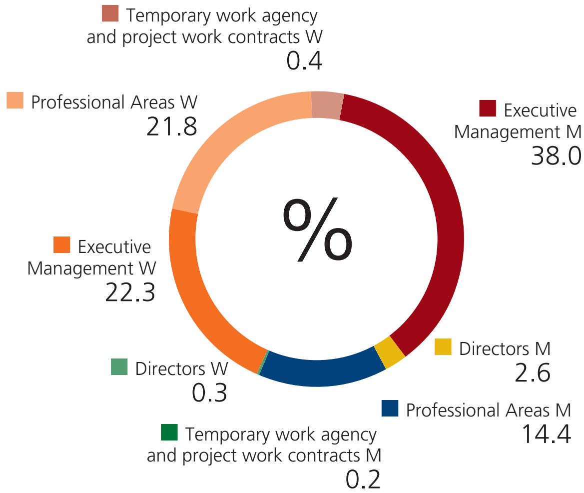
Women

	2019		2018		2017	
	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY
Directors	8	1	8	-	10	-
Executive Management	676	33	703	34	688	41
Professional Areas	628	65	650	67	636	45
Temporary work agency and project work contracts	11	-	19	-	10	-
Total	**1,323**	**99**	**1,380**	**101**	**1,344**	**86**

EMPLOYEES BY CATEGORY AND GENDER (%)



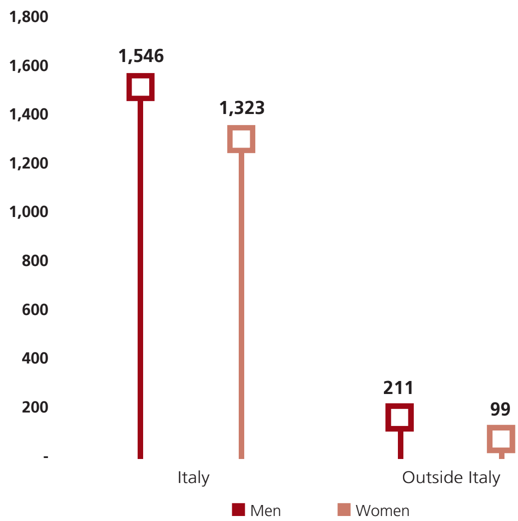
3,179
Employees



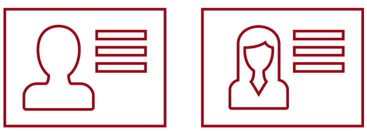
EMPLOYEES BY GEOGRAPHICAL AREA AND GENDER

55% Men

45% Women



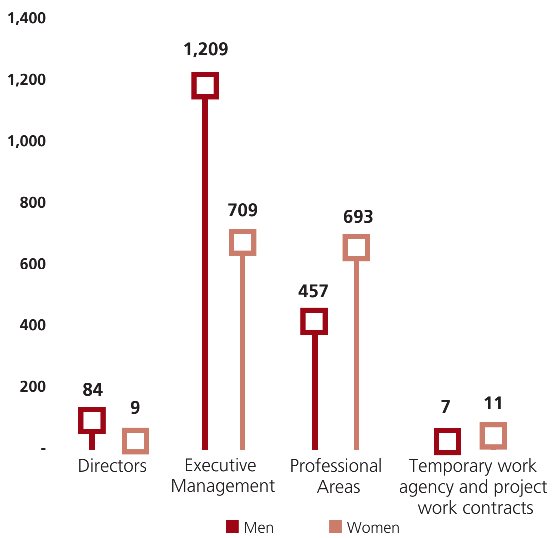
EMPLOYEES BY CATEGORY AND GENDER



3% Directors

60% Executive Management

37% Professional Areas



Staff contracts

99.4% of Group staff were employed on open-ended contracts (98.8% in 2018).

	MEN			WOMEN			TOTAL		
	2019	**2018**	**2017**	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**
Open-ended	1,750	1,837	1,784	1,411	1,459	1,402	3,161	3,296	3,186
Fixed-term	-	6	12	-	3	18	-	9	30
Temporary work agency and project work contracts	7	11	7	11	19	10	18	30	17
Total	**1,757**	**1,854**	**1,803**	**1,422**	**1,481**	**1,430**	**3,179**	**3,335**	**3,233**

	ITALY			OUTSIDE ITALY			TOTAL		
	2019	**2018**	**2017**	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**
Open-ended	2,851	2,982	2,920	310	314	266	3,161	3,296	3,186
Fixed-term	-	9	27	-	-	3	-	9	30
Temporary work agency and project work contracts	18	30	17	-	-	-	18	30	17
Total	**2,869**	**3,021**	**2,964**	**310**	**314**	**269**	**3,179**	**3,335**	**3,233**

Full Time/Part Time Split

A total of 248 employees, amounting to approximately 7.8% of all staff, were on part-time contracts. Women accounted for 94.4% 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		
	2019	**2018**	**2017**	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**
Full-time staff	1,743	1,844	1,792	1,188	1,233	1,177	2,931	3,077	2,969
Part-time staff	14	10	11	234	248	253	248	258	264
Total	**1,757**	**1,854**	**1,803**	**1,422**	**1,481**	**1,430**	**3,179**	**3,335**	**3,233**

Personnel by age group

Personnel aged under 50 accounted for 52.9% of all staff at the end of 2019. 50.4% 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		
	2019	**2018**	**2017**	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**
Under 30	-	-	-	2	5	4	70	91	106	7	11	4	79	107	114
30 to 50	21	23	27	804	882	905	768	794	745	10	18	13	1,603	1,717	1,690
over 50	72	71	68	1,112	1,127	1,067	312	312	294	1	1	-	1,497	1,511	1,429
Total	**93**	**94**	**95**	**1,918**	**2,014**	**1,976**	**1,150**	**1,197**	**1,145**	**18**	**30**	**17**	**3,179**	**3,335**	**3,233**

Average age of personnel

	2019	2018	2017
Men	49	49	48
Women	47	47	46
Directors	54	53	53
Executive Management	51	51	50
Professional Areas	43	43	43

48 years

Average age of personnel

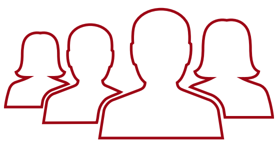
Personnel by length of service

The largest length of service group was general staff with more than 20 years of service, who accounted for 44.9% of all employees. 31.9% of employees had between 10 and 20 years' service, while the remaining 23.2% had under 10 years' service.

	DIRECTORS			EXECUTIVE MANAGEMENT			PROFESSIONAL AREAS			TEMPORARY WORK AGENCY AND PROJECT WORK CONTRACTS			TOTAL		
	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017
up to 5 years	11	11	11	230	211	175	313	327	241	18	30	17	572	579	444
5 to 10 years	7	8	10	44	57	95	116	149	227	-	-	-	167	214	332
10 to 15 years	13	14	22	212	247	233	249	258	198	-	-	-	474	519	453
15 to 20 years	26	26	22	339	366	354	173	170	178	-	-	-	538	562	554
20 to 25 years	10	10	9	221	190	184	62	50	52	-	-	-	293	250	245
over 25	26	25	21	872	943	935	237	243	249	-	-	-	1,135	1,211	1,205
Total	**93**	**94**	**95**	**1,918**	**2,014**	**1,976**	**1,150**	**1,197**	**1,145**	**18**	**30**	**17**	**3,179**	**3,335**	**3,233**

Average length of service of personnel

	2019	2018	2017
Men	19	19	19
Women	19	19	19
Directors	19	18	17
Executive Management	22	22	22
Professional Areas	15	14	15



19 years

Average length of service

Education

50.9% of staff have a university degree and/or postgraduate qualification.

	MEN			WOMEN			TOTAL		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Degree, Masters or Diploma	908	925	863	709	724	684	1,617	1,649	1,547
Secondary School	770	841	845	660	700	687	1,430	1,541	1,532
Other	79	88	95	53	57	59	132	145	154
Total	**1,757**	**1,854**	**1,803**	**1,422**	**1,481**	**1,430**	**3,179**	**3,335**	**3,233**

TURNOVER

During 2019, there were 172 people joining the company, 84 of which refer to transfers from companies within the Intesa Sanpaolo Group, while 88 refer to the appointment of resources hired in the market. 52.9% of these new employees were men and 47.1% were women.

A total of 328 employees left their posts, 139 as a result of transfers within the Intesa Sanpaolo Group and 189 due to termination of service. 57.3% of these employees were men and 42.7% women.

Turnover by geographical area

	2019				2018				2017			
	JOINING		LEAVING		JOINING		LEAVING		JOINING		LEAVING	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
Italy	150	0.1	302	10.5	225	7.6	168	5.7	191	6.7	94	3.3
Outside Italy	22	7.1	26	0.8	74	27.5	29	10.8	32	12.9	12	4.8
Total	**172**	**5.4**	**328**	**10.3**	**299**	**9.2**	**197**	**6.1**	**223**	**7.2**	**106**	**3.4**

Turnover by age and gender

	2019				2018				2017			
	JOINING		LEAVING		JOINING		LEAVING		JOINING		LEAVING	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
Men	91	5.2	188	10.7	164	9.1	113	6.3	122	7.0	61	3.5
Women	81	5.7	140	9.8	135	9.4	84	5.9	101	7.4	45	3.3
Total	**172**	**5.4**	**328**	**10.3**	**299**	**9.2**	**197**	**6.1**	**223**	**7.2**	**106**	**3.4**

	2019				2018				2017			
	JOINING		LEAVING		JOINING		LEAVING		JOINING		LEAVING	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
Under 30	22	0.7	14	0.4	51	44.7	16	14.0	58	65.2	8	9.0
30 to 50	108	3.4	131	4.1	190	11.2	76	4.5	126	7.4	29	1.7
over 50	42	1.3	183	5.8	58	4.1	105	7.3	39	2.9	69	5.2
Total	**172**	**5.4**	**328**	**10.3**	**299**	**9.2**	**197**	**6.1**	**223**	**7.2**	**106**	**3.4**

Positive turnover (joined 2019/staff at beginning of year) was 5.2%, while negative turnover (left 2019/staff at beginning of year) was 9.8%.
Total staff turnover (joined+left/average staff) was 15.4% in 2019 (15.3% in Italy and 15.4% outside Italy).

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

CAREER DEVELOPMENT

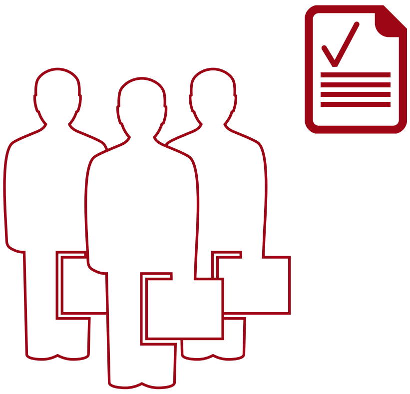
Career development is focused on merit, assessed in relation to results achieved, competencies possessed and individual ability.

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

Career development

	2019					2018					2017				
	MEN	%	WOMEN	%	TOTAL	MEN	%	WOMEN	%	TOTAL	MEN	%	WOMEN	%	TOTAL
Promotions to Director	1	1.5	1	1.6	2	1	1.2	-	-	1	2	2.4	2	2.4	4
Promotions within Executive Management	27	40.3	25	39.7	52	42	51.9	18	24.3	60	34	41.5	21	25.3	55
Promotions to Executive Management	18	26.9	12	19.0	30	14	17.3	11	14.9	25	22	26.8	11	13.3	33
Promotions within Professional Areas	21	31.3	25	39.7	46	24	29.6	45	60.8	69	24	29.3	49	59.0	73
Total	**67**	**100**	**63**	**100**	**130**	**81**	**100**	**74**	**100**	**155**	**82**	**100**	**83**	**100**	**165**

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% 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 2.5% of employees);
- Agreement for executive managers and professional area personnel employed by credit, financial and operating institutions (approximately 97.5% 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 2019, information and discussion meetings, focused on matters of specific company interest, were held with the 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 49.2% of staff are members of a trade union.
Employees spent the equivalent of 1,113 working days on trade union activities in 2019.

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

	2019	**2018**	**2017**
Written warning and verbal or written reprimand	17	2	4
Reduction in pay	-	-	-
Suspension from service without pay (from 1 to 10 days)	7	4	3
Dismissal for cause or justified reason	1	3	-
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 193, broken down as follows:

	2019	**2018**	**2017**
Disabled	152	147	140
Other	41	43	49
Total	**193**	**190**	**189**

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

Approximately 4,329 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

142,832
Training hours

Training 2019 continued the work of consolidating the actions undertaken in previous years, targeting further enhancement of those managerial, behavioural and specialist skills that are more functional in supporting and accelerating the changes taking place in the organisation.
The teaching methods were modulated with a view to exploiting the full potential of the available advanced technologies, reserving physical-attendance actions to those professional and organisational contexts in which the centrality of relationships, quality of service and teamwork make it essential to activate experiences based on interactive dynamics and the sharing of views and experiences with other people.

The main activities were as follows:

MANAGEMENT TRAINING PROGRAMMES

- **Inclusive leadership**, a session dedicated to the Top Management of the Division, focusing on Diversity and Inclusion, issues on which the Group is placing increasing attention and sensitivity, systematically investing in initiatives aimed at spreading a culture directed towards the promotion of these values.
- **Periodic meetings for Division Heads**, which for several years have provided an important opportunity for dialogue, exchanging views and communicating with senior management. These events are often enriched by qualified testimonies provided by representatives from the world of finance, business and academia, with the intention of offering participants food for thought on typically company-based topics and on current issues that can be useful in encouraging a wider and more articulate reading of their own professional context.
- **Coaching actions**, on a one-to-one basis and in groups, to maximise individual potential and the growth of personal and system awareness. These initiatives, in line with the practices initiated in Fideuram in 2011, are also possible thanks to the work of a competent community of internal coaches, including experts from the Private Banking Division, operating across-the-board within the Group.
- **Phigital Laboratories** (physical + digital), launched in 2018 and dedicated mostly to newly-appointed managers to build on their role profile, increasing their cultural awareness in the field of Diversity and developing their abilities to have positive effects on their own professional environment, through the exercise of resilient leadership and a conscious sensitivity towards the welfare of the organisation.
- **UpPER: the new system of performance management**, an initiative organised into physical attendance learning and distance learning, which aims to provide all managers with the necessary knowledge on how to manage and use the new system of employee appraisal.
- **APP Scuola dei Capi (School of Managers)**, distance learning initiative to facilitate manager familiarisation with the digital tool of the same name, which makes a wide range of info-educational content usable with maximum flexibility in terms of times and access, and enables customised pathways consistent with each person's areas of managerial enhancement, thanks to a special Digital Trainer.

INITIATIVES FOR INDIVIDUAL UNITS/ SPECIFIC PROFESSIONAL SKILLS

- **Cohesion, trust and cooperation in High Net Worth Individuals**, teambuilding for the HNWI central department in Intesa Sanpaolo Private Banking aimed at improving internal collaboration and with the Branches. The action was the first in the context of the enhancing process for the HNWI department that has gradually involved all sales figures in that area, with the aim of promoting a professional approach based on the full exploitation of specialist skills available internally and in the Network with a view to providing customers with an increasingly higher quality service.
- **The HR team**, a modular path for the HR Heads, operating both in Italy and abroad, with the objective of enhancing their level of cooperation and communication and of facilitating the functioning of the previously-renewed organisational set-up.
- **Parliamo *insieme* del nostro futuro: progetti, scenari e…la nostra squadra (Let's talk *together* about our future: projects, scenarios and…our team)**, for the Discretionary Accounts and Insurance Products unit, focusing on sharing and developing knowledge related to internal projects through interactive methods with a view to enhancing proactive contributions and team spirit.
- **Lean Banking**, training project applied to improving processes, which was started in 2016 and has allowed a large number of resources (about 80) during this time to acquire specific skills in the use of Lean Six Sigma system and to adopt its related protocols in order to propose and implement operational innovation solutions.

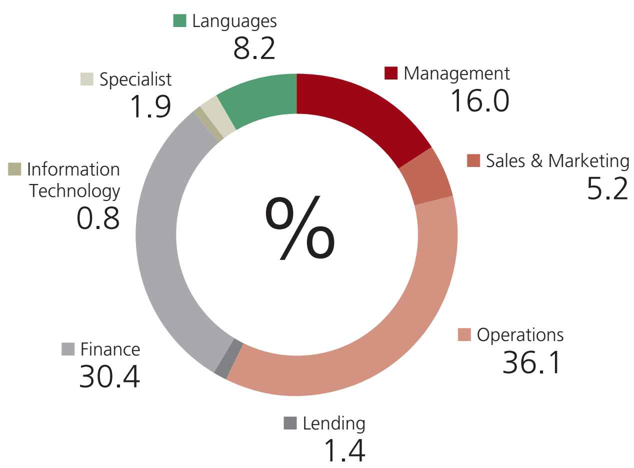
Thanks to the increasing across-the-board nature of participants coming from a wide range of corporate structures, they were able to work on a range of diverse areas including both sales and back office.

- **Getting to know ISPB**, a distance learning initiative for new entries to Intesa Sanpaolo Private Banking, aimed at helping people understand the main business operation mechanisms.
- **Enhancing IT skills**, through actions aimed at developing knowledge on "Micro Services" technologies in support of the Alfabeto platform, on the SAS and Access applications for the management of advanced databases and, with a view to continued professional upgrading, on the Office tools, particularly Excel and PowerPoint.
- **IT Security**, given the continuous developments in the subject and its implications for business operations, this is an area where intensive educational efforts have been made to ensure the successful updating of staff on IT risk assessment issues, in both Italian and foreign companies.
- **Compliance**, through a systematic process of raising people's awareness about industry regulations. The key actions, supported by the Parent Company's Apprendo platform focused on:
  - CONSOB Annual update for those supervising activities related to the provisions in the MiFID Regulation.
  - Anti-money laundering, with the completion of the three-year plan 2017-2019.
  - Legislative Decree 231/01 and Anti-corruption.
  - Privacy and Data Protection.
  - Health & Safety, with the release of new versions of the online courses and classroom sessions for Members of the Emergency teams.
- **Language training**, mainly funded by industry funds, which involved about 270 people provided through physical attendance, via telephone and on-line platform.
- **Specialisation courses**, initiated c/o major training schools and external institutions, dedicated to professionals requiring qualified in-depth study on particular subjects, such as wealth management, financial and economic analysis, predictive risk models, digital innovation, trusts and fiduciary trusteeship, anti-money laundering and, more generally, directed towards the consolidation of distinctive knowledge of the banking world.

Where compatible with the training needs, spaces made available by institutions active in charity projects were also used in 2019, so as to provide them with concrete support for their initiatives in the social and humanitarian fields. Moreover, 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 order to facilitate the voluntary blood donation activities of the internal association which sustains the initiative, Fideuram made premises available, generally used for training, at the Rome office in Piazzale Giulio Douhet 31.

Lastly, the Division is also taking part in the training programmes provided by Intesa Sanpaolo for staff belonging to the vulnerable categories.

Training by subject matter



Training by type of delivery

	2019	2018	2017
Class-based training	40,814	54,102	46,152
Distance learning	102,018	77,760	36,489
Total hours of training delivered	**142,832**	**131,862**	**82,641**
No. of participants	3,015	2,976	2,366
Average hours per participant (No.)	47	44	35

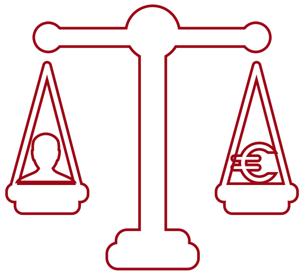
Training by category and gender

(average hours per person)

	2019	2018	2017
Directors			
Men	40	45	33
Women	67	57	33
Executive Management			
Men	55	51	40
Women	54	49	39
Professional Areas			
Men	35	33	27
Women	35	33	25

Health and safety training

	2019	2018	2017
Training hours (No.)	4,022	1,123	2,277
No. of participants	752	118	387



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

During 2019, particular attention was paid to issues on the prevention of corruption by implementing specific training programs focused on the changes in legislation and with particular reference to content related to operational areas that are sensitive to the subject.

Dedicated corruption prevention training

(%)

	2019	2018	2017
Directors	2.1	0.6	2.2
Executive Management	62.9	70.0	63.7
Professional Areas	35.0	29.4	34.1
Training hours (No.)	10,453	1,800	2,201
No. of participants	2,770	1,006	651

Training on Italian Legislative Decree No. 231/2001

	2019	2018	2017
Training hours (No.)	12,592	99	316
No. of participants	2,422	59	185

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.

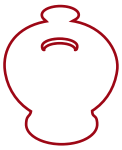
The Group includes company welfare in its internal regulations, offering its employees flexible work solutions such as leave, parental leave, flexible start and finish times, part-time work, flexible working and a time bank. Provision is also made for special economic terms and benefits, including for 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

	2019	2018	2017
Number of employees who took parental leave	142	148	183
Men	18	17	35
Women	124	131	148
Number of employees who returned at end of leave	119	125	155
Men	17	15	34
Women	102	110	121
Number of employees who returned and were still employees of the bank for the next 12 months	116	144	163
Men	14	34	28
Women	102	110	135
Parental leave return rate[1]	84%	84%	85%
Men	94%	88%	97%
Women	82%	84%	82%
Retention rate of returned employees who were still employees[2]	93%	93%	90%
Men	93%	100%	100%
Women	93%	91%	88%

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 previous year, returned to work in the subsequent 12 months and were still employees at current year over the number of employees who took parental leave in previous year.

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), Fideuram Bank (Luxembourg) and Intesa Sanpaolo Private Bank (Suisse) Morval have each set up a 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, Luxembourg and Swiss.

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 101 occupational health and safety inspections were carried out across the Group in 2019. During the year, 644 working days were lost due to work-related accidents involving 32 employees. Only 10 of these accidents happened in the workplace, while the remaining 22 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 robberies on Fideuram premises in 2019.

Health and Safety: rates (*)

	2019				2018				2017			
	ITALY		OUTSIDE ITALY		ITALY		OUTSIDE ITALY		ITALY		OUTSIDE ITALY	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Accident rate	0.71	1.37	4.60	-	1.70	1.67	1.14	4.80	0.38	2.36	-	4.57
- at work	0.24	0.64	-	-	0.66	0.79	-	1.20	0.08	1.09	-	-
- travelling	0.47	0.73	4.60	-	1.03	0.88	1.14	3.60	0.30	1.27	-	4.57
Occupational illness rate	-	-	-	-	-	-	-	-	-	-	-	-
Accident severity rate	16.25	31.94	50.55	-	39.52	34.69	1.14	43.20	8.35	55.34	-	84.62
Absentee rate	4.48%	5.64%	2.79%	5.92%	4.13%	5.05%	2.42%	3.51%	3.76%	5.61%	1.72%	4.54%

(*) 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.)

	2019		2018		2017	
	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY
Accidents driving vehicles	10	1	19	2	10	1
Falling/Slipping	6	-	4	4	16	1
Raids	-	-	-	-	-	-
Other	8	7	19	-	5	-

Absence rate according to reason (out of theoretical working days) (*)

(%)

	2019		2018		2017	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Illness	2.86	4.09	2.75	3.39	2.69	3.86
Accidents	0.08	0.11	0.13	0.13	0.03	0.21
Personal and family reasons	0.52	0.64	0.44	0.65	0.31	0.77
Public service leave	0.08	0.01	0.05	-	-	-
Blood donor leave	0.07	0.02	0.08	0.03	0.07	0.03
Leave pursuant to Italian Law No. 104	0.53	0.73	0.44	0.62	0.49	0.68
Other	0.14	0.06	0.04	0.11	0.02	0.03

(*) 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. The 231/2001 Model 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, 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.

4.8.5 **Relational** capital

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

	2019	2018	2017
Fideuram and Sanpaolo Invest Networks - Average length of customer relationship (years)	13.2	13.0	13.0
Intesa Sanpaolo Private Banking Network - Average length of customer relationship (years)	12.8	11.8	11.5
Complaints (no.)	1,929	1,581	1,341
NPS - Net Promoter Score (no.)	47	-	-
CSI - Customer Satisfaction (%)	8.5	-	-
Client Assets of in-house ESG products (€m)	301.2	115.4	51.7

MATERIAL TOPICS	WHY TOPICS ARE MATERIAL	CORPORATE POLICIES
Security and management of customer portfolios Monitoring of Personal Financial Adviser-customer relationships Reinforcement of customer retention measures **Customer satisfaction** Effective management of customer reports and complaints to improve service Accessibility of services for customers with physical disabilities **Development of sales Networks and quality of service offered** Financial education and promotion of a culture for responsible investment management Consolidation of the Sales Network	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 since it allows one to identify the reasons for dissatisfaction and the actions that should be taken to protect customer relationships. 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. For this purpose, it promotes institutional events and personalised meeting events where specific financial facts and concepts are presented.	The Group believes that proper relations with customers must be based on shared corporate values and on respect for human rights in all 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, to 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. In compliance with Bank of Italy regulations governing complaint management, customers may contact the Complaints Office with any complaints they might have.

CUSTOMERS

MAIN OBJECTIVES FOR 2019	ACTIONS AND RESULTS ACHIEVED
Design of controlled risk solutions for the investment of liquidity capable of satisfying the need to protect capital.	During 2019, the range of products on offer was extended with various controlled risk solutions with a view to safeguarding investments and in particular: - Non-managed asset solutions issued by Banca IMI in the form of Equity Protection Certificates on equity indices and baskets of equity indices, with complete protection of the principal on maturity and participation in the performance of the underlying securities, with or without a cap. - Managed asset solutions including the Foglio Obiettivo Protezione 2026, which allows participation in the growth of international markets with the aim of preserving the principal on maturity over a defined time horizon. - Life insurance asset solutions including the Fideuram Vita Garanzia and Valore 2, a Class I policy with VivaDue segregated management, and 3 multi-class, foreign private insurance policies.
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.	In 2019, Fideuram strengthened its product and service platforms to respond to the development in customer requirements and to seize the opportunities offered by the markets. With this in mind, Fideuram Multibrand was further enhanced, the offering of à la carte funds, with particular attention paid to solutions involving an environmental, social and governance sustainability logic (ESG). Moreover, operations on the private markets continued through the Fideuram Alternative Investments platform with the launch of FAI - Mercati Privati Europei. The discretionary account platforms of Fideuram Investimenti were enhanced through the inclusion of new solutions, in particular: - on the Folios platform, a number of proposals were created over defined time horizons with balanced, bond-type investments and with progressive investments on equity markets to reduce the risk of market timing. As regards the services component, the assignment of funds was activated through an automatic integrated process; - a line of progressive investments on the equity markets was created on the Omnia platform and the solutions dedicated to Private Banking customers were enhanced. Within the scope of insurance products, there was a revision of the offering of the Fideuram Vita Insieme Unit Linked products with new access thresholds for the version aimed at Private Banking customers and the introduction of new internal funds, one of which was created with a step-in logic and one with an ESG approach, whereas for the component aimed at the HNWI customer segment, the Private Insurance platform was reinforced with the conclusion of new agreements with leading foreign-based Insurance Companies.

Increase in the level of information provided to customers in the pre-contractual and subsequent phases, paying particular attention to costs and benefits, returns and suitability of the portfolios.	In 2019, the Division consolidated its own service model in accordance with MiFID2 regulations and in terms of enhancing investors' transparency, and protection, through: - raising the quality and quantity level of information to be provided to customers; - specifying, during the reporting phase, the impact of effectively-incurred costs on the returns obtained by customers with information on the incentives received by the Group; - improving transparency in relation to the characteristics of the products, services provided 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 advice and maintaining contacts with customers.
Continuation of the Alfabeto developments with an improved user experience in navigating the website, especially when using the digital interaction tools.	During 2019 and with a view to complying with the regulatory provisions introduced by the European Directive on digital payments (PSD2), the login page of Alfabeto was completely re-designed in line with the developments for Fideuram Online, thus offering the customer the same form of user experience within the available Online Services. In order to improve interaction between customers and Personal Financial Advisers, an alerting system was developed and released, which advises Personal Financial Advisers via their own Alfabeto, if one of their customers decides to independently update their due diligence questionnaire.
Implementation of the Advisory platform to facilitate relations between Personal Financial Advisers and customers.	During 2019, the scope of customers, who Personal Financial Advisers can manage, was completed within the Advisory platform, with the inclusion of the joint account-holder customers, the Third-Party Fiduciary Companies and other types of customers. With the introduction of the new "Products Report", the Personal Financial Advisers have been provided with a new, modern and efficient reporting tool that allows them to have an immediate, simple and easy-to-customise snapshot of the customer's financial position.
Organise local customer events that examine matters of current interest and support a greater understanding of them.	A number of customer events were organised during 2019 with the aim both of consolidating the loyalty of our top customers and of developing new contacts. These initiatives helped strengthen personal relationships and create a stronger financial culture. Most of our customer events focused on financial education topics of significant current interest, such as asset protection, the protection of household assets and succession management, with a focus on the protection and transfer of assets under the latest tax regime, in all cases highlighting the importance of advisory support.

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.

AVERAGE LENGTH OF CUSTOMER RELATIONSHIP FIDEURAM AND SANPAOLO INVEST NETWORKS

13 years

AVERAGE LENGTH OF CUSTOMER RELATIONSHIP INTESA SANPAOLO PRIVATE BANKING NETWORK

13 years

CUSTOMER RETENTION RATE

95%

NEW CUSTOMER RATE

8%

CUSTOMER PROFILE

Fideuram and Sanpaolo Invest Networks

	2019	2018	2017
No. of Customers (thousands)	740	718	695
Client Assets (€m)	121,794	106,388	108,037

Intesa Sanpaolo Private Banking Network

	2019	2018	2017
No. of households (thousands)	38	37	36
Client Assets (€m)	111,854	99,074	101,244

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 (33% of customers with the Fideuram and Sanpaolo Invest Networks and 26% 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 53% 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)

	2019	%	2018	%	2017	%
up to 32 years	65	9	60	9	55	8
33 - 42 years	73	10	72	10	71	11
43 - 52 years	133	18	135	19	137	20
53 - 67 years	235	33	227	32	218	32
over 67	215	30	207	30	198	29
Total (*)	**721**	**100**	**701**	**100**	**679**	**100**

(*) Excluding legal persons.

Intesa Sanpaolo Private Banking Network

No. of households (thousands)

	2019	%	2018	%	2017	%
up to 32 years	5	13	5	14	4	11
33 - 42 years	1	3	1	3	1	3
43 - 52 years	2	5	2	5	2	5
53 - 67 years	10	26	10	27	10	28
over 67	20	53	19	51	19	53
Total	**38**	**100**	**37**	**100**	**36**	**100**

DISTRIBUTION OF CUSTOMERS BY LENGTH OF RELATIONSHIP

The average length of relationship in 2019 was 13 years for the Fideuram and Sanpaolo Invest Networks and also for the Intesa Sanpaolo Private Banking Network. 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)

	2019	%	2018	%	2017	%
0 -1 years	87	12	89	13	84	12
2 - 4 years	122	16	116	16	112	16
5 - 7 years	100	14	93	13	88	13
8 - 10 years	76	10	67	9	64	9
11 - 20 years	180	24	193	27	201	29
over 20	175	24	160	22	146	21
Total	**740**	**100**	**718**	**100**	**695**	**100**

Intesa Sanpaolo Private Banking Network

No. of households (thousands)

	2019	%	2018	%	2017	%
0 -1 years	3	8	2	5	2	5
2 - 4 years	6	16	6	16	5	14
5 - 7 years	5	13	5	14	5	14
8 - 10 years	4	10	4	11	5	14
11 - 20 years	14	37	14	38	14	39
over 20	6	16	6	16	5	14
Total	**38**	**100**	**37**	**100**	**36**	**100**

DISTRIBUTION OF CUSTOMERS BY GEOGRAPHICAL AREA

As in previous years, the majority of our customers in 2019 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 93% with the Intesa Sanpaolo Private Banking Network).

Fideuram and Sanpaolo Invest Networks

No. of customers (thousands)

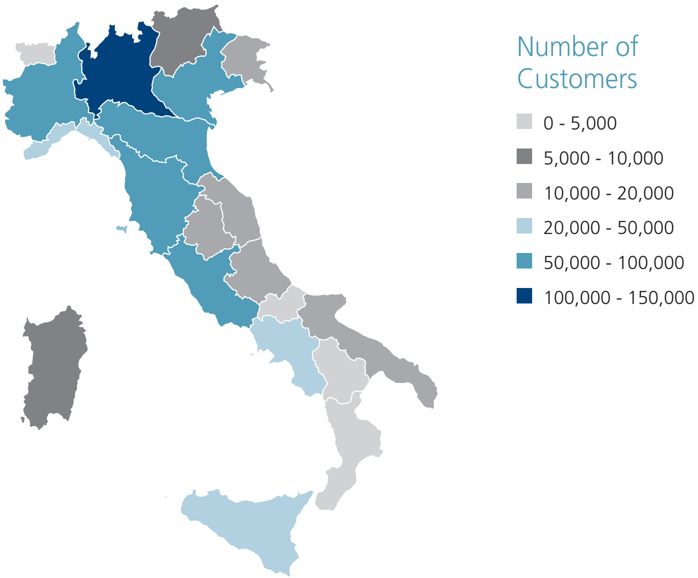
	2019	%	2018	%	2017	%
North-East	158	21	153	21	148	21
North-West	282	38	273	38	264	38
Central Italy	207	28	200	28	194	28
South	61	8	60	8	58	8
Islands	32	5	32	5	31	5
Total	**740**	**100**	**718**	**100**	**695**	**100**

Intesa Sanpaolo Private Banking Network

No. of households (thousands)

	2019	%	2018	%	2017	%
North-East	9	24	9	24	8	22
North-West	20	53	19	52	19	52
Central Italy	6	16	6	16	6	17
South	2	5	2	5	2	6
Islands	1	2	1	3	1	3
Total	**38**	**100**	**37**	**100**	**36**	**100**

Geographical distribution of Fideuram and Sanpaolo Invest customers



Geographical distribution of Intesa Sanpaolo Private Banking customers

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 Group, its Networks and its subsidiaries in 2019 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 in Italy, as well as in the technological support we provide our sales networks.

The main subjects reported on during the year included:

- our quarterly, half-year and annual financial results, which 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 Advanced Advisory Services, with client assets that exceeded €38.8bn;
- the professional development of the Personal Financial Advisers, the dedicated training programs, the courses provided through Fideuram Campus, including the wealth management adviser certification, attained by 400 Personal Financial Advisers of Fideuram and Sanpaolo Invest;
- updates on certain products including Fideuram Folios and the fourth alternative investment fund FAI - Mercati Privati Europei;
- our recruitment results and articles on our Personal Financial Advisers;
- local events;
- the opening of new offices;
- local editorial content;
- innovation and technology as facilitating tools for our business, with the aim of helping define new logics for the financial advisory service.

In 2019, members of the Group's management team took part in round tables and gave interviews in which they were able to outline the most significant initiatives undertaken. The Group's fund managers gave numerous interviews to the specialist press and sector TV, and took part in surveys, commenting on market performance and the main financial industry trends.

In addition, the excellent income and growth results achieved in 2019 and interest shown by industry operators towards the Intesa Sanpaolo Private Banking 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, the business model and customer segmentation, sales and income results, the innovative services released also within the technological and digital field;
- the VIEW Advanced Advisory Services and the Private Banking Advanced Advisory Services, the distinctive service offered relating to managed assets 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 (ESG investments), philanthropy, 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 offering on the managed asset and insurance solutions market. Fund investment solutions were presented. These consisted of a selection of the best 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, meetings and round tables on economic and financial issues. In addition, we should mention their participation at important events in the world of art (miart 2019), shipping (Genoa Shipping Week), real estate (Nomisma Annual Convention) and sport (golf, amateur cycling, equestrianism).

FINANCIAL STATEMENT OSCARS

Oscar di Bilancio
55° edizione | 12 novembre 2019

Fideuram – Intesa Sanpaolo Private Banking was a finalist in the "Non-listed companies and financial entities" category during the 55th Edition of the Financial Statements Oscars, held on 12 November 2019. This is the prestigious and historic prize awarded by FERPI (Italian Federation of Public Relations) for financial and non-financial reporting.

PROMOTING A FINANCIAL CULTURE

The Fideuram Group believes it is important to disseminate a solid financial culture among its customers.
Increased financial awareness helps foster a common language and strengthen the dialogue between our customers and their Personal Financial Advisers, which has always been a cornerstone of the Group's mission and service model. Financial culture means awareness in relations, in setting objectives, in clarity of choice and in a shared understanding of the associated risks and opportunities.
We therefore organised a wide range of initiatives promoting financial culture for existing and potential customers in 2019:

- 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 asset protection, the importance of advisory services, succession management and tax safeguards, behavioural finance, and solutions for investing in the real economy through private markets. The aim is to bring the world of management close to the world of distribution with contributions from professionals from both inside and outside the Group, academics and managers from Fideuram and from its most prestigious partners;
- publication of the magazine Private News, which highlights and discusses topics of general interest. The eleventh issue was dedicated to globalisation: a complex and undoubtedly relentless phenomenon, whose impacts in our world are highly significant. The twelfth issue examined in greater depth the topic of investments in real assets and, in particular, private assets, an extremely wide universe of investments which up to now was dedicated exclusively to institutional investors, but which is now also opening up to private investors with new, interesting investment opportunities;
- a new communication project which involves the weekly screening of a snippet on financial education produced by Key TV. These snippets, intended for transmission directly to customers, and not through social networks, have the objective of explaining in simple terms the sometimes complex language which the

media generally use in addressing economic and financial 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. On a quarterly basis, an extract on the property market is published on the Bank's public website. This year, the publication reached its hundredth edition: to celebrate the event, a copper-coloured cover was created in honour of the Bank's institutional colour together with a special communication for customers to inform them about and share with them this important milestone;
- the reporting and mailing service was improved in its layout and in the management of variable and fixed alerts and messages of personalised statements for the Private Bank, which can also be viewed online by those who signed up to the internet banking service, and the preparation of specific mailings on major regulatory changes and products in the year;
- in line with the MiFID 2 Directive the first Investment Portfolio Statement was also issued, the new document that includes information on costs, charges, incentives and impact on returns of investments sent to the customers. A cover was designed showing a chromatically-treated picture, in private banking style, of an architectural detail of the "Gallerie d'Italia – Piazza della Scala" museums in Milan, a symbol of art and culture in our country.

GROUP AWARDS

MORNINGSTAR AWARDS ITALY 2019

The 13th edition of the Morningstar Awards Italy was held on 28 March at the Circolo Filologico (Philological Club) in Milan. As in previous years, the awards were assigned to the funds that created value for subscribers on the basis of a rigorous procedure shared throughout Europe.
The designation of Best Large Cap Stock Fund Italy was awarded to Fideuram Italia in the Italian Equities category.
Luigi Degrada, who has been manager of the Fideuram Italia fund for 16 years, mounted the podium for the third year running in the Italian Equities category. "He ended 2018 in the top quintile of the category thanks to lower losses than his competitors, confirming his prowess as a manager skilled in navigating the high volatility in the Italian market," said Francesco Paganelli, Morningstar fund analyst.

INVESTMENT EUROPE

Chiara Mauri from Fideuram Investimenti SGR received a prize within the Women In Investment Awards Italia 2019 in the Fund Selector category dedicated to women working as fund selectors in the assessment of funds in Italy.

ITALIAN CERTIFICATE AWARDS 2019

Intesa Sanpaolo Private Banking won second prize in the "Special Award for Best Private Banking Distribution Network".

CFS RATING: THE 300 BEST FUNDS 2019

The Italian mutual fund rating agency, CFS Rating, selected two funds managed by Fideuram Investimenti for the annual awards of the "300 Best Funds – edition 2019": Fideuram Italia and Fideuram Master Selection Equity New World. Fideuram Italia was also in 2018 among the funds that had achieved best performances over the previous ten years, based on CFS Rating parameters.
Fideuram Italia is one of the best funds of the last ten years in the Euro Large Cap Equity funds.

EUROMONEY 2019

The "Euromoney 2019" survey once again ranked Intesa Sanpaolo Private Banking among the outright leaders in Italy and first in the Italian Private Banks category.

CUSTOMER EVENTS

WEALTH MANAGEMENT ADVISORY

We continued to hold meetings on succession management and household asset management, focusing on protecting and transferring assets under the new tax rules. Many of the traditionally-adopted behaviours in the transfer of wealth are ineffective in protecting assets: by analysing the principal emotional, social, legal, and tax constraints, the objective of these meetings is to illustrate 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 expert in asset planning and director at Value & Strategies. Eight major events were held, attended by about 850 guests, including customers, professionals and Personal Financial Advisers from the Fideuram and Sanpaolo Invest Networks.

In addition, 17 meetings were organised in 2019 by the Private Wealth Management (PWM) unit of Fideuram. One kind of meeting on the topic "The Private Wealth Management model of Fideuram - Intesa Sanpaolo Private Banking", was dedicated to current and potential customers to illustrate the main characteristics of the PWM model and how it meets the needs of Private Banking customers induced by new trends that characterise the national and international social and economic panorama. In particular, the logical aspects of the model were examined in detail, and also the operational and business supports and services offered in various fields, such as Financial Products and Lending Offer, Corporate Advisory, Legal and Tax Advisory Services, Property Services, Art and Luxury. Another series of meetings covered the topic "The Private Wealth Management model of Fideuram - Intesa Sanpaolo Private Banking: services for business owners" and was dedicated to business owners, who are current and potential customers, to examine the offer of PWM services in the Corporate field. These meetings discussed the way that the PWM model offering is structured with a view to assisting business owners in all phases of their companies' life cycle (development of the business plan, search for investors and strategic partners, internationalisation, sales to industrial partners and private equity funds), and included the illustration of some examples of actual success stories. The topic of succession management for entrepreneurial households was also examined carefully, focusing on the tools that can be used to address this issue in a comprehensive manner. Over 1,000 existing and potential customers attended these two types of events, held in prestigious locations. As examples, it is worth mentioning the ones held at the Circolo della stampa - Palazzo Ceriana Mayneri in Turin, the Palazzo Verità Poeta in Verona, the Castello di Novara and the Albereta Relais & Chateaux in Brescia. The unit also organised an event entitled "Protection, safeguarding and transfer of household assets" at the Villa Montesi in Padua, dedicated to current and potential customers to carefully examine issues relating to succession management. On this occasion, there were presentations about the solutions that can be adopted to deal with family succession management (tools for protecting assets such as insurance policies, fiduciary mandates and trusts) and tools to deal with corporate succession management (M&A operations, L.B.O. and corporate reorganisations).

FIDEURAM SCENARIO AND SOLIDITY

Fideuram proposed a series of meetings to its current and potential customers with presentations by Fabrizio Crespi, professor at the Cattolica University and University of Cagliari. After illustrating the changes in the economic and financial scenario, characterised by low returns and market volatility, as well as social and demographic changes that are reshaping Italian society, the main errors committed when making investments were illustrated, raising the awareness of participants and guiding them towards a different investment approach, less centred on the search for returns and more aimed at achieving priority life objectives. The financial needs of Italian households and succession management were discussed, highlighting the benefits of financial planning and the role of the financial adviser. More than 7 such events were organised in Italy's major cities, attracting over 280 participants.

BEHAVIOURAL FINANCE

In cooperation with Professor Ruggero Bertelli, lecturer in Financial Intermediary Economics at the University of Siena, and other speakers from Fideuram's main third-party partners, a series of meetings were proposed during which it was demonstrated how behavioural finance can assist in supporting investment choices, helping to manage emotions, so as to avoid the systematic errors typical of this new context of uncertainties, while also pointing out the benefits of financial planning and the role of the personal financial adviser. In a second form of meetings, attention was focused on the value of advisory services and on the costs incurred by those who put their trust in not-fully-competent advisers or in DIY. More than 26 such events were organised in all Italy's major cities, attracting nearly 2000 existing and potential customers and Personal Financial Advisers.

ROLE OF THE FINANCIAL ADVISER

A first series of meetings was organised in cooperation with Marco Falaguasta: Italian actor, playwright and director. "How to distinguish between proposals whose vocation is exclusively sale-based from those that are solid and effective?" Marco Falaguasta provided answers to this and other questions, portraying the figure of financial adviser as an essential professional. The actor also assisted with the organisation of meetings focused on the need for planning a less instantaneous use of financial resources directed at satisfying needs on the spur of the moment, and rather more aimed at the future, so as to be able to manage changes and uncertainties. A total of 33 such events were organised in Italy's major cities, attracting over 3,800 participants.
A second series of meetings was proposed in collaboration with Sergio Sorgi, Founder and Deputy Chairman of PROGeTICA. During these meetings, the discussions focused on the topic of happiness from an individual and collective point of view, so as to understand which forms of economic and psychological behaviour we can adopt in order to improve our life and which approaches we should adopt in the future, also looking at the role of advisory services. A total of 9 such events were organised in Italy's major cities, attracting over 600 participants.

FINANCIAL EDUCATION AND THE VALUE OF MANAGED ASSETS

In cooperation with Giuseppe Riccardi, Managing Director of Fondi&Sicav, a series of meetings were arranged using wine as the key for interpreting certain important choices in the financial field. In the Wine and Finance/Wine, and Finance and Watches events, drawing on an amusing parallel with the world of finance with splendid venues and benefiting from the convivial atmosphere of refined social occasions, the existing and potential customers are introduced to the rudiments of wine-making and the main techniques of wine-tasting, highlighting the importance of having an adviser to turn to, when trying to find one's way around the world of finance or in choosing the most suitable wine. A total of 22 such events were organised in all Italy's major cities, attracting over 2,000 participants.

FINANCIAL WORKSHOPS

A series of events were arranged 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 12 events were organised, attracting over 600 participants.

EVENTS ON "INVESTING IN THE REAL ECONOMY THROUGH PRIVATE MARKETS"

Eleven meetings were held in various Italian cities, dedicated to Fideuram and Sanpaolo Invest high-standing customers, who may potentially be interested in Fideuram Alternative Investments – Mercati Privati Globali (4 events in February) and Fideuram Alternative Investments – Mercati Privati Europei (7 events between October and November). The events were organised in collaboration with Fideuram Investimenti and the partner companies, the Partners Group and Tikehau Capital. The guests taking part were about 1,500. In addition to the events organised directly by Fideuram, the Network units promoted additional events locally on the same topic.

MEETINGS AT THE PREMISES OF OTHER COMPANIES

Twenty financial meetings for customers were organised with leading asset management companies: Schroders, Eurizon, DNCA, Amundi, M&G, Pimco, Carmignac, Black Rock, Pictet, Vontobel, Franklin Templeton, NN Investment, Fidelity, Morgan Stanley, Invesco and JP Morgan.
These meetings which went under the title of "Economy and financial markets: prospects and opportunities", were attended by about 2,250 customers and held in the following cities: Turin – Nuvola Lavazza and Museo dell'Auto; Milan – Sala Convegni Intesa Sanpaolo - Cariplo Factory - Villa Necchi and Garage Italia; Venice – Hotel Cipriani; Palermo – Hotel Piazza Borsa; Cagliari – T Hotel; San Benedetto del Tronto – Hotel Casale; Pavia – Cascina Erbatici; Perugia – Tre Vaselle; Novara – Castello di Novara; Reggio Emilia – Centro Internazionale Loris Malaguzzi; Prato – Centro Pecci; Legnano – Villa Jucker; Verona – Palazzo Verità Poeta; Bologna – Lamborghini; Gardone Riviera – Villa Alba; Rome – Lanterna Fuksas.

FINANCIAL SYMPOSIA

A series of 11 Symposia were organised addressed to 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-party Houses such as Fidelity, Pimco, JP Morgan, Invesco, M&G, Carmignac, Pictet, Black Rock, Morgan Stanley, Schroders and Franklin Templeton the Management of Intesa Sanpaolo Private Banking. These dinners were held in exclusive locations, such as: Spazio Fendi – Rome; Relais Convento – Cremona; Villa Pandolfa – Forlì; Villa D'Este – Como; Ristorante Il Giunchetto – Sanremo; Fortino Napoleonico – Ancona; Golf Club La Montecchia – Padua; Ristorante Le Bubbole – Matera; Gallerie D'Italia Palazzo Zevallos – Naples; Villa Bardini – Florence; Gallerie d'Italia Palazzo Leone Montanari – Vicenza. About 300 existing and potential customers attended these dinners.

LOCAL THEME-BASED MEETINGS

A few "Local theme-based meetings" were held, involving about 800 existing and potential customers in places such as Florence, Padua, Turin, Milan, Verbania and Genoa. The topics discussed covered areas such as the economic situation, succession management, various financial topics, Start-ups and the processes of innovative SMEs.

INTESA SANPAOLO PRIVATE BANKING INVITATIONAL GOLF TOUR

The "Intesa Sanpaolo Private Banking Golf Tour" was played from May to October, and involved four invitational tournaments. The tournaments were held at the Circolo Golf Torino La Mandria, the Bogogno Golf Resort, the Golf Des Iles Borromées and the Villa d'Este Golf Club. Around 280 existing and potential golfer customers took part.

SPORTS

Intesa Sanpaolo Private Banking invites its customers to its Sky Box at Inter, Milan, Juventus and in a few places for Torino, Parma, Bologna and Brescia, to follow the matches played in Serie A, the Champions League and the Coppa Italia.

During the year a number of initiatives were dedicated to existing and potential customers at important sports events sponsored by Fideuram.

ROLEX SAILING CUP

On 9 May at the 65th Three Gulfs Regatta, one of the most important sailing events in Italy and at an international level, the Personal Financial Advisers of Fideuram and Sanpaolo Invest organised an inaugural event reserved for their guests in the charming scenario of the Borgo Marinari, in Naples. The ancient districts and trades of old Naples came to life again: with music and dancing, over 700 guests were able to relive the extraordinary atmosphere of past times.

ITALIAN OPEN

For the second year in a row, Fideuram was partner of the Italian Golf Open in its 76th edition, that was concluded on 13 October at the prestigious Olgiata Golf Club in Rome. In addition to being official sponsor, Fideuram welcomed over 200 existing and potential customers as its guests during the four days of the tournament in a hospitality area on the green at hole 18, and gave a few of them the opportunity of taking part in the Pro-Am competition. Fideuram, in its role as the official bank of the tournament was present at the prize-giving in front of the 8,000 spectators at the event. 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. The Italian Golf Open is one of the eight prestigious tournaments in the Rolex Series, events of major global importance on the European Tour. This kind of sponsorship goes hand in hand with the numerous events organised by individual Personal Financial Advisers at local golf clubs throughout Italy with a view to promoting relations with existing and potential customers.

TEDxVICENZA

The fifth edition of the international level cultural event TEDxVicenza was held at the Teatro Comunale theatre in Vicenza on 8 June. Fideuram was a "visionary" partner with its contribution to making the event an important day for the whole city. TED (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 were the stories and life experiences capable of stimulating and giving the public a new vision of the future.

VILLEGGENDO

The fifth Villeggendo festival was held in Vicenza from 20 May to 30 June. This festival was created to combine the joys of reading with the pleasure for the architectural splendour of the local villas in the Berici Hills. Fideuram was the main sponsor once again this year, with high visibility for our Personal Financial Advisers based in Vicenza and the province being featured in all the communication materials at all the 30 special evening events. Once again, Villeggendo 2018 involved prominent figures from the world of literature and the arts and was a great public success.

BANK AND ART TOGETHER

Many exclusive evening gatherings were held at leading artistic and cultural events throughout Italy.

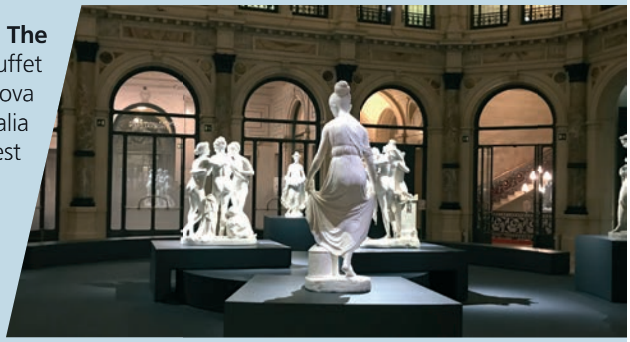
MILAN

In February, Fideuram invited existing and potential customers to the exhibition "**A VISUAL PROTEST – The art of Banksy**" at the MUDEC Museum of Cultures in Milan. The exhibition was an absolute first: no Italian public museum had ever hosted a monograph exhibition of the English artist Banksy, one of the leading exponents of contemporary street art.

In September, on the occasion of the 500th anniversary of the death of Leonardo, Fideuram offered its guests an exclusive tour of the exhibition "**LEONARDO mai visto**", at the Sforza Castle in Milan. The exhibition was followed by a dinner in the Rocchetta Courtyard of the Castle.

Fideuram then invited its guests to see "The Last Supper" by Leonardo: an absolute masterpiece, one of the most famous paintings in the world, recognised as a UNESCO World Heritage item. The visit was followed by a cocktail dinner at the Residenza Vignale.

In November, they were invited to the exhibition "**Canova | Thorvaldsen. The birth of modern sculpture**" held at the Gallerie d'Italia, followed by a buffet dinner in the Cloister of Palazzo Anguissola. This major exhibition on Canova and Thorvaldsen, the result of a collaboration between the Gallerie d'Italia and the Hermitage Museum in St. Petersburg, celebrates the two greatest sculptors of Neoclassicism.

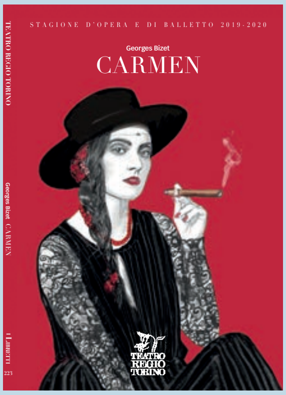


Also in November, Fideuram offered its guests a private tour of the exhibition "**Guggenheim. La Collezione Thannhauser**" at Palazzo Reale in Milan, which included about fifty masterpieces of the great masters of Impressionism, Post-Impressionism and the Avant-garde movement of the early twentieth century. More than 500 existing and potential customers were involved in these events.

TURIN

In May, Fideuram offered its customers a private visit to the **Museo Nazionale dell'Automobile** in Turin, with a gala dinner in the exciting Formula Hall.

In October, Fideuram invited its customers to an exclusive tour of the exhibition **"Vittorio Corcos. L'avventura dello sguardo"** ("The adventure of the gaze") and the prestigious Museum Halls at the Museum of Decorative Art of the Accorsi-Ometto Foundation. A tribute to one of the great names of nineteenth-century painting, the undisputed master of the female portrait. The exhibition was followed by a dinner in the Courtyard of the Palazzo Accorsi.



In December, customers attended the preview of the Opera **"La Carmen"**, masterpiece by Georges Bizet, at the Teatro Regio in Turin, under the direction of Giacomo Sagripanti and stage direction by Stephen Medcalf. The drama by Bizet, originally set in the first two decades of the nineteenth century, is transported in this staging to the gloomy atmosphere of Franco's Spain just after the end of the Spanish Civil War. A successful evening with one of the most often staged operas in the world.

Lastly, also in December, Fideuram customers were offered an extraordinary opening and guided tour of the prestigious **Turin Egyptian Museum**, which was followed by a dinner in the impressive Gallery of the Kings. More than 1,200 existing and potential customers were involved in these events.

ROME

In May, Fideuram customers had the privilege of attending the exclusive guided tour behind closed doors of the **St. Peter's Basilica** during the blessing of the work "Madonna di Scossacavalli", which Fideuram had helped to restore. Afterwards, guests attended a Gala Dinner at Villa Piccolomini, an exceptional stage with views over Michelangelo's dome.

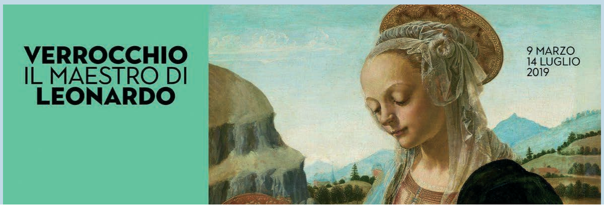
In September, Fideuram organised for its guests an exclusive visit to the Vatican Museums, the Upper Galleries, the Raphael Rooms and the majestic Sistine Chapel. Afterwards, an aperitif in the bistro of the Cortile della Pigna, one of the most exciting and charming areas of the **Vatican Museums**.

During the year, other events and reserved and exclusive visits were held for Fideuram's existing and potential customers to the Vatican Grottoes, the Necropolis, the Historical Archive, the Mosaic School and St. Peter's Basilica.

On the occasion of the fifth centenary of Leonardo's death in May, Fideuram invited its guests to the exclusive visit of the **exhibition "Leonardo da Vinci. La scienza prima della scienza**" ("Science before Science"), arranged in cooperation with other important national museums at the Scuderie del Quirinale. Almost 400 existing and potential customers were involved in these events.

FLORENCE

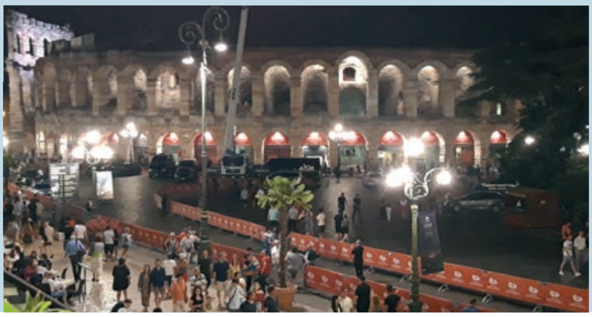
In May, Fideuram offered 70 customers an exclusive guided tour of the **exhibition** “**Verrocchio, il maestro di Leonardo**” (“Verrocchio, Leonardo’s master”), at the Palazzo Strozzi, which celebrated the occasion of the five hundredth anniversary of Leonardo da Vinci’s death, the figure of the brilliant artist of Renaissance values.



ART AND THEATRE

Intesa Sanpaolo Private Banking organised guided tours of the particularly important art exhibitions in the Gallerie d’Italia in Milan, for “Canova Thorvaldsen – The birth of modern sculpture” and “Romanticism”.

At the Palazzo Madama in Turin there was a visit to “Madame Reali – Cultura e potere da Parigi a Torino”.
In Venice, there were visits to the Giorgio Cini Foundation to see the exhibitions: “Burri – La pittura, irriducibile presenza” and “Emilio Isgro”.
The visits always concluded with a social event that reinforced relationships between our Personal Financial Advisers and their customers. About 470 existing and potential customers attended these evenings.
Some guests were invited to the Tefaf exhibition market held in Maastricht at the Mecc Forum 100.
Moreover, seats were reserved in Italy’s leading theatres for the opening nights of opera and ballet productions: at the Teatro alla Scala in Milan, at the Teatro San Carlo in Naples, at the Teatro La Fenice in Venice, and at the Teatro Petruzzelli in Bari.



Eighty existing and potential customers were invited to attend the performance of “La Traviata” opening the opera season at the Arena di Verona, with an exclusive hospitality event organised specifically for them.

NEW OFFICES OPENED

Events connected with the opening of new offices continued during 2019.

In May, the new offices of Fideuram and Sanpaolo Invest in Rome were inaugurated with an event dedicated to Personal Financial Advisers, Network and Bank Managers and office colleagues. The usual ribbon cutting ceremony was followed by a cocktail dinner with live music in the park.

On 12 June, the opening ceremony of the new Fideuram office in Sesto San Giovanni was held. The inaugural event was attended by the top managers of the Bank and the Network in addition to existing and potential customers.

In November, the new Fideuram offices in Bergamo were opened in the presence of existing and potential customers, Network and Office Managers. A new and important step in the consolidation and development of the presence of Fideuram in the Bergamo area, which has 95 Personal Financial Advisers active in the province. The hall of the new offices will host some exclusive exhibitions thanks to an agreement with the Accademia Carrara Foundation in Bergamo.
Also in November, Fideuram took another important step forward in Parma on its path of local consolidation and development with the opening of the new offices. Fideuram has been in Parma since 1974 and now has 40 Personal Financial Advisers.

Fideuram - Bergamo Office

Fideuram - Sesto S. Giovanni Office

In December, after 25 years in Viareggio, Fideuram moved its offices to Lido di Camaiore. This choice was the result of the need for larger offices that are nearer to all customers, both those from the city of Viareggio and those from the other locations in Versilia.

New Fideuram offices were also opened in 2019 in Milan, in Via Montebello and in Turin, in Piazza a San Carlo; new Fideuram and Sanpaolo Invest locations in Alessandria and Grosseto; new Sanpaolo Invest locations in Bergamo, Thiene, Rapallo and Fidenza.

Fideuram - Lido Camaiore Offices

Fideuram - Turin Office

Fideuram and Sanpaolo Invest - Alessandria Office

Sanpaolo Invest - Fidenza Office

CUSTOMER ASSISTANCE SERVICE

460 k
Contacts with customers

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.

During 2019, the volume of customer contacts increased significantly over the previous year due to the effects introduced by the PSD2 regulations on how to authenticate customers when accessing the site (from the O-Key physical device to the virtual O-Key Smart and O-Key SMS). To accompany customers with these changes, the staff of professionals dedicated to the service was reinforced through the creation of two new support hubs which enabled quality levels to return to the usual levels of excellence.

The percentage of authenticated calls remained stable during 2019 at 58%, while the transactions executed independently by customers on the code management page rose to 85%.

CUSTOMER SATISFACTION

The ability to create lasting customer relationships based on professionalism and trust is the key to success.
Listening to customers is a powerful tool that guides all stages of the relationship: in the definition and development of financial products and services, in the placement of products and in the measurement of satisfaction or dissatisfaction factors.
The listening process is designed to readily identify the latent needs to be addressed with the development of new products and services, the measurement of success and failure factors with a view to taking action where corrective measures are necessary.
The attention to customers is achieved through:
- careful management of the relationship by Personal Financial Advisers and all corporate functions that have dealings with customers;
- a Customer Satisfaction survey aimed at identifying the strengths of the service models on which to use leverage, and the areas requiring attention where the focus should be on identifying opportunities for improvement;
- timely and appropriate management of reports made by customers.

CUSTOMER SATISFACTION SURVEY

The analysis of Customer Satisfaction is one of the most important aspects for planning and checking the quality of our offered services. In a highly competitive environment like the current one, in which the development of digital channels makes it easy for customers to reach products independently, banks are increasingly attentive in analysing the satisfaction and changing needs of customers so as to meet their requirements promptly and effectively.
In 2019 a Customer Satisfaction survey was carried out for the first time by the Private Banking Division in relation to the Fideuram and Sanpaolo Invest Networks and the Intesa Sanpaolo Private Banking Network. The survey took account of the distinctive features of the two service models and was sent out to a panel of customers resident throughout Italy in the form of two distinct questionnaires placed on the internet banking platforms of Fideuram and Intesa Sanpaolo Private Banking and, uniquely for customers of Intesa Sanpaolo Private Banking, also via a paper questionnaire sent by post.
The questionnaires, answered by 33,860 customers (25,084 for the Fideuram Network, 6,667 for the Sanpaolo Invest Network and 2,109 for the Intesa Sanpaolo

Private Banking Network), were structured to investigate various points of contact between the Bank and the customer (the relationship with the Personal Financial Advisers, customer support and online services), assuming that the degree of customer satisfaction depends on a systemic effort involving not only the Personal Financial Advisers, but also all the units and people coming into direct contact with the customer.

The survey results confirmed high customer satisfaction for all three Networks. The relationship with Personal Financial Advisers is always a fundamental element in measuring appreciation of the service provided by the Bank, and in particular, customers recognise their approachability, expertise and professionalism, as well as their ability to customise solutions and demonstrate correctness in the relationship. In particular, the survey conducted on the Fideuram and Sanpaolo Invest Networks showed that customers recognise strengths such as solidity, reliability, the presence of a large group behind them, multichannel systems, excellent professionals, customer care and quality of services. The survey on the Intesa Sanpaolo Private Banking Network showed that the understanding of customer needs and the ability to make them feel privileged customers are also highly appreciated, as well as the attention to privacy and the ability to anticipate critical issues.

Thanks to the responses obtained, two important indicators were calculated: the Net Promoter Score (NPS), and the Customer Satisfaction Index that assess the ability to listen to customers and monitor their satisfaction. The NPS indicator attained a mark of 47 and was calculated on the responses received to the question "Would you recommend your bank to someone you know: a friend, relative or business partner?". The Customer Satisfaction Index, of 8.5, was calculated on the responses received to the question "Now, thinking about your relationship with the bank what is your overall assessment?".

47

Net Promoter Score

8.5

Customer Satisfaction Index

In the questionnaire addressed to customers of the Fideuram and Sanpaolo Invest Networks, the opportunity was taken to ask some questions devoted to issues relating to sustainable investments (Environmental, Social, Governance and Sustainable and Responsible Investment) in order to investigate the knowledge of customers and their propensity to investing their assets in products with ESG characteristics. The survey showed that ESG issues are known to about 60% of customers and 41% believe that ESG investments create value for themselves and for the community and the environment. The percentage rises to 48% if one considers the Private Banking customers or the band of customers with an aggressive risk profile. In addition, approximately 30% of customers are willing to invest more than 30% of their assets in sustainable products.

NET PROMOTER SCORE (NPS)

This is an indicator that measures the propensity of customers to recommend a product, service or company.
The NPS is based on a simple question to the customer to understand to what extent they would recommend the Bank to a friend, relative or business partner (depending on the interlocutor).
Based on the opinion expressed, respondents are divided into:

- **detractors:** unhappy customers who could damage the company through negative word of mouth;
- **passive customers:** satisfied but not devoted customers, who could be influenced by competitors;
- **promoters:** customers who are loyal to the company and recommend it to other people.

The NPS is calculated by subtracting the percentage of detractors from the percentage of promoters. The result, however, is not expressed in percentage points, but as an absolute number between -100 and +100.

CUSTOMER SATISFACTION INDEX (CSI)

This is an indicator that measures customer satisfaction with regard to the company.
The CSI is based on a simple question to the customer to see what assessment they attribute to the company: from 1 to 10 where 10 is the highest and 1 the lowest.

CUSTOMER FEEDBACK

43 days

Average processing time for investment service complaints (*)

(*) Compared with 60 days maximum legal requirement.

In 2019, a total of 1,929 customer complaints were received, mainly by the Group's Italian companies, indicating an increase of 19% compared to 2018. In particular, 373 complaints were received for unlawful conduct by Personal Financial Advisers, showing an increase compared to 96 in 2018, mainly due to the activities performed by a former Personal Financial Adviser of the Sanpaolo Invest Network.

Response times, except for complaints relating to unlawful conduct, continued to be below the maximum times specified by the relevant legislation, with an average of 17 days for banking service complaints (30 days legal maximum), 43 days for investment service complaints (60 days legal maximum) and 50 days for fiduciary service complaints (60 days legal maximum).

There was an increase in the number of appeals submitted to the alternative dispute resolution bodies compared to the previous year, both in terms of those submitted to assessment by the "Financial and Banking Arbitration Body (*Arbitro Bancario Finanziario*)" (40 compared to 27 in 2018) and those submitted to the "Financial Disputes Arbitration Body (*Arbitro per le Controversie Finaziarie*)" (17 compared to 11 in 2018).

Complaints by type

(No.)

	2019	2018	2017
Complaints regarding investment services	333	416	283
- of which securities in default	10	22	14
- of which structured securities	-	6	22
Cheques and bills	27	36	52
Transfers, wages and pensions	44	55	59
Cards	206	242	203
Loans	22	9	7
Current and deposit accounts	342	387	386
Mortgages and special loans	6	1	-
Insurance products	40	30	38
Remote banking	148	141	74
Fraud by personal financial advisers	373	96	87
Other	388	208	158
Total	**1,929**	**1,621**	**1,347**

"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.)

	2019	2018	2017
For Privacy	19	12	22
For Capitalisation of interest due	-	3	14

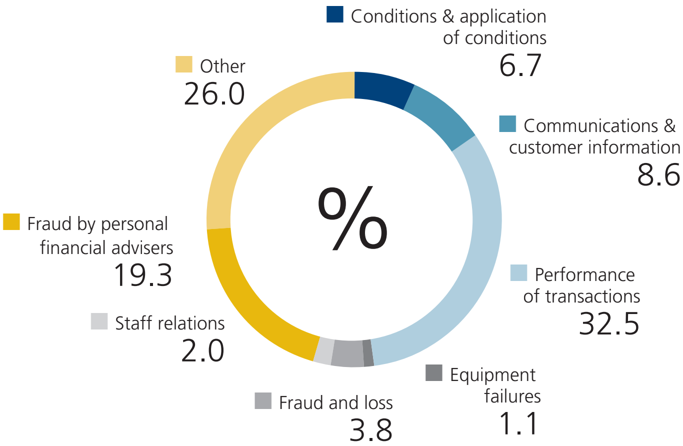
The following table shows the number of complaints dealt with in 2019.

Complaints processed in 2019

(No.)

	2019
Rejected	882
Accepted without outlay	575
Accepted with outlay	183
Total	**1,640**

Complaints by reason



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 2020

Customers

Our main improvement objectives include the following:

- Maintenance of a satisfactory level of Customer Satisfaction measured by independent external companies and with indicators obtained through questionnaires.
- Further enhancement of the service platforms to seize new opportunities on listed markets and meet the changing needs of Affluent customers looking carefully at the value of sustainable finance.
- Enrichment of solutions for HNWI and Private Banking customers with a particular focus on issues relating to investments on private markets.
- Increase in the offering of products in response to the needs of safeguarding capital by customers, also through the creation of new issues of principal-protected certificates.
- 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 charges.
- Complete renewal of the Alfabeto platform with the launch of Alfabeto 2.0. The new platform will revolutionise user experience by integrating all the banking, trading and asset analysis features in a single environment.

Advisory platform

In 2020 there are planned measures to further facilitate relations with customers and, in particular, further improvements will be made to the Sales Proposal, also supporting the new "Saving Map" service, the additional information enhancement with the possibility of greater customisation in reporting.

Events

The organisation of local events will continue in 2020, dedicated to existing and potential customers and geared to developing a greater understanding of current issues.

SUPPLIERS

MAIN OBJECTIVES FOR 2019	ACTIONS AND RESULTS ACHIEVED
Greater use of the New Supplier Gate of Intesa Sanpaolo for a wider range of purchases, with particular attention paid to procedures regarding social and environmental responsibility.	The process of centralising the purchasing department was completed with the authorisation to use the New Supplier Gate of Intesa Sanpaolo with consequent modifications to the Fideuram IT 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 commitments they had signed.
Periodic checks through the filling in of vendor rating questionnaires.	By accessing the New Supplier Gate, it was possible to use the results obtained via the completed vendor rating questionnaires found there.
Expanding the pool of suppliers by joining a larger number of Intesa Sanpaolo Framework Agreements resulting in achieving economies of scale and cost savings.	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

In 2019, the Group had business dealings with 1,502 suppliers, for a total value of approximately €189M. The territorial distribution of suppliers is concentrated almost entirely in Italy (96%).

	2019	2018	2017
Suppliers' turnover (€m)	189	233	240
Number of suppliers	1,502	1,584	1,703

The figures refer to the Italian companies recorded on the corporate information system INTESAP.

SUPPLY CHAIN MANAGEMENT

The Fideuram Group pays particular attention to social and environmental responsibility and the effects generated from the management of purchases of goods and services on society, on human rights and workers' rights, on business ethics and on the environment.
The supply chain is based on transparency, correctness, integrity and fairness, the principles expressed in the Code of Ethical Conduct that suppliers need to view when registering with the New Supplier Gate (Nuovo Portale Fornitori - NPF) of Intesa Sanpaolo. Subsequently, in the event of signing a supply or service contract, they agree to comply with the Code in the execution of their assignments.

The Intesa Sanpaolo procurement centralisation process allowed us to unify rules and processes, by applying the Purchasing Rules and Guidelines used by all Fideuram Group companies, and to apply the criteria followed by Intesa Sanpaolo, 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 and the adherence to the Framework Agreements with the same suppliers of Intesa Sanpaolo.
This new application and e-sourcing system, called the Intesa Sanpaolo Supplier Gate, allowed the Group companies to be able to select the suppliers qualified by Intesa Sanpaolo beginning with their registration on the application, while considering not only the suppliers' technical, economic and financial characteristics, but also verification of their ethics in terms of business, human rights and the environment. The traditional suppliers and those applying for the first time were made aware of the need to go through the accreditation process on the new portal in order to be engaged in the procurement process.
During 2019, it was possible to perform negotiations with effects of an ethical, social and environmental nature according to requirements of functionality, quality and safety and also to activate a competitive comparison of tenders according to technical and economic characteristics.

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.
During 2019, the attention of the Group in the procurement process was directed towards suppliers which could guarantee the best balance between price and quality of the service and be able to meet expectations in terms of social and environmental responsibility. In the interests of fairness, it was decided to enable market comparisons not based simply on a request for a better quality-price ratio, but also to work with qualified suppliers in terms of ethical and sustainable criteria. Indeed, from the time they register in the Supplier Gate, the suppliers fill out mandatory questionnaires dedicated to environmental sustainability issues, with simultaneous or deferred uploading of the documentation and certificates confirming their fulfilment of the declared commitments.
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 and also to have constant updates throughout the validity of the contract, including the period subsequent to the awarding of a procurement contract, so as to plan for appropriate actions in the event of rather unsatisfactory assessments. Therefore, when the Fideuram Group accesses the Supplier Gate system, it has the possibility of consulting and involving suppliers in the procurement process, which have a positive assessment and are approved by the Office for Supplier Qualification.

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 conduct market comparisons, Direct Negotiations.
Market comparisons are not mandatory 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.
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.
During 2019, the Fideuram Group was given the authority by Intesa Sanpaolo, to run its own procurement process for some product categories up to a value of €25k, according to the guidelines and rules on procurement. For all purchases above €25k, the procurement process is managed by Intesa Sanpaolo.
In addition, certain product categories such as expenses related to Integrated Logistics (transportation, postage, stationery and supply office materials, forms and envelopes, warehousing, file storage system and media centre) and those of the Real Estate department were assigned to Intesa Sanpaolo which performs procurement without limits to the amounts.
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 2019, we used a substantial number of suppliers with whom Intesa Sanpaolo has Framework Agreements or Framework Agreement Prices, enabling the Fideuram Group to achieve greater savings through economically advantageous rates.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

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 used in daily work activities (such as efficiency criteria of IT products and their levels of recyclability);
- a targeted action on energy consumption relating to office equipment such as PCs, monitors, printers, photocopiers, servers, IT systems and equipment that supports services, geared to the gradual replacement of office machinery with other more energetically-efficient items and the adoption of a specific policy;
- 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;
- the purchases of environmentally-sustainable stationery products, such as paper, note pads, binders, pens, pencils, ATM rolls and post-its;
- 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 2020

SUPPLIERS

Our main improvement objectives include the following:

- Greater possibility of selecting suppliers which are more sensitive to social and environmental issues.
- Extension to the range of environmentally-sustainable purchases.
- Possibility to apply Plastic Free projects within the Fideuram Group companies.
- Periodic checks through the filling in of vendor rating questionnaires.
- Possibility of online management of tenders on the Supplier Gate for greater standardisation of suppliers and making relationships with them fairer and more transparent.
- Feasibility analysis for the definition of an ethical/sustainability rating with a view to reputational ratings.

THE COMMUNITY

Charitable initiatives (or donations) mean exclusively cash donations without any 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 Group, do not represent donations.
In defining the principles of conduct in relations with the community, the Code of Ethical Conduct of Intesa Sanpaolo 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 speaking, 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 Conduct, 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.

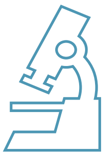
As a further constraint regarding the provision of donations, they:

- 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.

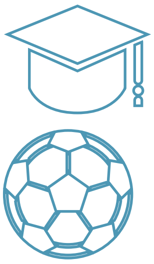
The Group's charitable and other donations totalled €464k in 2019 and were distributed to a number of respected bodies operating in the health care, scientific research, arts, sports and humanitarian/aid fields.

INITIATIVES TO SUPPORT HEALTH CARE, SCIENTIFIC RESEARCH, ARTS AND SPORTS ORGANISATIONS



The Group supported the following health service and scientific research organisations:

- **Associazione Italiana Sclerosi Multipla Onlus** to sponsor the research stipend in the project "Registro Italiano sulla sclerosi multipla" (Italian Register of Multiple Sclerosis), a fundamental tool in epidemiological research on multiple sclerosis.
- **Fondazione Città della Speranza Onlus** in order to support the advanced diagnosis of leukaemia, lymphomas and sarcomas at the Istituto di Ricerca Pediatrica Città della Speranza in Padua.
- **Associazione di Riferimento e Sostegno alle Malattie Polmonari Infantili (A.R.S.P.I Onlus)** with the aim of supporting the renewal of the Respiratory Medicine Division of the Regina Margherita Children Hospital in Turin, which provides treatment and care to children suffering from serious pulmonary diseases.
- **Associazione Amici dei Bambini** (**Ai.Bi.**), a non-governmental organisation, consisting of a movement of families who adopt or foster children.
- **Associazione andrà tutto bene PAM**, established to help Pamela, suffering from a non-Hodgkin lymphoma, obtain treatment in cutting-edge specialised centres such as the "Sheba Medical Center" Hospital, Tel Aviv – Israel.
- **Associazione Italiana contro le Leucemie "Paolo Rubino" – Cuneo branch** given support in organising the celebrations for its 20th anniversary.
- **Associazione Spina Bifida Italia (ASBI)** which promotes medical and scientific activities for the prevention of spina bifida and hydrocephalus, and the cure and rehabilitation of persons affected by it.
- **Fondazione Belotti e Stefani Onlus** whose aims concern solidarity, education, welfare and health services in the Veneto Region in favour of the sick, the aged, the disabled and the needy.
- **Fondazione Giovanni Celeghin Onlus** active in raising funds to finance research projects regarding brain tumours.



Recognising the considerable human and social value of the arts and sport, the Group provided support for the following initiatives:

- **Fondazione Cologni dei mestieri d'arte** which supports the training of young people in high craftsmanship and helps them to enter the employment world through extra-curricular traineeships.
- **Associazione Amici del Centro Conservazione e Restauro della Venaria Reale** to provide support in organising exhibitions and events.
- **Associazione Culturale La Bricula** to support the Museo Cortiglionese delle Arti e dei Mestieri in Cortiglione (AT).
- **Associazione Degli Amici dei Musei di Palazzo Davanzati** which organises promotional activities for the Museo di Casa Martelli in Florence.
- **Associazione Francesca Duchini**, whose office is at the Cattolica University in Milan and deals in the study and diffusion of the economic culture.
- **Associazione Letteraria Giovanni Boccaccio**, supporting the Giovanni Boccaccio literary prize;
- **Associazione Sportiva dilettantistica Gimasport** to assist with the organisation of its international amateur sports event called GimondiBike.
- **Associazione Sportiva dilettantistica Messina** to support its Football School and the 2019/2020 competitive season. The club has a flourishing junior sector and a football school with over 400 registered participants.
- **Associazione Sportiva dilettantistica Taggia** which organises sports promotional activities for about 200 athletes.
- **Casa Secolare delle Dimesse di Padova** for the creation of a magazine illustrating educational initiatives.
- **Centro Studi Medievali Ponzio di Cluny** which supports the study and teaching of aspects relating to the monastic world of the Middle Ages, conferences on Mediaeval Judaism and the publication of the proceedings of conferences on Ponzio di Cluny, the founder of the Monastero della Santa Croce di Campese.
- **Società Sportiva Audace Cerignola**, the first football club in Cerignola, which was founded in 1912 by the Marquis Francisco De Torres Y De Calbò and promotes sports.
- **Sovereign Military Order of Malta**, a lay religious Order since 1113, subject to international law, which operates in 120 countries where it provides assistance to persons in need through its activities.
- **Yacht Club Cagliari**, a sailing school for school age youngsters.
- **Scuola materna Cattolica ASBL** to provide support with the renovation work on the classroom facilities.

HUMANITARIAN AND AID INITIATIVES

The Fideuram Group provided the following organisations with support in their humanitarian and aid initiatives:

- **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,** dedicated to assisting people in need, in support of the project "Emergency measures for the winter period to support homeless persons who live on the street or congregate around railway stations".
- **Fundación Niños del Arcoiris** which supports the health and education of needy children in Peru.
- **Simon House of Cards Appeal** which supports people in need, who have no fixed abode.
- **Foundation Cavour** which provides support for the historical and artistic heritage of Venice damaged by the exceptional high tides.
- **Amici di Edoardo Onlus**, in partnership with Comunità Nuova di Don Gino Rigoldi, has been in operation since 1997 promoting activities for Barrio's, a youth community centre of Barona in Milan.
- **Associazione Telefono Amico Vercellese** for voluntary activities performed by groups of volunteers ready to listen to and speak to people at any time of the day, who are seeking someone to talk to.
- **Fondazione Comunità Mantovana Onlus** to help with printing their annual report.
- **Organizzazione di volontariato centro ausiliario per problemi minorili (CAM)** which performs, free of charge and solely to pursue the aims of social solidarity, the activities and services requested by the Juvenile Courts, Judges supervising guardianship and Public Administrations, in favour of juveniles in difficulty.
- **Intesa ForFunding and Destination Gusto**, in support of projects organised by Piazza dei Mestieri, by allocating a portion of the proceeds from the purchase of Christmas kits to the establishment of scholarships for youths from needy families.

SPONSORSHIP INITIATIVES

The Fideuram Group renewed its support for events related to art, culture and sport by supporting a wide range of initiatives, sometimes in collaboration with its Personal Financial Adviser Networks.

During 2019, Fideuram sponsored the 76th Italian Open golf tournament held in Rome, the IX Trofeo di nuoto Città di Milano (Milan Swimming Trophy), the Rolex Capri Sailing Week, the culture festival Villeggendo, the TEDxVICENZA, the cultural program of the "Musica per Roma" Foundation, and also the Fideuram Village in Ferrara and the stage space Pim Off.

In the financial arena, Fideuram was a sponsor of the institutional events Efpa Italia Meeting 2019, ConsulenTia, in Rome and Bologna and the AIPB Forum in Milan, and the bank was also a campaign partner in raising funds for the "La Vita è Meravigliosa" ("Life is Wonderful") initiative which began in 2018 and continued throughout 2019, set up by the "Cuore Domani" with events and activities throughout Italy.

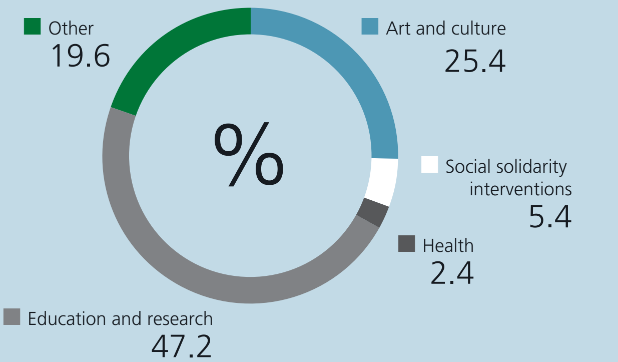
Intesa Sanpaolo Private Banking supported the following events:

- the 33rd Maratona des Dolomites (Dolomites Marathon), the most important amateur cycling marathon race in the world that has been running in the Dolomites since 1987. A total of 9,239 cyclists took part following a drawing of lots from over 32,000 applications. To make taking part in the event a truly unforgettable experience, Intesa Sanpaolo Private Banking ensured assistance from the personal trainer Alessandro Vanotti, together with Vittorio Brumotti and Alessandro Ballan;

- Miart 2019 with a Preview reserved for 100 guests and participation in the opening Vernissage for 600 guests and a centrally-located stand, guided tours to the main galleries, availability of our art advisors, the display of works by a young artist (Paolo Bini) and 3 theme-based meetings;
- Genoa Shipping Week, in its 4th edition, organised by the Association of Maritime Agents and Brokers, in which the Bank was Main Partner of the biennial event, bringing together port, maritime and logistics operators from all over the world. Furthermore, Intesa Sanpaolo Private Banking promoted theme-based and technical events with "The International Propeller Club" which was attended by about 230 people;
- LUISS - Executive Program in Family Business Management for support with the "Family Business Management" course, a training program aimed at professionals who want to take care of their family business. In our country, family businesses account for 85% of national production and 45% of them are approaching the issue of succession management. This course is designed to help participants to understand the real opportunities for growth and development of small and medium-sized enterprises, by exploiting the pillars of management and managerial organisation with a multidisciplinary approach. Enriched by the testimonies from leading players in Italian family businesses, it provides participants, children of entrepreneurs in companies or young professionals, the skills needed to build and effectively manage a family business model;
- Milan Jumping Challenge CS13*/YH from 27 to 31 March and CS14*/YH from 3 to 7 April, organised at the Equieffe Equestrian Centre, with the participation of big names in the Italian and international equestrian world and two competitions branded with the name of Intesa Sanpaolo Private Banking.

Group donations by sector supported, 2019

100%= €0.8 m



In 2019, the Group's total donations to local charities (€464k) and sponsorship (€317k) 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:

- 44.2% for "local investments", which include long-term strategic partnerships;
- 15.2% for "donations", which meet specific needs and requests made by associations and non-profit entities;
- 40.6% for "marketing initiatives", which support events that promote our brand and business.

SUSTAINABLE FINANCE

The gradual integration of the environmental, social and governance (ESG) elements is taking place across the range of the offering of Fideuram Group products, with the aim of proposing a wide and comprehensive range of opportunities including the various components of managed assets and also non-managed assets.
During 2019, in fact, the range of products available to customers included the confirmation of choices made in the past and the introduction of new solutions to enrich the investment opportunities in the ESG area, arranged with various management approaches (equities, balanced and flexible) and technical forms (mutual and alternative investment funds, discretionary accounts, open pension fund, insurance products and non-managed assets) with a cross-coverage of various sectors and geographical areas. At 31 December 2019, the in-house product assets with an ESG characterisation amounted to over €300m.

INVESTMENT FUNDS

The Fonditalia offering

During 2019, the Fonditalia sustainable finance offering focused on the management of the sub-funds Fonditalia Ethical Investment and Fonditalia Millennials Equity, providing composite value to its subscribers both in terms of returns and quality results in compliance with the ESG tracked objectives. For these two sub-funds, Fideuram Asset Management (Ireland) obtained certification for their correct and coherent inclusion of ESG factors in the investment process of SRI (Socially Responsible Investment) products, in line with the ISAE 3000 standards of the International Auditing and Assurance Standards Board (IAASB), the international standard for checks on the reporting of non-financial information.

- **The 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 ESG principles at the comprehensive portfolio level, with clear and measurable impacts on people 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:

THEME BONDS	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.
ESG GOVERNMENT BONDS	Sovereign debt securities that are chosen with a negative exclusion filter and positive sustainability criteria.
MICROCREDIT INSTITUTIONS	Equity instruments issued by financial institutions that actively provide services to more vulnerable social groups.
SUSTAINABLE STOCK FUNDS	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.
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.

- **Fonditalia Millennials Equity**

  Fonditalia Millennials Equity is a global equity sub-fund that integrates financial analysis with the financial sustainability and social value criteria promoted by Fideuram Asset Management (Ireland).
  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 traditional financial analysis with sustainability analysis (ESG).
  The demand for ESG is very strong and is constantly growing and with the passage of time, it has become a requirement that is often found in institutional mandates and with customers. 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 Asset Management (Ireland) relies on the collaboration of a firm with consolidated experience: MainStreet Partners.
  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).

Fideuram alternative investments

In line with an integrated and across-the-board approach, also for the product component dedicated to private markets and created within the Fideuram Alternative Investments platform of Fideuram Investimenti SGR, the aim was to highlight the importance of sustainability and responsibility aspects. The new FAI - Mercati Privati Europei program was developed in collaboration with Tikehau Investment Management, a French management company specialised in private markets which, in its highly selective investment process, has applied for some time ESG filters on all asset classes in order to create value for investors with socially responsible investments that are sustainable over time.

Offering of partners

The focus on sustainable investment topics was also adopted in the selection of third-party asset manager funds made available à la carte. During 2019, 10 strategies were chosen, among others, which were developed in compliance with ESG criteria by partners with an established and recognised track record in this area. They are global equity-type, global and emerging bond and multi-asset solutions. Some of these are arranged around specific issues, with particular reference to the areas of water, waste management, transport and education.

DISCRETIONARY ACCOUNTS

The year 2019 saw a further strengthening in the investable universe available to discretionary account platforms, distributed by Fideuram and Sanpaolo Invest, with investment solutions that comply with the sustainability and responsible investment themes of the leading global management companies. In particular, the activity covered the "Il mio Foglio" lines for Fideuram Folios and the "Eligo Fondi" lines for Fideuram Omnia which allow initial customer participation in their construction based on a broad and dynamic opportunity set, and also the lines of investment arranged on specific issues.
The new chosen ESG strategies are of an equity nature, but also include bonds and allow broad diversification as regards types, geographic distribution and business segment.

With particular reference to the Omnia Discretionary Account, the platform offers three accounts, among its solutions dedicated to Private Banking customers, that combine financial return objectives with social and environmental goals developed in collaboration with partners specialising in sustainable investment:

- the Ego Sustainable line, created in 2018 by Fideuram Investimenti SGR in collaboration with MainStreet Capital Partners. In 2019, Fideuram Investimenti SGR obtained certification for its correct and coherent inclusion of environmental, social and governance (ESG) factors in the investment process of SRI (Socially Responsible Investment) products, in line with the ISAE 3000 standards of the International Auditing and Assurance Standards Board (IAASB);
- the Ego High Conviction 100 and Ego High Conviction 70 lines, introduced in 2019 and created by Fideuram Investimenti SGR in collaboration with Lombard Odier Investment Managers, a top-class partner with a proven track record in terms of sustainable investments.

Since 2017, Intesa Sanpaolo Private Banking, in addition to offering its customers the ability to define the lines of Customised Discretionary Accounts with a "sustainable" focus, has been offering the GP Mix Sustainable, a discretionary account line, characterised by a process of investment aimed at building a balanced and diversified portfolio in international markets.
The investment process of the lines combines the fundamental and economic analyses with specific sustainability assessments that aim to pursue financial objectives in the same way as social and environmental results.
The selection of countries and industries is based on assessment criteria that recognise their contribution towards positive social development and protecting the planet.

In the direct and indirect choice of financial instruments, asset managers prefer, though not exclusively, Governments, companies and supranational organisations that are aligned with the Sustainable Development Goals (SDGs) promoted by the United Nations.
The assessment and selection of corporate securities takes into account the policies and behaviour of issuing companies with respect to major social, governance and environmental issues, as well as their ability and intentions to pursue sustainable development goals, also through the products and services offered.

In particular, the assessment of bonds and funds that invest in bonds issued by governments, supra-national companies and organisations is based on, but not limited to, a combination of:

- negative criteria, to exclude direct investments that may be harmful to people and/or the environment, such as, for example, fossil fuels, tobacco, arms, alcohol and gambling;
- positive criteria, in order to assess the ability of each issuer and/or of the individual issue to generate a positive impact on society and/or the environment;
- best in class, selection of investments on the basis of demonstrated ability to stand out within their own industries sector or reference geographical areas on the basis of sustainability criteria.

The assessment for equity investments follows the approach described above, supplemented by an analysis of the ability of the companies to create positive externalities and/or proactively pursue social and environmental goals as well as financial objectives, with non-exclusive reference to issues such as financial inclusion, climate change, health and quality of life, knowledge and technology, food and sustainable agriculture, water, housing and sustainable transport. The assessment of the sustainability of the existing portfolio is performed in two steps: ex-ante through the internal process of sustainable quality assessment and ex-post through sustainable rating prepared by the specific adviser. Along with the quarterly financial report of the GP Mix Sustainable, a non-financial report is also produced that highlights the contribution to the Sustainable Development Goals monitored in the period.

INSURANCE AND PENSION PRODUCTS

Unit linked Fideuram Vita Insieme

In 2019, in collaboration with MainStreet Capital Partners, the first internal sustainable investment fund was created for Private Banking customers, within the Unit Linked Fideuram Vita Insieme policy. The "Orizzonte Responsabile" fund is a flexible, multi-asset fund that invests solely in financial instruments classed as sustainable and responsible and selected through an investment process that requires the use of environmental, social and governance criteria (ESG). The fund's portfolio is based on the GP Ego Sustainable product and invests in financial instruments featuring high standards in the management of environmental, social and governance components.
Furthermore, under the Class III policies in external funds, there was continued inclusion in the investable universe of additional ESG strategies of an equity nature (global, European and theme-based) and a (euro corporate and emerging market) bond and flexible nature created by third-party Management Companies.

FONDO PENSIONE FIDEURAM

The sub-funds of the Fondo Pensione Fideuram Crescita, Equilibrio and Valore have a global equity component in the relevant benchmarks next to the bond portion and are therefore characterised as balanced, with different relative weights of the components mentioned in the various sub-funds.

In an effort, on the one hand, to characterise the investment process with a sense of sustainability, applied to the sub-funds, and, on the other, with the proposal to continue to enhance the successful elements of the investment process, a decision was taken to apply an exclusion filter to the investable universe of the equity component. Therefore, a few companies were identified, whose business model, for various reasons, was found not to be compatible with the way of interpreting investment in line with the criteria of sustainability, and so the sub-funds decided not to invest in these companies. Some companies were excluded, since they operate in business areas whose negative externalities on society were judged to be particularly severe, such as coal mining, the production of non-conventional weapons, gambling, adult entertainment and tobacco. Those companies that have a high proportion of their turnover in the defence sector were also excluded, as well as companies operating in violation of the United Nations Global Compact.

NON-MANAGED ASSETS

As regards non-managed assets, three solutions with ESG and SRI themes were placed within the scope of the principal-protected certificates. In particular, three issues were made available to customers by Banca IMI, using the iStoxx Euro ESG Leaders 50 index and the Euro iStoxx 50 Low Carbon index.

MAIN IMPROVEMENT OBJECTIVES FOR 2020

Investment funds and Discretionary accounts
The development of additional solutions dedicated to the ESG world will continue, and also the enrichment of the investable universe available to asset managers and customers with the selection of new strategies based on ESG logic.

Insurance products
Also as regards this type of product, the plans are to proceed with the expansion of the investable universe of insurance products with instruments that meet the logic of sustainability and responsibility.

Non-managed assets
Based on market performance, some new issues will be offered taking ESG criteria into account

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).

CORPORATE EVENTS

CONSULENTIA (ROME AND BOLOGNA)

The event ConsulenTia 2019 "Protagonisti della Crescita" ("The Protagonists of Growth"), 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 5 to 7 February. More than 3,000 persons attended the event. Fideuram and Sanpaolo Invest were once again among the sponsors of the event in 2019 and were also present with a stand of their own in the exhibition area. It was attended by the main financial adviser networks and some major asset management companies, which presented their market strategies. It was an important moment for sharing views on the profession, a point of reference for the players in the sector. The roundtable was held on the second day, entitled "The Protagonists of Growth. The objectives for the future of advisory services. Network discussion" and attended by Fabio Cubelli, Joint General Manager of Fideuram, Head of Business Coordination of Fideuram and General Manager of Sanpaolo Invest. Fideuram and Sanpaolo Invest were present as sponsors with their stand also in the edition called "A profession of value" held in Bologna on 1 and 2 October at the Palazzo della Cultura e dei Congressi, with over 1,100 visitors attending.

SALONE DEL RISPARMIO

Fideuram was a partner at the 10th Edition of the Salone del Risparmio "Sostenibile, responsabile, inclusivo. La frontiera del risparmio gestito" ("Sustainable, responsible, inclusive. The frontier of managed assets"), an event organised annually by Assogestioni (the Italian Association of Fund Managers), held in Milan from 2 to 4 April at the MiCo Milano Congressi. The three-day conference for the financial services industry attracted more than 15,700 visitors over the three days, with over 100 conferences, more than 300 national and international speakers and over 150 brand names. The event included discussions, cultural projects and opportunities for investors to further their knowledge. Participating in the exhibition area with the Fideuram and Fideuram Investimenti SGR brands, the Fideuram Group organised a conference on the opening day of the event, called "Energia e Smart City: opportunità per lo sviluppo sostenibile e per gli investitori" ("Energy and Smart Cities: opportunities for sustainable development and for investors"), a sharing of ideas and experiences to understand how the contribution of private capital can give impetus to the real economy: from energy to sustainable mobility with developments in the most advanced cities. The main players in this evolution took part in the conference, moderated by Gianluca La Calce, Managing Director and General Manager of Fideuram Investimenti SGR.

EFPA ITALIA MEETING

Fideuram was a gold partner at the 12th edition of the National Convention of EFPA Italia 2019 (the Italian branch of the European Financial Planning Association), entitled "La competenza per essere competitivi" ("The competence to be competitive") held at the Lingotto Conference Centre in Turin on 6 and 7 June. The convention was attended by investment professionals belonging to the most important networks and SGRs from all over Italy, who benefited from the opportunity to share their knowledge and experience in the training sessions and exhibition areas where Fideuram had a stand. The event organised with seminars, conferences and debates with the leading industry experts is now an annual fixture and provides an important forum for professionals both with and without certification from across Italy.

ASSOCIAZIONE ITALIANA PRIVATE BANKING - AIPB (ITALIAN PRIVATE BANKING ASSOCIATION)

The XV Forum of Private Banking, organised by AIPB, was held at the Palazzo Mezzanotte in Milan on 15 November. The Forum AIPB is an annual meeting reserved for industry operators and dedicated to in-depth discussions on the main evolutionary trends in Private Banking. Saverio Perissinotto, General Manager of Intesa Sanpaolo Private Banking and Deputy Chairman of AIPB, took part in the Roundtable "Strategie per rafforzare l'attrattività dell'Italia come hub finanziario nel panorama internazionale" ("Strategies for reinforcing the attraction of Italy as a financial hub in the international panorama").

4.8.6 **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. The growing attention paid to the possible consequences of climate change has led to a greater awareness among the financial institutions on the need to develop a specific understanding of the risks and opportunities associated with it.

Climate change represents a complex challenge that will inevitably have a strong impact on the future of the planet and society. Climate change is the reason behind the increase in extreme natural events and has permanent effects that may result in considerable economic, environmental and social costs. Such events that can generate a loss of wealth and revenue for businesses and households have a potential impact on the financial system. Banks have a key role and prominent responsibilities with respect to the climate change issue because they can guide loans and investments towards businesses that are environmentally virtuous and work from a perspective of improved awareness and containment of risks.

This is the context in which the Fideuram Group develops its commitment, which is manifested in the desire to:

- **Reduce the direct impacts on the environment of the activities of the Group:**
  - ATMOSPHERIC EMISSIONS
    The mitigation and containment of CO_2 emissions plays an important role in the company policies, and certain specific actions have been identified over the medium term in the Intesa Sanpaolo Climate Change Action Plan, aimed at reducing the environmental footprint.
  - ENERGY
    The Group is continuing to improve energy efficiency through using renewable sources and eliminating waste, controlling and monitoring both direct and indirect impacts.
  - PAPER
    The Group also pays particular attention towards paper consumption, both when purchasing paper by privileging ecological paper (recycled and certified by responsible sources) and in implementing policies of paper document digitalisation, as well as in the final phase of recycling activities by raising awareness and spreading environmental consciousness among all concerned.
  - WASTE
    In line with applicable legislation, the Fideuram Group disposed of hazardous and non-hazardous waste in a correct manner.
- **Increase indirect positive impacts and monitor and reduce negative indirect impacts:**
  - ENVIRONMENTAL IMPACTS OF INVESTMENTS
    The Group is committed towards developing and promoting financial products with ESG characteristics to be placed with customers, and with the subscription of green bonds.
  - ENVIRONMENTAL IMPACTS OF THE SUPPLY CHAIN
    Suppliers are also selected by using compliance with ESG issues as a discriminating criterion.

ATMOSPHERIC EMISSIONS

The correct and systematic quantification and reporting of greenhouse gas (GHG) emissions enables the Fideuram Group to check the results of the actions it undertakes to reduce emissions, so as to contribute towards a reduction in global pollution. During 2019, the reduction in electricity and heating consumption led to a reduction in the consequent GHG emissions.

(tCO_2 eq.)	2019	2018	2017
SCOPE1 EMISSIONS			
Direct emissions: total	2,508	2,882	2,675
SCOPE2 EMISSIONS			
Total indirect emissions Market	325	1,078	701
Total potential indirect emissions Location	6,006	6,538	6,767

The GHG emissions are reported in line with the international Greenhouse Gas Protocol and the Guidelines on the application of GRI Standards as regards the environment.

The reported indicators are:

- Scope1 direct emissions, namely those produced by sources belonging to the Group and referring to the use of fuels for heating and from company vehicles;
- Scope2 indirect emissions, namely those produced indirectly by the Group but over which it has no direct control and relating to centralised air conditioning systems and acquired electricity. These emissions in turn are broken down into Market-based and Location-based. The Location-based method highlights the effective emission reductions resulting from energy-efficiency improvement programs without taking account of the benefits arising from the purchase of energy from certified renewable sources (Market-based).

Fideuram - Intesa Sanpaolo Private Banking, Milan

ENERGY

MAIN OBJECTIVES FOR 2019	ACTIONS AND RESULTS ACHIEVED
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.	Activity continued in 2019 to achieve energy consumption containment targets.

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. Electricity consumption totalled 67,530 GJ, natural gas (methane) consumption totalled 31,267 GJ, and fuel oil consumption totalled 1,369 GJ during 2019, which were all down compared to 2018.

ELECTRIC POWER CONSUMPTION		2019	2018	2017
Total electric power consumption	GJ	67,530	70,657	71,010

NATURAL GAS CONSUMPTION		2019	2018	2017
Natural gas consumption (methane)	GJ	31,267	37,048	37,966

FUEL OIL CONSUMPTION		2019	2018	2017
Fuel Oil Consumption	GJ	1,369	2,328	3,722

Intesa Sanpaolo Private Banking - Milan, General Management

PAPER

MAIN OBJECTIVES FOR 2019	ACTIONS AND RESULTS ACHIEVED
Raising the awareness of corporate functions on the use of paper.	During the year, further action was taken to raise the awareness of corporate functions regarding the use of departmental printers, thus reducing paper consumption.
Extended use of biometric signatures in a wider range of activities, guaranteeing lower consumption of paper.	During the year, biometric signatures were used and extended to Personal Financial Advisers and also to other units with a consequent reduction in paper consumption.
Expansion of the range of products to be digitalised for the creation of editable PDF documents, also for specific contractual documents, with greater economies of scale and reduction in consumption.	During 2019 there was a considerable reduction in paper consumption due to the creation of significant quantities of editable PDF documents.

In 2019, the companies in the Group consumed a total of 187 tonnes of paper (98.9% of ecological type, of which 61.9% was Forest Stewardship Council (FSC) certified paper from sustainably-managed sources, and 37% recycled) with a pro capita consumption of 53 kg (60 kg in 2018). 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.

98.9 %

ecological paper

		2019	2018	2017
Total paper consumption	tons	187	200	197
Pro-capita paper consumption	kg/employees	53	60	63

OTHER ENVIRONMENTAL OBJECTIVES

MAIN OBJECTIVES FOR 2019	ACTIONS AND RESULTS ACHIEVED
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.	During 2019, the process of substituting the multifunction printers with latest-generation equipment was completed with a significant reduction of toner and waste.
Extended use of biometric signatures for lower consumption of toner and reduced output of material to be disposed of.	In 2019, the use of biometric signatures allowed a reduction in the consumption of toner and a lower production of waste.

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 91,129 m^3 in 2019, recording a reduction of 20% compared to 2018 with pro-capita water consumption of 26 m^3 (32 m^3 in 2018).

		2019	2018	2017
Total water consumption	m^3	91,129	114,093	123,766
Pro-capita water consumption	m^3/ employees	26	32	39

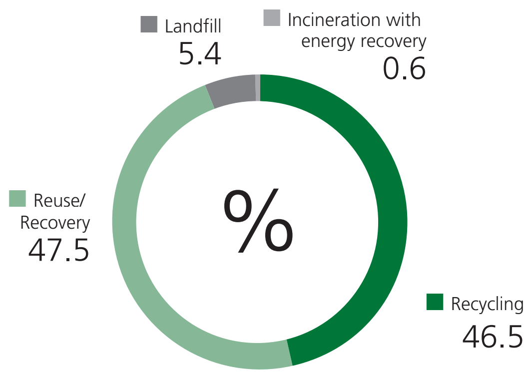
Waste

The Group implements meticulous 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 2019 the Group generated 134 tonnes of waste (38 kg per employee), including 131 tonnes of non-hazardous special waste and 3 tonnes of hazardous waste.

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.

		2019	**2018**	**2017**
Total waste	tons	134	111	84
Total waste pro-capita	kg/employees	38	32	27
Total special waste (non-hazardous)	tons	131	109	82
Total hazardous waste	tons	3	2	2

Total weight of waste by disposal method



Intesa Sanpaolo Private Banking - Milan, HNWI Branch

MAIN IMPROVEMENT OBJECTIVES FOR 2020

Our main improvement objectives include the following:

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.

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 awareness of the use of digital and electronic signatures with a consequent reduction in the consumption of toner and paper and reduced output of material to be disposed of.
- Proposal for moving centralised management of paper supplies to local management.
- Raising awareness of corporate functions as regards reserved printing with default print settings on departmental printers and front and back documents.
- Continuation of the initiative aimed at reaching the paperless process with the creation of editable PDF documents for a wider range of products, with greater economies of scale and reduction in the consumption of paper, toner and waste.

LEAN BANKING PROJECTS

Lean Banking projects continued in 2019, generating additional benefits and improving the Group's position on environmental protection issues.
The increase in training classrooms for Personal Financial Advisers with the specific objective of directing towards the use of digital platforms, and also the more widespread use of biometric signatures led to some significant results:

- reduction of paper consumption;
- reduction of the costs of forms;
- reduction in the time required to implement customer requests.

The development and completion of transactions using electronic procedures for some services offered by the Group allowed an increase in digital filing, thereby cutting the costs of supplies and transport and contributing in this way, actively, to the reduction in atmospheric pollution and a reduction in the use of printers with less propagation of toner dust within working areas to the benefit of employees' health.

Access to the online channels through O-Key Smart and O-Key SMS and the certification of customers' mobile telephone numbers has totally eliminated the use and sending of tokens (electronic devices made of plastic with their highly-polluting battery) and reduced the sending of paper-based credentials to customers.

MAIN IMPROVEMENT OBJECTIVES FOR 2020

In 2020 the aim is to continue with the full-digit strategic objective:

- significantly reduce the use of paper-based forms when opening new current accounts (envisaged target of 95% of accounts activated through the digital platform);
- extend the digital platforms for Personal Financial Advisers and employees;
- guide customers even more towards adopting an online account;
- facilitate the recycling and disposal of waste (plastic, paper and toner).

4.9 Events after the reporting period and outlook

There were no significant events after the reporting period requiring any changes to be made to the consolidated financial statements.

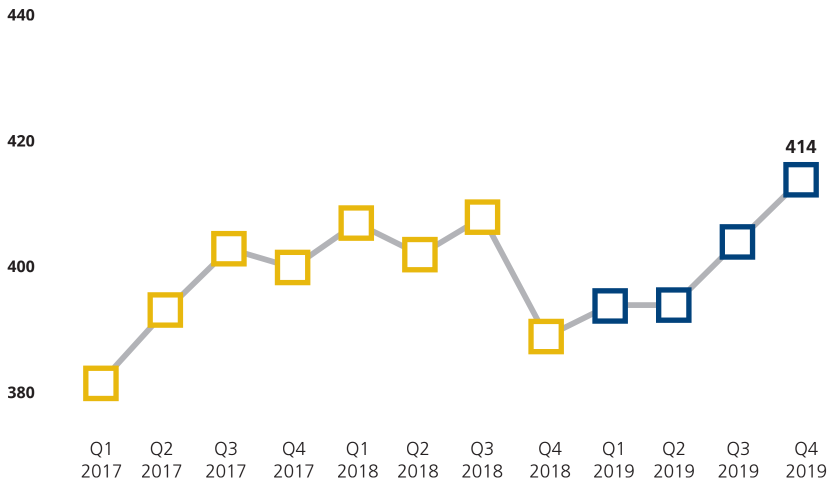
The process of reorganising and developing the operations outside Italy of the Group continues. After its registration at the local Companies Register on 31 January, the capital increase of Intesa Sanpaolo Private Argentina for a total of €1.5m became effective. This is to be carried out in part (for €1.3m) through the conversion of an outstanding loan from the parent company Intesa Sanpaolo Private Bank (Suisse) Morval and the remainder through payment in cash.

In regard to operating results, managed assets totalled €166.4bn at the end of January (up from the average amount in 2019). The prospects for global economic growth are extremely vulnerable due to high geopolitical tensions and spread of the "Covid-19" virus, with its implications for public health, economic activity and commerce.

For a more exact analysis of profitability during the current year, see the approved results for the first quarter.

Quarterly net recurring fees

(€m)



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

Banca 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.

MATERIAL TOPICS	WHY TOPICS ARE MATERIAL	CORPORATE POLICIES
Brand reputation Protection of customers' personal data (privacy) and brand reputation **Risk management** Anti-competitive and antitrust policies Management of business-related risks **Compliance** Regulatory compliance Appropriate updating on developments in the reference regulatory framework **Corporate Governance** 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 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.

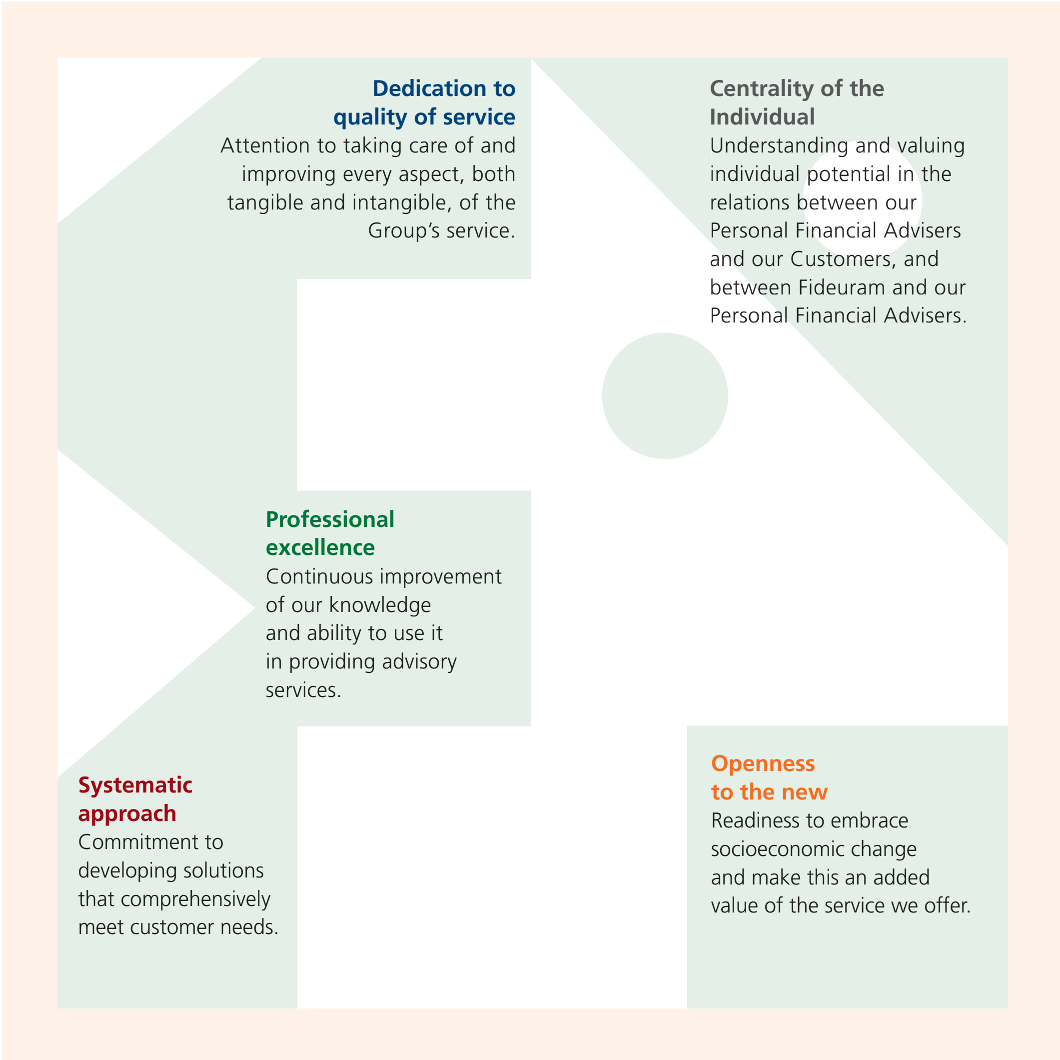
The Code of Ethical Conduct is a voluntary self-regulatory tool and an integral part of the Corporate Social Responsibility management model. It contains the mission, corporate values, and principles that govern relations with stakeholders, beginning with the corporate identity, and is an integral part 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.

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 regarding:
- 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 "Human Rights Standards".
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;
- reporting of non-financial information, 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.

1984

Fideuram started offering its first Italian mutual funds: Imirend and Imicapital.

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	€12.3 m
Client assets	€14,505 m
Personal Financial Advisers	2,206 no.

1996

Net profit	€78.0 m
Client assets	€20,317 m
Personal Financial Advisers	2,729 no.

Banca Fideuram was included in the MIB 30 Italian blue-chip index.

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.

1998

Net profit	€152.0 m
Client assets	€32,167 m
Personal Financial Advisers	3,168 no.

Establishment of the subsidiary Fideuram Bank (Luxembourg).

2002

Banca Fideuram acquired Sanpaolo Invest SIM.

Net profit	€145.4 m
Client assets	€46,729 m
Personal Financial Advisers	3,520 no.

2006

Net profit	€224.4 m
Client assets	€67,591 m
Personal Financial Advisers	4,216 no.

Eurizon Financial Group (controlled directly by Sanpaolo IMI) launched a public purchase offer to buy all the shares in Banca Fideuram.

2007

Following Eurizon Financial Group's successful public purchase offer, Borsa Italiana delisted Banca Fideuram shares from its Mercato Telematico Azionario electronic stock exchange and Banca Fideuram was brought under the full ownership and direct control of Intesa Sanpaolo with the reorganisation of the Eurizon Group's business.

Net profit	€225.5 m
Client assets	€68,574 m
Personal Financial Advisers	4,280 no.

2008

Net profit	€176.1 m
Client assets	€60,507 m
Personal Financial Advisers	4,209 no.

Banca Fideuram celebrated a history of 40 years' leadership in its sector. A history in which the Bank's role developed from the sale of financial products to the provision of investment advisory services.

2009

The Group launched the SEI Advanced Advisory Service.
The first two Private Banking Centres were opened in Turin and Milan.

Net profit	€178.4 m
Client assets	€67,801 m
Personal Financial Advisers	4,292 no.

2010

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%.

2011

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.

2012

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 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).

2014

The direct management of 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.

2015

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.

2017

The new London Branch of Fideuram Asset Management (Ireland) was opened.

Net profit	€871 m
Client assets	€214,214 m
Personal Financial Advisers	5,950 no.

2018

Net profit	€834 m
Client assets	€213,069 m
Personal Financial Advisers	5,995 no.

Fideuram celebrated a history of 50 years' leadership in its sector.
The Private Banking Division launched the international development of its activities through the establishment of a hub in Switzerland, with the acquisition of the Morval Vonwiller Group.
Siref Fiduciaria was created from the merger of Fideuram Fiduciaria into Sirefid.

2019

In January Intesa Sanpaolo Private Bank (Suisse), Morval Vonwiller Holding and Banque Morval joined Intesa Sanpaolo Private Bank (Suisse) Morval. The merger of FI.GE. S.p.A. into Siref Fiduciaria S.p.A. took effect in March.
The transfer to Fideuram of the equity investment in Morval SIM by the Swiss bank was completed in December, in preparation for the merger of Morval SIM into Intesa Sanpaolo Private Banking.

Net profit	**€906 m**
Client assets	**€242,715 m**
Personal Financial Advisers	**5,834 no.**

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 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 ap pointment 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. Nonetheless, the Shareholders' Meeting called to approve the financial statements at 31 December 2019 will still be asked, in accordance with Group instructions, to approve the proposal for consensual termination of that mandate and assignment of a new mandate to EY S.p.A. as independent auditor of the Intesa Sanpaolo Group from financial year 2021.

Company Officers

Shareholders' Meeting

Board of Directors

Chairman
PAOLO MARIA VITTORIO GRANDI
(Non-Executive)

Managing Director
PAOLO MOLESINI

Directors
GIANGIACOMO DOMENICO LUIGI NARDOZZI TONIELLI
(Deputy Chairman - Independent Non-Executive)

GIOVANNI BATTISTA BISOGNI
(Independent Non-Executive)

ELENA DAVID
(Independent Non-Executive)

CLAUDIA DE BENEDETTI
(Independent Non-Executive)

DANIELE PIETRO GIUDICI
(Independent Non-Executive)

ELIANO LODESANI
(Non-Executive)

PIERO LUONGO
(Non-Executive)

GIUSEPPE RUSSO
(Non-Executive)

Secretary to the Board of Directors
FILIPPO MAMMOLA

Related Parties Committee

Chairman
GIANGIACOMO DOMENICO LUIGI NARDOZZI TONIELLI

Members
GIOVANNI BATTISTA BISOGNI

PIERO LUONGO

General Management

General Manager
PAOLO MOLESINI

Joint General Managers
ANDREA CHIOATTO (*)
FABIO CUBELLI

Manager responsible for the preparation of the Company Accounts
PAOLO BACCIGA

Board of Statutory Auditors

Chairman
GIULIO STEFANO LUBATTI

Statutory Auditors
MARCO ANTONIO MODESTO DELL'ACQUA

LORENZO GINISIO

Acting Auditors
ALESSANDRO COTTO

FRANCESCA MONTI

Independent Auditors
KPMG S.p.A.

(*) Until 3 February 2020. On that same date, the Board of Directors of Fideuram - Intesa Sanpaolo Private Banking S.p.A. appointed Lino Mainolfi as Joint General Manager, Head of the Operational and Financial Coordination Area.

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 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 - HNWI Branch, Milan

5.5 Company management

Composition and role of the Board of Directors

The Bank's Board of Directors comprises 10 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. Five 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.

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.

12
Meetings in 2019
96% average attendance at meetings

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	92%	2	-	X	-
Deputy Chairman	Giangiacomo Domenico Luigi Nardozzi Tonielli	20/04/2018	100%	-	-	X	X
Managing Director and General Manager	Paolo Molesini	20/04/2018	100%	3	X	-	-
Director	Giovanni Battista Bisogni	28/03/2019	100%	-	-	X	X
Director	Elena David	20/04/2018	100%	-	-	X	X
Director	Claudia De Benedetti	20/04/2018	100%	1	-	X	X
Director	Daniele Pietro Giudici	20/04/2018	100%	-	-	X	X
Director	Eliano Lodesani	20/04/2018	75%	2	-	X	-
Director	Piero Luongo	20/04/2018	100%	3	-	X	-
Director	Giuseppe Russo	20/04/2018	92%	1	-	X	-

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 **92%**

Length of service / first appointed: **20 April 2018**

Other significant offices held:

- Chief Governance Officer of Intesa Sanpaolo S.p.A.
- Director of Banca IMI S.p.A.
- Director of ABI
- Chairman of Intesa Sanpaolo Holding International Luxembourg
- Director of CAMFIN S.p.A.
- Director of Istituto Europeo di Oncologia S.r.l.

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 (*)
- Chairman of Sanpaolo Invest SIM S.p.A.
- 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, the Board of Directors of the Bank has appointed two Joint General Managers, assigning them responsibility for Operational and Financial Coordination, and Fideuram Business Coordination, respectively.

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

Composition by gender

Composition by age group

Composition by professional expertise of the Directors

(*) Beginning 1 January 2020, the Head of the Private Banking Division has been Tommaso Corcos, who also took over the position of Managing Director and General Manager of Fideuram - Intesa Sanpaolo Private Banking S.p.A. beginning 24 February 2020. On the same date, Paolo Molesini took over as Chairman of the Board of Directors

1. BUSINESS MODEL
2. STRATEGIES
3. MARKET CONTEXT
4. PERFORMANCE
5. GOVERNANCE
6. FINANCIAL STATEMENTS

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.

Fideuram - Alvino Naples Office


Fideuram - Siena Office

5.7 Internal audit system

The internal audit system is an essential core component of the 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 framework for the determination of 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 aforesaid 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 Area of the Bank, the Compliance and Anti-Money Laundering Units, headed by the Chief Compliance Officer of Intesa Sanpaolo, 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 functions performed by the Chief Auditing Officer of Intesa Sanpaolo.

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 12 meetings in 2019.

AUDITING

The Audit Department reports directly to the Board of Directors.

BOARD OF DIRECTORS

AUDIT DEPARTMENT

- it is tasked with auditing the proper conduct of operations and processes within the Bank and its subsidiaries, assessing the overall internal audit system and its suitability for ensuring the effectiveness and efficiency of company processes, the protection of the value of assets and protection against loss, the reliability and integrity of accounting and management information, and the compliance of operations both with the policies established by the company's governance bodies and with internal and external regulations;
- it focuses above all on identifying any anomalous or risky behaviour, any breaches of the applicable laws and regulations in Italy and abroad, as well as any failure to respect internal and Group procedures and regulations, formulating recommendations regarding the implementation of the measures required to eliminate any highlighted phenomena;
- it supports the Supervisory Board in monitoring compliance with and the suitability of the rules in the Organisational, Management and Control Model, in accordance with Italian Legislative Decree 231/2001, calling in the competent units required for mitigation actions if any problems are encountered.

CENTRAL DEPARTMENTS AND SUBSIDIARIES AUDIT UNIT

It carries out internal audits of the Bank's central departments (including with respect to ICT processes) and subsidiaries (for which it performs internal auditing activities under outsourcing agreements), as well as for monitoring the proper performance of internal audits.

FIDEURAM NETWORKS AUDIT UNIT

It plans and carries out audits on the work of the Personal Financial Advisers in the Fideuram and Sanpaolo Invest networks and branches.

DOMESTIC AND INTERNATIONAL PRIVATE BANKING AUDIT UNIT

It performs internal audits of the processes and Branches of Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Bank (Suisse) Morval and Siref Fiduciaria, checking the effectiveness of the internal audit system.

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 Audit Department of the Private Banking Division has a structure and control model defined in line with the changes in the organisational structure of Intesa Sanpaolo and the Group. It reports functionally to the Chief Audit Officer of the Parent Company.

The Head of the Audit Department of the Private Banking Division, most recently appointed by the Board of Directors at its meeting on 20 June 2019, 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.

The Internal Audit Department takes a third level approach to auditing the overall functionality of the internal control system, informing the Company Bodies of possible improvements, particularly those concerning the RAF, to the risk management process and the tools for measuring and controlling those risks.
More specifically, the Department evaluates the thoroughness, adequacy, functionality and reliability of the components of the internal control system, the risk management process and business processes, while also addressing the capacity to identify and prevent errors and irregularities. Among other things, it checks the corporate risk control and regulatory compliance functions in this context, inter alia by participating in projects, in view of creating added value and improving the effectiveness of control processes and organisational governance.
The Internal Audit Department is also responsible for evaluating the effectiveness of the corporate RAF definition process, the internal consistency of the overall scheme, and the compliance of corporate operations with the RAF itself.
The Department has access to all the activities performed both at the central offices and at the branch locations. When important activities are assigned to third parties for performance of the internal control system (e.g. data processing), the Internal Audit Department has to be able to access the activities performed by those parties as well.
The Internal Audit Department uses staff possessing adequate professional knowledge and expertise and applies the best practices and international standards for the professional practice of internal auditing defined by the Institute of Internal Auditors (IIA).

In performing its own duties, the Internal Audit Department uses structured risk assessment methods to identify the existing areas of greatest interest and principal new risk factors. According to the findings made during the risk assessment process and resulting priorities, and to any specific requests for more information made by top management or Company Bodies, the Department prepares and submits an Annual Plan of activities to the Board of Statutory Auditors for preliminary review and then to the Board of Directors for approval.

The Head of the Audit Department of the Private Banking Division assures proper performance of the internal whistleblowing process.

Audit activities directly affected Fideuram and its subsidiaries Sanpaolo Invest, Fideuram Investimenti, Siref Fiduciaria, Fideuram Asset Management (Ireland), Fideuram Bank (Luxembourg), Financière Fideuram, Intesa Sanpaolo Private Banking and Intesa Sanpaolo Private Bank (Suisse) Morval, for which the activity was provided in accordance with specific service contracts.
The weaknesses found during the audits were systematically reported to the interested corporate departments for expeditious improvement action. Follow-up activities were subsequently performed with them to verify their effectiveness.
The summary evaluations of the internal control system resulting from the assessments were periodically reported to the Board of Statutory Auditors and the Board of Directors.
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 main weaknesses found and their evolution were added to the Tableau de Bord (TdB) Audit, highlighting the current mitigation actions, the relevant persons in charge of them, and the scheduled deadlines, for the purpose of systematic monitoring. Finally, the Head of the Audit Department of the Private Banking Division assured continuing activity and self-evaluation of its own efficiency and effectiveness, consistently with its own internal plan for "quality assurance and improvement" prepared in accordance with the recommendations of international standards for professional audit practice.

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.

In regard to the Model of Organisation, Management and Control compliant with Italian Legislative Decree 231/2001, 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. The Head of the Audit Department of the Private Banking Division also reports quarterly to the Supervisory Board on the results of the actions carried out in this respect.

COMPLIANCE

The Compliance Department reports directly to the Managing Director and General Manager:

MANAGING DIRECTOR AND GENERAL MANAGER

COMPLIANCE DEPARTMENT

it assures monitoring of the risk of non-compliance both in regard to the operational risk component and the reputational risk component, including the risk of penalties, losses or damage resulting from misconduct with customers or which place the integrity and regular functioning of the markets at risk ("conduct risk");

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 management is assigned to the Compliance Department, which is autonomous and independent of the operating units, and also organisationally and operationally separate from both the Audit Department and the Risk Management Department. This function has been outsourced to Intesa Sanpaolo since 1 September 2019, where it is performed by the units of the Chief Compliance Officer Governance Area.

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.

In particular, the Compliance Department is responsible for determining our compliance risk management guidelines, policies and methodology rules. The Compliance Department is also responsible for identifying and assessing compliance risk, including through coordinating other units and departments, proposing organisational interventions for mitigating compliance risk, ensuring the alignment of the company bonus system, assessing the compliance of innovative projects, transactions and new products and services in advance, providing consultancy and support for management bodies and business units on all matters where compliance risk is significant, monitoring ongoing compliance conditions, and fostering a corporate culture focused on honesty, propriety and respect for the letter and spirit of the law and regulations.

The Compliance Unit is directly responsible for performing all the tasks that current regulations require of a compliance unit with respect to the regulatory frameworks 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, 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 Department, in accordance with the Supervisory Regulations, have been assigned to said units, without this altering the Compliance Department's responsibility for assessing the suitability of the Specialist Units used for managing the compliance risk profiles, specifying – in conjunction with those 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, privacy protection, occupational safety, environmental protection, transactions with related parties, associated parties, obligations of bank managers, company bodies, corporate governance and compliance, regulatory authorisation procedures and financial equity investments, competition protection, employment law (employees and Personal Financial Advisers), acquisitions, real estate, and foreclosure.

The Compliance Department 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:

- project activities proceeded for the investment services segment to consolidate the previously implemented MiFID 2 compliance measures and to interpose the implementation measures/instructions issued by the Supervisory Authorities during the year. In particular, periodic reports on the costs, charges and incentives for 2018 were completed and sent. In parallel, a series of governance and organisational actions were completed, aiming in particular to enhance the service offered to customers (strengthening the service model), the management of conflicts of interest and personal transactions. Analyses were also launched for the revision of the organisational model of product governance for retail financial products. The compliance activities also included providing the necessary training initiatives, clearing new products and services, periodically checking the Networks, designed to guarantee the proper performance of investment services, and monitoring customer transactions to prevent any market abuse;
- regulatory developments concerning banking products and services were monitored, 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 consumer protection legislation.

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.

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.

After this function was outsourced, beginning 1 September 2019, to the Anti-Financial Crime Department of the Parent Company, which is part of the Chief Compliance Officer Governance Area, its Head also assumed the position of Anti-Corruption Manager.

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 Anti-Money Laundering function is assigned responsibility for anti-money laundering, combating terrorism financing and embargo management activities. It is independent of the operating units and organisationally and operationally separate from the Audit Department. This function has been outsourced to Intesa Sanpaolo since 1 September 2019, where it is performed by the Anti-Financial Crime Department, which is part of the Chief Compliance Officer Governance Area.

The Anti-Money Laundering function is responsible for managing compliance risk where anti-money laundering, terrorism financing and embargo management are concerned, acting as follows:

- formulating the 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 the "Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism and Embargo Management" (the "Guidelines"), and the "Regulations on Anti-Money Laundering and Combating the Financing of Terrorism" and "Embargo Management Regulations" (the "Regulations") approved by the Bank's Board of Directors, which have implemented the equivalent Intesa Sanpaolo Group Guidelines and Regulations, adapting them to the Group's operating context and applicable regulations.

The Guidelines identify the reference principles and define the model for management of money laundering, terrorism financing, and embargo infringement risks, outlining the roles and responsibilities of the units involved, the macro-processes used for proper identification, evaluation, and management of those risks, and the governance procedures of the foreign companies of the Division.

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 function continued its routine activities in the following main areas in 2019:

- 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;
- 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:

- compliance with the 4th Anti-Money Laundering Directive and Implementation Measures of the Bank of Italy, notwithstanding the wait for the Implementation Measure on Data Retention;
- 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. In particular, activities were completed as part of the Project for Growth of the international Private Banking, to mitigate the associated risk through strengthening of the controls for due diligence and, in general, the overall system of controls.

CHIEF RISK OFFICER

Reports directly to the Managing Director and General Manager

In line with the strategies, corporate objectives and guidelines of Intesa Sanpaolo, the Chief Risk Officer is tasked with continuously monitoring the suitability of the risk management process and the effectiveness of the measures taken to rectify any deficiencies identified.

Risk management

The Risk Management Unit acts independently of the operating units, particularly those tasked with the "operational management" of risks and is separate from the Audit Department and the units reporting to the Chief Compliance Officer. The Chief Risk Officer reports directly to the Managing Director and General Manager, reporting functionally to the Chief Risk Officer of 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 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.

Fideuram - Naples Offices, Nunziante Palace

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 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 performed audits aim primarily at assessing the quality and degree of structuring of the financial reporting production process, in view of ascertaining the effectiveness of the control arrangements underlying the consistency and substance of the representations made by the Group to the market. The audits performed in 2019 were carried out on the processes considered to be at greater potential risk and specifically concerned the principal administrative processes, the preparation of financial disclosures, governance of the IT architectures and applications used in the administrative processes, determination of the material information (related parties and the process for calculating the use of equity capital to cover operating risk), the assessment of risks and controls, administrative accounting management of financial and insurance products, provisions, and commissions and fees for the Personal Financial Adviser Networks, and several areas of finance, planning and control, and risks, and, finally, several processes connected with the valuation of several financial statement items (provisions for risks and charges, unlikely to pay items and impact of IFRS 16).

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.

Intesa Sanpaolo Private Banking - HNWI Branch, San Carlo Turin

OPERATIONAL AUDIT

In 2019 the Operational Audit Unit expanded the scope of its audits in accordance with the development plan for that unit, especially in connection with Banking Services and Investment Services (to which has been added a new Anti-Money Laundering audit).
The Operational Audit Unit analysed 1,500 cases in the Banking Services area during 2019 (also performing 56 days on site at the branch locations) and 2,700 cases in the AML area. Moreover, it performed three audits in the Investment Services area and four audits in the AML area, requiring the measurement and quantitative analysis of phenomena for a total of 188 observations.
The process of expanding audits will continue in 2020, both in accordance with the original development plan for the unit and to define new audits, especially in the Banking Services and Investment Services area, inter alia in view of reinforcing customer protections.
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 created and is continuously modified through the addition of specific indicators to monitor inherent Branch 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 sales network.
Network audits are conducted both through on-the-spot investigations and through dedicated audits for different operating areas (Anti-Money Laundering, Investment Services, Insurance Services, Loans and Operations). In 2019, a total of 32 on-the-spot audits were carried out on the sales network, including two Branches in the High Net Worth Individuals segment and the London Branch, with 36,700 cases being examined in relation to 107 audits.
The Operational Audit Unit also coordinates monitoring of the Outsourcing Service Contracts.

Sanpaolo Invest - Verona Office

Sanpaolo Invest - Genoa Office

5.8 Insider information

Pursuant to Italian market abuse law and regulations, the Board of Directors has implemented the Intesa Sanpaolo "Group Regulations for the Management of Inside Information", 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. In the 2019 financial year, the Fideuram Shareholders' Meeting was held on four occasions, and always in ordinary format, as follows:

- on 28 March to approve the financial statements and to appoint a Director;
- on May 6 to approve the 2018 Annual Incentive System based on financial instruments and to authorise the purchase and sale of ordinary shares of Intesa Sanpaolo S.p.A. to service that Incentive System;
- on 30 May to approve the Remuneration Report for 2019 of Intesa Sanpaolo and the Remuneration and Incentive Policies for 2019 of Fideuram - Intesa Sanpaolo Private Banking, and to receive the ex-ante disclosure on modification of the criteria used to determine the compensation to be agreed in the event of early severance of employment or early termination of office, and the ex post disclosure on any amounts agreed in the event of early severance of employment or early termination of office;
- finally, on 17 December, for approval of the Long-Term Incentive Plan reserved for the Personal Financial Advisers in the Private Banking Division.

4

Meetings in 2019

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), 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 examine the Independent Auditors' proposals, submitted with the aim of gaining appointment and presenting them in turn to the Shareholders' Meeting. In addition, the Board of Statutory Auditors evaluates the work plan prepared for the audit and the findings set out in the report and letter of comments.

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Meetings in 2019

100% average attendance at meetings

The Board of Directors
Milan, 24 February 2020

6. Consolidated financial statements

Consolidated balance sheet

(€m)

	31.12.2019	31.12.2018
ASSETS		
10. Cash and cash equivalents	335	310
20. Financial assets measured at fair value through profit or loss	349	294
a) financial assets held for trading	36	27
b) financial assets measured at fair value	-	-
c) other financial assets mandatorily measured at fair value	313	267
30. Financial assets measured at fair value through other comprehensive income	3,189	3,294
40. Financial assets measured at amortised cost	41,802	35,131
a) loans and advances to banks	29,964	23,065
b) loans and advances to customers	11,838	12,066
50. Hedging derivatives	20	-
60. Adjustments to financial assets subject to macro-hedging (+/-)	11	1
70. Equity investments	170	151
80. Reinsurers' share of technical reserves	-	-
90. Property and equipment	380	83
100. Intangible assets	234	226
of which: goodwill	140	140
110. Tax assets	164	198
a) current	34	42
b) deferred	130	156
120. Non-current assets held for sale and discontinued operations	6	12
130. Other assets	1,107	1,065
TOTAL ASSETS	**47,767**	**40,765**

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Managing Director
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Manager Responsible for the Preparation
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Paolo Bacciga

Consolidated balance sheet

(€m)

	31.12.2019	31.12.2018
LIABILITIES AND SHAREHOLDERS' EQUITY		
10. Financial liabilities measured at amortised cost	42,057	35,496
a) due to banks	3,033	3,366
b) due to customers	39,024	32,130
c) debt on issue	-	-
20. Financial liabilities held for trading	33	28
30. Financial liabilities measured at fair value	-	-
40. Hedging derivatives	930	808
50. Adjustments to financial liabilities subject to macro-hedging (+/-)	-	-
60. Tax liabilities	94	82
a) current	30	10
b) deferred	64	72
70. Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80. Other liabilities	1,167	1,031
90. Provision for employment termination indemnities	48	48
100. Provisions for risks and charges:	478	468
a) commitments and guarantees	1	1
b) pensions and other commitments	23	14
c) other provisions for risks and charges	454	453
110. Technical reserves	-	-
120. Valuation reserves	33	(12)
130. Redeemable shares	-	-
140. Equity instruments	-	-
150. Reserves	1,515	1,476
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 (+/-)	906	834
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**47,767**	**40,765**

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Consolidated income statement

(€m)

	2019	2018
10. Interest income and similar income	259	242
of which: interest income calculated with the effective interest method	*345*	*328*
20. Interest expense and similar expense	(81)	(83)
30. Net interest income	**178**	**159**
40. Fee and commission income	2,533	2,457
50. Fee and commission expense	(786)	(763)
60. Net fee and commission income	**1,747**	**1,694**
70. Dividends and similar income	-	-
80. Net profit (loss) on trading activities	13	9
90. Net profit (loss) on hedging derivatives	-	-
100. Profit (loss) on sale or repurchase of:	24	24
a) financial assets measured at amortised cost	-	11
b) financial assets measured at fair value through other comprehensive income	24	13
c) financial liabilities	-	-
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	27	(17)
a) financial assets and liabilities measured at fair value	-	-
b) other financial assets mandatorily measured at fair value	27	(17)
120. Total net interest and trading income	**1,989**	**1,869**
130. Net impairment for credit risk related to:	(6)	5
a) financial assets measured at amortised cost	(6)	4
b) financial assets measured at fair value through other comprehensive income	-	1
140. Gains/losses on contractual changes without cancellation	-	-
150. Operating income	**1,983**	**1,874**
160. Net insurance premiums	-	-
170. Other income/expense from insurance activities	-	-
180. Operating income from financing and insurance activities	**1,983**	**1,874**
190. Administrative expenses:	(848)	(873)
a) personnel expenses	(363)	(362)
b) other administrative expenses	(485)	(511)
200. Net provisions for risks and charges	(32)	(14)
a) commitments and guarantees	-	1
b) other net provisions	(32)	(15)
210. Depreciation of property and equipment	(48)	(5)
220. Amortisation of intangible assets	(21)	(17)
230. Other income/expense	242	240
240. Operating expenses	**(707)**	**(669)**
250. Profit (loss) on equity investments	8	9
260. Net fair value gains (losses) on property and equipment and intangible assets	-	-
270. Goodwill impairment	-	-
280. Gain (loss) on disposal of investments	-	-
290. Profit (loss) before tax from continuing operations	**1,284**	**1,214**
300. Income taxes for the year on continuing operations	(379)	(380)
310. Profit (loss) after tax from continuing operations	**905**	**834**
320. Profit (loss) after tax from discontinued operations	-	-
330. Net profit (Loss) for the year	**905**	**834**
340. Net profit (loss) for the year attributable to non-controlling interests	1	-
350. Parent company interest in net profit (loss) for the year	**906**	**834**

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Consolidated statement of comprehensive income

(€m)

		2019	2018
10.	**Net profit (Loss) for the year**	**905**	**834**
	Other comprehensive income after tax not transferred to the income statement	**(9)**	**(1)**
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	-	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	(9)	(1)
80.	Non-current assets held for sale and discontinued operations	-	-
90.	Valuation reserves related to investments carried at equity	-	-
	Other comprehensive income after tax that may be transferred to the income statement	**54**	**(61)**
100.	Hedging of net investments in foreign operations	-	-
110.	Exchange rate differences	(1)	5
120.	Cash flow hedges	3	4
130.	Hedging instruments (undesignated elements)	-	-
140.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income	47	(65)
150.	Non-current assets held for sale and discontinued operations	-	-
160.	Valuation reserves related to investments carried at equity	5	(5)
170.	**Total other comprehensive income after tax**	**45**	**(62)**
180.	**Total comprehensive income**	**950**	**772**
190.	Total comprehensive income attributable to non-controlling interests	(1)	-
200.	Total comprehensive income attributable to parent company	951	772

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Statement of changes in consolidated shareholders' equity

(€m)

	BALANCE AT 31.12.2018	CHANGE IN OPENING BALANCES	BALANCE AT 1.1.2019	ALLOCATION OF INCOME FOR THE PREVIOUS YEAR		CHANGES IN THE YEAR									SHAREHOLDERS' EQUITY AT 31.12.2019	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY AT 31.12.2019	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS AT 31.12.2019
							TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY										
				RESERVES	DIVIDENDS AND OTHER	CHANGES IN RESERVES	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	TOTAL COMPREHENSIVE INCOME 2019			
Share capital:	**300**	**-**	**300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**300**	**300**	**-**
- ordinary shares	300	-	300	-	-	-	-	-	-	-	-	-	-	-	300	300	-
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**206**	**-**	**206**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**206**	**206**	**-**
Reserves:	**1,476**	**-**	**1,476**	**24**	**-**	**16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,516**	**1,515**	**1**
- From net income	1,402	-	1,402	24	-	(1)	-	-	-	-	-	-	-	-	1,425	1,424	1
- Other	74	-	74	-	-	17	-	-	-	-	-	-	-	-	91	91	-
Valuation reserves	**(12)**	**-**	**(12)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**45**	**33**	**33**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the year	**834**	**-**	**834**	**(24)**	**(810)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**905**	**905**	**906**	**(1)**
Shareholders' equity	**2,804**	**-**	**2,804**	**-**	**(810)**	**16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**950**	**2,960**	**2,960**	**-**
Equity attributable to owners of the parent company	**2,804**	**-**	**2,804**	**-**	**(810)**	**15**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**951**	**2,960**		
Equity attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**		

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Statement of changes in consolidated shareholders' 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
							TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY										
				RESERVES	DIVIDENDS AND OTHER	CHANGES IN RESERVES	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	TOTAL COMPREHENSIVE INCOME 2018			
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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Statement of consolidated cash flows

(Indirect method)

(€m)

	2019	2018
A. OPERATING ACTIVITIES		
1. Operations	**1,269**	**1,176**
- profit (loss) for the year (+/-)	906	834
- net profit (loss) on financial assets held for trading and on other assets/liabilities measured at fair value through profit or loss (-/+)	(39)	5
- net profit (loss) on hedging activities (-/+)	-	-
- net impairment for credit risk (+/-)	6	(5)
- net depreciation and amortisation (+/-)	69	21
- net provisions for risks and charges and other expense/income (+/-)	33	14
- uncollected net insurance premiums (-)	-	-
- uncollected other insurance income/expense (-/+)	-	-
- unpaid taxes and tax credits (+/-)	379	380
- net impairment of discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	(85)	(73)
2. Cash from/used in financing activities	**(6,432)**	**(1,740)**
- financial assets held for trading	(5)	35
- financial assets measured at fair value	-	-
- other financial assets mandatorily measured at fair value	(20)	296
- financial assets measured at fair value through other comprehensive income	153	327
- financial assets measured at amortised cost	(6,677)	(2,337)
- other assets	117	(61)
3. Cash from/used in financial liabilities (*)	**6,029**	**1,629**
- financial liabilities measured at amortised cost.	6,295	2,275
- financial liabilities held for trading	14	(172)
- financial liabilities measured at fair value	-	-
- other liabilities	(280)	(474)
Net cash from/used in operating activities	**866**	**1,065**
B. INVESTING ACTIVITIES		
1. Cash from	**-**	**-**
- disposal of equity investments	-	-
- dividend income from equity investments	-	-
- sale of property and equipment	-	-
- sale of intangible assets	-	-
- sale of subsidiaries and company divisions	-	-
2. Cash used in	**(31)**	**(45)**
- acquisition of equity investments	-	(1)
- acquisition of property and equipment	(3)	(5)
- purchase of intangible assets	(28)	(19)
- acquisition of subsidiaries and company divisions	-	(20)
Net cash from/used in operating activities	**(31)**	**(45)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- distribution of dividends and other	(810)	(788)
- sale/purchase of control of others	-	-
Net cash from/used in funding activities	**(810)**	**(788)**
NET CASH GENERATED/USED IN THE YEAR	**25**	**232**

Reconciliation

	2019	2018
Cash and cash equivalents at the beginning of the year	310	78
Total net cash generated/used in the year	25	232
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the end of the year	335	310

(*) In relation to the disclosure prescribed in paragraph 44B of IAS 7, we note that the changes in liabilities resulting from financing activities totalled €6,029m (generated liquidity) and reflect the net amount of +€6,295m in cash flows, -€10m in changes in fair value, and -€256m in other changes.

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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

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 2019, 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 2019 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 sixth amendment of 30 November 2018, 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 2019 are listed below:

- Regulation 1986/2017: IFRS 16 - Leases.
- Regulation 498/2018: Amendments to IFRS 9 - Financial instruments.
- Regulation 1595/2018: IFRIC 23 - Uncertainty over income tax treatments.
- Regulation 237/2019: Amendments to IAS 28 - Investments in Associates and Joint Ventures.
- Regulation 402/2019: Amendments to IAS 19 - Employee Benefits.
- Regulation 412/2019: Amendments to IAS 12 - Income Taxes, to IAS 23 - Borrowing Costs, to IFRS 3 - Business Combinations, and to IFRS 11 - Joint Arrangements.

The transition to IFRS 16

The new IFRS 16 - Leases came into force on 1 January 2019 and replaced IAS 17 - Leases, IFRIC 4 - Determining Whether an Arrangement Contains a Lease, SIC 15 - Operating Leases - Incentives, and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 prescribes the accounting procedures for leases and rental, charter, lease and commodatum agreements, introducing a new definition of a lease based on transfer of the right to use the leased asset. The new standard requires determining whether a contract is or contains a finance lease, based 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.

IFRS 16 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 to 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 IAS 17, IFRS 16 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 must 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 IFRS 16 and the clarifications of IFRIC, software is excluded from the scope of application of IFRS 16, and will thus be recognised in accordance with IAS 38 and its requirements.

For the lessee, the application of IFRS 16 from 1 January 2019 has caused – 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 to use recognised as an asset). Considering the entire duration of the contracts, the economic impact on the income statement does not change over the time horizon of the lease, but appears with a different breakdown over time as compared with the previous situation under IAS 17.

The contracts falling in the scope of application of the new standard particularly concern 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 adoption 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 adoption 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 adoption, without restating the comparative data. As a result, the figures for 2019 will not be comparable as regards the valuation of the rights of use and the corresponding lease payable.
- Upon first-time adoption (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.The Group has decided not to apply the new standard to contracts having a total duration of 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.
- In regard to the lease duration, the Group has decided to consider, at the first-time adoption 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 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.

The adjustment to the opening financial statements after first-time adoption of IFRS 16 by using the modified retrospective approach caused a €267m 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, no impact is recorded on shareholders' equity since the values of the new assets and liabilities recognised in the financial statements coincide with each other.

Interest Rate Benchmark Reform

The Group exercises its right to early application of Regulation No. 34/2020 of 15 January 2020 to its Annual Report 2019. That Regulation has implemented the document issued by IASB concerning "Interest Rate Benchmark Reform (amendments to IFRS 9 - Financial Instruments, to IAS 39 - Financial Instruments: Recognition and Measurement, and to IFRS 7 - Financial Instruments: Disclosures)", which introduced several changes in hedge accounting, for the purpose of preventing that the uncertainties over the amount and timing of the cash flows deriving from the interest rate reform could lead to the interruption of existing hedges and difficulty in designating new hedge relationships. The amendments in question have been made as part of the project to analyse the financial statement effects of the reform in interbank rates – the "Interest Rate Benchmark Reform" or "IBOR Reform". This project is related to recent developments connected with the revision or substitution of certain benchmarks used to determine interest rates in various jurisdictions, such as LIBOR, TIBOR and, in Europe, EONIA and Euribor, on the basis of guidance issued by the G20 and Financial Stability Board. The IASB is considering the possible accounting impact of the Interest Rate Benchmark Reform with a two-phase project. The first phase is specifically dedicated to the possible accounting impact during the period preceding the substitution of existing benchmark rates with the new rates. The second phase of the project, which is still under way, instead concerns analysis of the possible accounting impact deriving from application of the new rates and other, less urgent issues.

Consequently, several changes are introduced with the first phase of the project, which was completed with publication of the cited Regulation No. 34/2020, to prevent the interruption of existing hedges. In fact, the IASB believes that the interruption of hedges merely due to uncertainty in this scenario does not provide useful information to readers of the financial statements. Therefore, it has decided to allow several temporary waivers of the existing rules to avoid these distorting effects, and which are to be applied until completion of the Interest Rate Benchmark Reform.
Accordingly, the IASB has identified the following accounting provisions of hedge accounting that might be impacted by the Interest Rate Benchmark Reform during the "pre-replacement" phase:

1. the highly probable requirement: IAS 39 and IFRS 9 prescribe that planned transactions must satisfy the highly probable requirement in order to be designated as a hedged item;
2. the prospective and retrospective assessment of the effectiveness of the hedges: the effectiveness tests prescribed by IFRS 9 and IAS 39 must be passed to apply hedge accounting;
3. the designation of risk components: IFRS 9 and IAS 39 permit designation of a risk component that has not been contractually defined when it can be identified separately and reliably measured. The IASB has prescribed a simplification for each one of these provisions, on the assumption that the existing interest rate benchmarks cannot be modified after the Interest Rate Benchmark Reform. The changes have to be applied beginning 1 January 2020, while their early application is allowed. The Group has opted for this latter possibility.

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 shareholders' 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. Market context;
- Section 4. Performance (paragraphs 4.1 to 4.4, 4.7, 4.8.1 and 4.9);
- Section 5. Governance (paragraph 5.2).

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 use the euro as their presentation currency. The figures in the financial statements and Notes are stated in millions of euro unless specified otherwise.

The financial statements and Notes to the financial statements present the data for the period together with the corresponding data at 31 December 2018 for the purposes of comparison. For its first-time adoption of IFRS 16, the Group has chosen for the modified retrospective approach, which grants the option of recognising the entire cumulative effect of application of the standard at the date of first-time adoption, without restating the comparative data for the financial statements of the year when IFRS 16 was applied for the first time.

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 2019 contains a reclassified balance sheet and reclassified income statement. These statements were prepared using appropriate groupings of the items in the official financial statements.

An analysis comparing the financial and operational data for 2019 with those for 2018 is affected by the impacts of first-time adoption of IFRS 16 and the acquisition of the Morval Vonwiller Group (taking place in second quarter of 2018). Therefore, the operational and financial data presented in the balance sheet and income statement have been restated, where necessary and if material, so that comparisons may be made on a like-for-like basis. These restated statements were prepared making the adjustments to the historical data required to reflect retrospectively the changes in the accounting standards and scope of consolidation, as if the company transactions and the first-time adoption of IFRS 16 had become effective as of 1 January 2018, without however changing the operating profit and shareholders' equity stated in the official financial statements published in 2018. Detailed information on the restatements and reclassifications is presented in specific reconciliation statements provided in the schedules accompanying these financial statements.

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 2019 are shown below.

1. Equity investments in wholly-owned subsidiaries

COMPANY NAME	OPERATIONAL HEAD OFFICE	REGISTERED OFFICE	TYPE OF OWNERSHIP (*)	OWNERSHIP		% VOTES (**)
				ASSOCIATE COMPANY	% OWNED	
1. Sanpaolo Invest SIM S.p.A. Share capital: EUR 15,264,760 in shares of EUR 140 each	Turin	Turin	1	Fideuram	100.000%	
2. 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%	
3. Fideuram Investimenti SGR S.p.A. Share capital: EUR 25,850,000 in shares of EUR 517 each	Milan	Milan	1	Fideuram	99.500%	
4. Siref Fiduciaria S.p.A. Share capital: EUR 2,600,000 in shares of EUR 0.52 each	Milan	Milan	1	Fideuram	100.000%	
5. Morval SIM S.p.A. Share capital: EUR 2,768,000 in shares of EUR 0.52 each	Turin	Turin	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) Morval S.A. Share capital: CHF 22,217,000 in shares of CHF 100 each	Geneva	Geneva	1	Fideuram	96.211%	
10. Intesa Sanpaolo Private Argentina S.A. Share capital: ARS 13,404,506 in shares of ARS 1 each	Buenos Aires	Buenos Aires	1	Intesa Sanpaolo Private Bank (Suisse) Morval Fideuram	95.033% 4.967%	
11. Morval Gestion SAM Share capital: EUR 500,000 in shares of EUR 100 each	Montecarlo	Montecarlo	1	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000%	
12. Morval Vonwiller Assets Management Co. Ltd Share capital: USD 2,400,000 in shares of USD 1 each	Tortola	Tortola	1	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000%	
13. Southern Group Ltd Share capital: USD 50,000 in shares of USD 1 each	George Town	George Town	1	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000%	
14. Morval Vonwiller Advisors S.A. Share capital: UYU 495,000 in shares of UYU 1 each	Montevideo	Montevideo	1	Southern Group	100.000%	
15. 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%	

KEY

(*) 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 investee 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 were consolidated line-by-line, except for Southern Group, Morval Vonwiller Advisors, Morval Gestion SAM, Morval SIM, and Intesa Sanpaolo Private Argentina 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 badwill in the income statement. Goodwill is subject to a periodic test on the appropriateness of its book value. If the recoverable value of goodwill is less than its book 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 2019, 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 2018, the scope of consolidation recorded the following changes effective from 1 January 2019:

- the exit of Intesa Sanpaolo Private Bank (Suisse), Morval Vonwiller Holding and Banque Morval following the merger of the Swiss companies of the Group which led to the establishment of Intesa Sanpaolo Private Bank (Suisse) Morval;
- the exit of FI.GE. Fiduciaria following the merger into Siref Fiduciaria.

It should also be noted that in the second quarter of the year, the company DJ Inversiones changed its company name to Intesa Sanpaolo Private Argentina.

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 book value of the equity investment and the interest in the subsidiary's shareholders' equity is recognised as an increase or decrease in the book 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 IAS 39, in anticipation of the effective date of the new IFRS 17 on insurance agreements, expected to be in 2021.

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 2019. 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

Several tax reforms implemented in 2019 are summarised as follows. They affect the calculation of direct taxes beginning from the Annual Report 2019 and Group activity.

Remodulation of the deductibility of amortisation for goodwill and other intangible assets

The 2020 Budget Law implemented a new 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. In more detail, deduction of the 5% allowance that was originally allowed for 2019 has been deferred, on a straight-line basis, to the tax year 2025 and the four successive tax years.

Deferral of the deduction instalment for expected losses on loans and advances to customers recognised upon First-Time Adoption of IFRS 9

The 2020 Budget Law has deferred until 2028 the deduction instalment applicable to 2019 for the costs recognised by banks upon first-time adoption of IFRS 9. These costs derive 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 IRES (corporate income tax) and from IRAP (regional business tax) in ten even instalments from 2018.

Deferral of the deduction instalment for impairment of loans scheduled for 2019

The 2020 Budget Law again deferred the deductibility of negative components deriving from impairments of loans and advances to customers that would have been deductible for IRES and IRAP purposes in 2019 due to their being spread out over ten years. Deduction of the 12% allowance that was originally allowed for 2019 has been deferred, on a straight-line basis, to the 2022 tax year and the three successive tax years.

Increase in the deduction for IMU on non-investment property from business income

Fifty per cent of the IMU paid on non-investment property may be deducted in 2019. The deductible amount will be 60% in the two following years, while, beginning in 2022, the tax paid will be fully deductible from business income. It will still be non-deductible for IRAP purposes.

Reintroduction of Support for Economic Growth (Aiuto alla Crescita Economica - "ACE")

The law named "Aiuto alla Crescita Economica" (Support for Economic Growth - "ACE") envisaged in Article 1 of Decree Law 201/2011 was reintroduced beginning in 2019. This law allows reductions in the income taxable for IRES in correlation with increases in equity capital and reserves. Consequently, the ACE benefit will apply on a continuous basis. At the same time, the measure that allowed the possibility of applying a lower IRES rate (ordinary rate reduced by 9 percentage points) for the companies that boosted their employment levels and made investments in operating assets (reduced IRES on reinvested profits, or "mini-IRES") was abrogated.

Lump-sum tax treatment for sole proprietorships and independent contractors

The lump-sum tax treatment introduced with the 2015 Stability Law – concerning the application of a reduced substitute tax rate of 15%, which also applies to the Group Personal Financial Advisers working under agency agreements – was amended again with the new requirement that its use be conditioned on the aggregate amount of the expenses incurred for employees and/or equivalent workers not exceeding €20k before tax. Moreover, it has been reconfirmed that those who earned employment and/or equivalent income exceeding €30k or more before tax during the previous year do not qualify for the tax break.

Tax credit for investments in operating assets

The 2020 Budget Law has introduced a tax credit for investments in operating assets that replaces, beginning in 2020, the tax breaks for super-depreciation and hyper-depreciation. A tax credit equal to 6% of the incurred cost is allowed for investments in operating assets, up to the limit of €2m. The credit can be used in steady amounts over the five years following that in which the asset is placed in service.

Amendments to the rules governing long-term Savings Investment Plans (Piani individuali di risparmio - PIR)

The tax decree that was converted into law at the end of the year eliminated several limits that, when introduced in 2019, blocked the participation of investors in long-term Savings Investment Plans. Subject to compliance with the regulatory requirements imposed to protect Savings Investment Plans as an effective channel for financing the productive system, these products offer the possibility of receiving favourable tax treatment if they are held for at least five years by natural persons resident in Italy.

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 network companies in the 2019 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)

	2019
Independent statutory audit (*)	2.6
Total	**2.6**

(*) 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 €1.1m in 2019.

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 2019.

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, 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 IFRS 9 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 book value 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 it 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 book 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. Only the financial instruments involving a counterparty outside the Group may be designated as hedging instruments.

The hedging derivatives are, like all derivatives, initially recognised and subsequently measured at fair value. In particular, where fair value hedges are concerned, the change in fair value of the hedged instrument is offset by the change in fair value of the hedging instrument. This offsetting is carried out by recording the changes in value of the hedged item (where changes generated by the underlying risk factor are concerned) and of the hedging instrument in the income statement. Any difference, indicating the extent to which the hedge is only partially effective, is the net financial effect. 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 at item 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 book 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 book value, 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 finance lease 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. Finally, the rights of use acquired under finance leases and relating to the use of an item of property and equipment (for the lessee companies) and the assets granted under operating leases (for the lessor companies) are included.

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.

Under IFRS 16, leases are accounted for on the basis of the right-of-use model according to which, on the commencement date, the lessee has a financial obligation to make lease payments to the lessor for its right to use the underlying asset during the lease term. When the asset is made available for use by the lessee (commencement date), the lessee recognises a liability as well as an asset consisting of the right of use. In particular, the right of use acquired with the lease is recognised as the sum of the present value of the future lease instalments to be paid over the duration of the lease, of the lease payments paid at the date or before commencement of the lease, of any incentives received, of the initial direct costs and of any estimated costs for dismantlement or restoration of the underlying asset of the lease.

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 impairment 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 for the following:

- land, which has an indefinite useful life and is not, therefore, depreciable. The value of land is, moreover, also accounted for separately from the value of buildings, even when they are purchased together. This splitting of the value of land and the value of buildings is performed on the basis of a survey by independent experts solely for buildings held on a "ground-to-roof" basis;
- works of art, since their useful life cannot be estimated and their value is not normally likely to decline over time.

The useful life of property and equipment subject to depreciation is verified periodically. If the initial estimates require adjustment, the related depreciation rates are also changed.

In addition, at every reporting date, the bank also evaluates whether there is any evidence of an asset having been impaired. In such cases the book value and recoverable value of the asset are compared. Any adjustments required are recorded in the income statement. Should the reasons for the impairment cease to apply, a recovery 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.

The asset consisting in the right of use recognised pursuant to IFRS 16 is measured by using the cost model prescribed in IAS 16. In this case, the asset is subsequently depreciated and tested for impairment if indications of impairment arise.

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 book 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-financial 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 book 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 item 120 "Non-current assets held for sale and discontinued operations" and in liabilities as item 70 "Liabilities associated with non-current assets held for sale and discontinued operations". These assets/liabilities are recognised at the lesser between their book value and their fair value net of transaction costs, except for certain types of assets (e.g. financial assets covered by IFRS 9), for which IFRS 5 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 IFRS 9 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, recognised and measured individually to determine the final obligation. The discount rate used is set in relation to the market yields of primary corporate bonds at the measurement dates, taking the average residual maturity of the liability into account. The present value 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 obligation;
- 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. This item also includes the debts recognised by the bank in the capacity of lessee within the scope of leases.

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. Debts for leases are recognised at the present value of the future lease payments, which are discounted using the implicit interest rate of the transaction or, if it cannot be determined, through the marginal loan rate.

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. Debts for leases are revalued when there is a lease modification (i.e. a change in the contract that is not recognised as a separate contract). The effect of the revaluation must be recognised as a balancing entry for the right-of-use asset. 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 shareholders' 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 /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. 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 they receive for the transaction in item 40. "Fee and commission income" in the income statement. Conversely, the borrower is required to record the cost of the transaction under item 50. "Fee and commission expense" in the income statement.

The securities lending transactions in question involve two separate components of remuneration, which are, from the borrower's standpoint:

- a positive component for the remuneration of the balance in hand paid to the lender, normally remunerated at the EONIA rate, in line with market practice;
- a negative component for the service received in the form of a lending fee.

The aforementioned income components are recognised in the income statement as follows:

- under items 20. "Interest expense and similar expense" and 40. "Fee and commission income" respectively, by the lender;
- under items 10. "Interest income and similar income" and 50. "Fee and commission expense" respectively, by the borrower.

Accrued expenses and deferred income

Accrued expenses and deferred income, which consist of expense and income accrued on assets and liabilities in the year, are recorded in the financial statements as adjustments to the related assets and liabilities.

Leasehold improvements

The costs incurred in renovating leasehold property are capitalised in consideration of the fact that the Group has control of the assets for the term of the lease and can derive future economic benefits from them. These costs are recognised as Other assets and depreciated over a period not exceeding the lease term.

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 when their distribution is decided, unless this date was unknown or the information was not immediately available, in which case it may be recognised at the time of receipt;
- 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.

IFRS 3 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 IFRS 3. Such transactions are considered to have no economic substance unless they result in a significant change in cash flows. Hence, in the absence of any specific IAS/IFRS Standard or Interpretation, and in accordance with IAS 8 - which requires a company, in the absence of any specific Standard or Interpretation, to use its own judgment in applying an accounting policy which provides relevant, reliable and cautious information that reflects the economic substance of the transaction - these transactions are recognised maintaining continuity between the values stated by the acquired entity and the values stated in the financial statements of the acquiring entity. In accordance with this policy, the same values are recorded in the balance sheet as if the companies (or company divisions) involved in the business combination had always been combined. The businesses acquired are stated in the financial statements of the acquiring company at the same values that they had in the financial statements of the transferor company. Any difference between the price paid/received and the net book value of the businesses transferred is recorded directly as a balancing entry in shareholder's equity net of any deferred tax assets and liabilities (if necessary).

Use of estimates and assumptions in the preparation of the financial statements

The preparation of financial statements may also require the use of estimates and assumptions that can have significant effects on the amounts stated in the balance sheet and income statement, and on the information on assets and contingent liabilities provided in the financial statements. These estimates are made using the information available and adopting subjective valuations, which are also based on historical experience, to formulate reasonable assumptions for reporting operating performance. The estimates and assumptions used may by their nature vary from year to year, such that one cannot rule out the possibility of the values currently stated in the financial statements differing, even significantly, in subsequent years as a result of changes in the subjective valuations used.

Subjective valuations by company directors are mainly required for:

- quantifying impairment losses on loans and, as a rule, other financial assets;
- the valuation models used for the fair value measurement of financial instruments not listed on active markets;
- assessing the fairness of the value of goodwill and other intangible assets;
- quantifying the fair value of real estate and valuable art assets;
- 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;
- quantification of staff provisions and provisions for risks and charges. To determine the Provisions for the termination of Personal Financial Adviser agency agreements and the Network Loyalty Schemes, it was decided at the end of 2019 that there was a need to change the curve used to determine the current value of the liability, abandoning the Eur Composite AA Curve to the Italian Government Bond Curve because, due to the steep reduction in interest rates (which had fallen into negative territory on maturities of up to 6 years), the curve previously used was no longer fit to represent the value of the money over time. This change led to a lower provision of €16m (of which €14m for the Provisions for the termination of Personal Financial Adviser agency agreements).

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, IFRS 9 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.

IFRS 13 sets out a fair value hierarchy that categorises the inputs of the valuation techniques used to measure fair value into three levels. This hierarchy assigns the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the least importance to unobservable inputs (Level 3 inputs). Specifically:

- fair value Level 1 is when the instrument is measured directly from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- fair value Level 2 is when a quoted price in an active market cannot be obtained and the measurement uses a valuation technique based on parameters that are observable on the market, or unobservable parameters that are however supported and corroborated by market data, such as prices, spreads or other outputs (comparable approach);
- fair value Level 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 financial assets measured at amortised cost for 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 book 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 IFRS 9.

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.

Non-performing loans are represented by doubtful loans, unlikely to pay, and overdue and/or over 90 days past due loans. Non-performing loans classified as doubtful loans are subject to the following valuation methods:

- analytical-statistical valuation, which is adopted for exposures of less than €2m. It is based on the application of special LGD assessments, in combination with an Add-On to account for forward-looking information, especially the information referring to the impact of future macroeconomic scenarios;
- specific analytical valuation, which is adopted for customers having exposures of more than €2m. It is based on the impairment percentages assigned by the manager after carrying out appropriate analysis and valuation processes, in combination with an Add-On to account for forward-looking information, especially the information referring to the impact of future macroeconomic scenarios (except for the doubtful loans secured by mortgages, for which the impacts of future scenarios are included through determination of the haircut to the value of the property posted as collateral).

The unlikely to pay loans are also measured according to different methods:

- analytical-statistical valuation, which is adopted for exposures of less than €2m. It is based on the application of special LGD statistical assessments, in combination with an Add-On to account for the impact of future macroeconomic scenarios and continuation of its doubtful status, with the aim of penalising those positions that have greater seniority or that do not show any movements and/or recoveries for a specific period of time;
- specific analytical valuation, adopted for on-balance sheet exposures exceeding €2m, based on the impairment percentages assigned by the manager, in combination with an Add-On to account for the impact of future macroeconomic scenarios and continuation of its doubtful status in this case too.

The non-performing loans classified as overdue/past due loans are measured analytically on a statistical basis, independently of the amount of the exposure. However, even in this case, the adjustment determined on the basis of the LGD statistical assessments is complemented to reflect the Add-On ascribable to the effect of future macroeconomic scenarios.

The credit exposures must continue to be recognised as non-performing until at least three months have passed since they ceased to meet the conditions for classification as such ("probation period"). Until the conditions are met for their removal from the non-performing category, those exposures are kept in the respective risk classes and measured on an analytical-statistical or specific analytical basis according to their lower riskiness.

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 book 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 book 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 Group measures its property used in operations and valuable art assets according to the revaluation model. In this case, any impairment loss of a revalued asset must be treated as a reduction of part or all of the revaluation. After that point, any difference is charged to profit or loss. In more detail, the non-investment property undergoes an annual scenario analysis of the real estate market to determine whether there are any significant variations in the value of the assets. If particularly large changes are found (+ or -10%), an updated appraisal is prepared to adjust the fair value of the asset to real estate market values.

The intangible assets recognised after acquisitions and in application of IFRS 3 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 book 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 book value of the CGUs must be determined consistently with the method used to determine their recoverable value.

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. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an arm's length transaction between informed and willing 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).

The choice between the different measurement methods 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, 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).

After the recent Interest Rate Benchmark Reform in the monetary market, introduced by Regulation (EU) No. 2016/1011 (Benchmark Regulation, BMR), the range of market benchmarks has been expanded with the new Euro Short Term (€STR) overnight rate. This is an uncollateralised daily rate calculated on the basis of the transactions executed on the European monetary market, which will gradually replace the Eonia rate in the indexing of financial instruments and contracts. The publication of the new overnight €STR rate (risk-free rate for the eurozone) commenced in October 2019, and the transition period will continue until 31 December 2021, giving all benchmark providers the possibility to adopt the new standards. The reform has also affected Euribor, prescribing a hybrid calculation method for it. Its transition, handled by the European Money Markets Institute (EMMI), was completed at the end of November 2019. At least in the intentions of lawmakers, the new standards will render the Euribor benchmark more reliable, so as to avoid the fluctuations caused by any alterations as has occurred in the past.

The derivatives in the banking book consisted principally of Interest Rate Swaps. The Group as a rule uses hedge derivatives to protect its assets. These hedge derivatives may be specific (micro fair value hedges) to cover fixed rate bonds, or generic (macro fair value hedges) to cover fixed rate loans, to reduce its exposure to adverse fair value movements due to interest rate risk. Finally, beginning in February 2019, hedges were adopted to mitigate the risk of exposure to changes in future cash flows attributable to movements of the interest rate curve (so-called Cash Flow Hedge), covering variable rate bonds. 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 and prospective tests at monthly intervals until maturity or the premature termination of the hedge. The process of testing macro fair value hedges entails not only retrospective and prospective accounting tests, but also preliminary sensitivity and fair value tests, which are necessary due to the failure to identify exactly the individual underlying hedged assets.

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

	31.12.2019			31.12.2018		
FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**
1. Financial assets measured at fair value through profit or loss	21	328	-	16	278	-
a) financial assets held for trading	-	36	-	-	27	-
b) financial assets measured at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	21	292	-	16	251	-
2. Financial assets measured at fair value through other comprehensive income	3,172	17	-	3,269	25	-
3. Hedging derivatives	-	20	-	-	-	-
4. Property and equipment	-	-	63	-	-	70
5. Intangible assets	-	-	-	-	-	-
Total	**3,193**	**365**	**63**	**3,285**	**303**	**70**
1. Financial liabilities held for trading	-	33	-	-	28	-
2. Financial liabilities measured at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	930	-	-	808	-
Total	**-**	**963**	**-**	**-**	**836**	**-**

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				
1. Opening balance	**-**	**-**	**-**	**-**	**-**	**-**	**70**	**-**
2. Increases	**1**	**-**	**-**	**1**	**-**	**-**	**-**	**-**
2.1. Purchases	-	-	-	-	-	-	-	-
2.2. Profits recognised under:	1	-	-	1	-	-	-	-
2.2.1. Income statement	1	-	-	1	-	-	-	-
- including capital gains	-	-	-	-	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	**1**	**-**	**-**	**1**	**-**	**-**	**7**	**-**
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Redemptions	1	-	-	1	-	-	-	-
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	-	-	-	-	-	-	7	-
4. Closing balance	**-**	**-**	**-**	**-**	**-**	**-**	**63**	**-**

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	31.12.2019 BOOK VALUE	31.12.2019 LEVEL 1	31.12.2019 LEVEL 2	31.12.2019 LEVEL 3	31.12.2018 BOOK VALUE	31.12.2018 LEVEL 1	31.12.2018 LEVEL 2	31.12.2018 LEVEL 3
1. Financial assets measured at amortised cost	41,802	442	20,462	20,746	35,131	247	16,841	17,545
2. Investment property and equipment	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and discontinued operations	6	-	-	6	12	-	-	12
Total	**41,808**	**442**	**20,462**	**20,752**	**35,143**	**247**	**16,841**	**17,557**
1. Financial liabilities measured at amortised cost	42,057	-	37,624	4,433	35,496	-	32,463	3,033
2. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**42,057**	**-**	**37,624**	**4,433**	**35,496**	**-**	**32,463**	**3,033**

PART B - NOTES TO THE CONSOLIDATED BALANCE SHEET

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS - ITEM 10

1.1 Cash and cash equivalents: analysis

	31.12.2019	31.12.2018
a) Cash	69	90
b) Demand deposits with Central Banks	266	220
Total	**335**	**310**

SECTION 2 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - ITEM 20

2.1 Financial assets held for trading: analysis

	31.12.2019			31.12.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. Cash assets						
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	-	-	-	-	-	-
Total A	-	-	-	-	-	-
B. Derivatives						
1. Financial derivatives	-	36	-	-	27	-
1.1 Held for trading	-	36	-	-	27	-
1.2 Connected with fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 Held for trading	-	-	-	-	-	-
2.2 Connected with fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	**-**	**36**	**-**	**-**	**27**	**-**
Total (A+B)	**-**	**36**	**-**	**-**	**27**	**-**

2.2 Financial assets held for trading: analysis by debtor/issuer/counterparty

	31.12.2019	31.12.2018
A. Cash assets		
1. Debt securities	**-**	**-**
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other Financial Institutions	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equities	**-**	**-**
a) Banks	-	-
b) Other Financial Institutions	-	-
of which: insurance companies	-	-
c) Non-financial companies	-	-
d) Other issuers	-	-
3. Units in mutual funds	**-**	**-**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other Financial Institutions	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total A	**-**	**-**
B. Derivatives		
a) Central Counterparties	-	-
b) Other	36	27
Total B	**36**	**27**
Total (A+B)	**36**	**27**

2.5 Other financial assets mandatorily measured at fair value: analysis

	31.12.2019			31.12.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**-**	**292**	**-**	**-**	**251**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities (*)	-	292	-	-	251	-
2. Equities	**9**	**-**	**-**	**5**	**-**	**-**
3. Units in mutual funds	**12**	**-**	**-**	**11**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreement	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**21**	**292**	**-**	**16**	**251**	**-**

(*) The Level 2 debt securities regard the insurance policies that the Group took out to insure the market yields of the Personal Financial Adviser Networks' Loyalty Schemes.

2.6 Other financial assets mandatorily measured at fair value: analysis by debtor/issuer

	31.12.2019	31.12.2018
1. Equities	**9**	**5**
of which: banks	9	5
of which: other financial institutions	-	-
of which: non-financial companies	-	-
2. Debt securities	**292**	**251**
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other Financial Institutions	292	251
of which: insurance companies	292	251
e) Non-financial companies	-	-
3. Units in mutual funds	**12**	**11**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other Financial Institutions	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**313**	**267**

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

	31.12.2019			31.12.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**3,172**	**17**	**-**	**3,269**	**25**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	3,172	17	-	3,269	25	-
2. Equities	**-**	**-**	**-**	**-**	**-**	**-**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**3,172**	**17**	**-**	**3,269**	**25**	**-**

3.2 Financial assets measured at fair value through other comprehensive income: analysis by debtor/issuer

	31.12.2019	31.12.2018
1. Debt securities	**3,189**	**3,294**
a) Central Banks	-	-
b) Public entities	1,051	835
c) Banks	1,155	1,733
d) Other Financial Institutions	366	353
of which: insurance companies	41	29
e) Non-financial companies	617	373
2. Equities	**-**	**-**
a) Banks	-	-
b) Other issuers:	-	-
- Other Financial Institutions	-	-
of which: insurance companies	-	-
- Non-financial companies	-	-
- Other	-	-
3. Loans	**-**	**-**
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other Financial Institutions	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**3,189**	**3,294**

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	3,169	209	21	-	(1)	-	-	-
Loans	-	-	-	-	-	-	-	-
Total 31.12.2019	**3,169**	**209**	**21**	**-**	**(1)**	**-**	**-**	**-**
Total 31.12.2018	**3,285**	**1,761**	**10**	**-**	**(1)**	**-**	**-**	**-**
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 - Loans and advances to banks: analysis

	31.12.2019						31.12.2018					
	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
A. Due from Central Banks	**163**	**-**	**-**	**-**	**-**	**163**	**339**	**-**	**-**	**-**	**-**	**339**
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Statutory reserve	163	-	-	X	X	X	339	-	-	X	X	X
3. Repurchase agreement	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans and advances to banks	**29,801**	**-**	**-**	**-**	**16,000**	**13,886**	**22,726**	**-**	**-**	**3**	**11,940**	**10,675**
1. Loans	17,035	-	-	-	3,149	13,886	11,962	-	-	-	1,287	10,675
1.1 Current accounts and demand deposits	3,547	-	-	X	X	X	5,584	-	-	X	X	X
1.2 Term deposits	12,868	-	-	X	X	X	6,259	-	-	X	X	X
1.3 Other loans:	620	-	-	X	X	X	119	-	-	X	X	X
- Repurchase agreement assets	500	-	-	X	X	X	-	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	120	-	-	X	X	X	119	-	-	X	X	X
2. Debt securities	12,766	-	-	-	12,851	-	10,764	-	-	3	10,653	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	12,766	-	-	-	12,851	-	10,764	-	-	3	10,653	-
Total	**29,964**	**-**	**-**	**-**	**16,000**	**14,049**	**23,065**	**-**	**-**	**3**	**11,940**	**11,014**

Fair Value - Level 3 includes the statutory reserve, current accounts and term deposits having a term longer than one year.

4.2 Financial assets measured at amortised cost - Loans and advances to customers: analysis

	31.12.2019						31.12.2018					
	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
1. Loans	**9,294**	**35**	**-**	**-**	**2,632**	**6,697**	**9,519**	**12**	**-**	**-**	**3,000**	**6,531**
1.1 Current accounts	6,663	32	-	X	X	X	6,222	11	-	X	X	X
1.2 Repurchase agreement assets	214	-	-	X	X	X	726	-	-	X	X	X
1.3 Loans	862	3	-	X	X	X	815	1	-	X	X	X
1.4 Credit cards, personal loans and loans with repayments deducted directly from wages	156	-	-	X	X	X	137	-	-	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	1,399	-	-	X	X	X	1,619	-	-	X	X	X
2. Debt securities	**2,509**	**-**	**-**	**442**	**1,830**	**-**	**2,535**	**-**	**-**	**244**	**1,901**	**-**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	2,509	-	-	442	1,830	-	2,535	-	-	244	1,901	-
Total	**11,803**	**35**	**-**	**442**	**4,462**	**6,697**	**12,054**	**12**	**-**	**244**	**4,901**	**6,531**

(*) Non-performing assets comprised doubtful loans totalling €1m, debtor unlikely to pay loans totalling €19m and past due or overdue loans according to Bank of Italy rules totalling €15m.

Fair Value - Level 3 mainly includes current accounts and non-performing loans.

The sub-item "other loans" includes operating receivables, i.e. loans for transactions connected with the provision of activities and unsecured financial services, totalling €603m (on par with the net amount for 2018). Insignificant adjustments were made to these exposures classified in stage 1.

4.3 Financial assets measured at amortised cost - Loans and advances to customers: analysis by debtor/issuer

	31.12.2019			31.12.2018		
	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: IMPAIRED, PURCHASED OR ORIGINATED	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: IMPAIRED, PURCHASED OR ORIGINATED
1. Debt securities	**2,509**	**-**	**-**	**2,535**	**-**	**-**
a) Public entities	2,278	-	-	2,260	-	-
b) Other Financial Institutions	231	-	-	275	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Loans to:	**9,294**	**35**	**-**	**9,519**	**12**	**-**
a) Public entities	-	-	-	-	-	-
b) Other Financial Institutions	851	1	-	1,710	1	-
of which: insurance companies	162	-	-	153	-	-
c) Non-financial companies	1,872	9	-	1,713	3	-
d) Households	6,571	25	-	6,096	8	-
Total	**11,803**	**35**	**-**	**12,054**	**12**	**-**

4.4 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	13,479	12,538	1,815	-	(6)	(13)	-	-
Loans	25,001	16,532	1,507	50	(10)	(6)	(15)	-
Total 31.12.2019	**38,480**	**29,070**	**3,322**	**50**	**(16)**	**(19)**	**(15)**	**-**
Total 31.12.2018	**32,011**	**22,259**	**3,139**	**26**	**(14)**	**(17)**	**(14)**	**-**
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

	31.12.2019				31.12.2018			
	FAIR VALUE			NOMINAL VALUE	FAIR VALUE			NOMINAL VALUE
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
A. Financial derivatives	**-**	**20**	**-**	**1,826**	**-**	**-**	**-**	**35**
1. Fair value	-	12	-	1,426	-	-	-	35
2. Financial flows	-	8	-	400	-	-	-	-
3. Investments outside Italy	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Fair value	-	-	-	-	-	-	-	-
2. Financial flows	-	-	-	-	-	-	-	-
Total	**-**	**20**	**-**	**1,826**	**-**	**-**	**-**	**35**

5.2 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 DERIVATIVES AND INTEREST RATES	EQUITY DERIVATIVES AND INDEX DERIVATIVES	CURRENCIES AND GOLD	LENDING	COMMODITIES	OTHER				
1. Financial assets measured at fair value through other comprehensive income	10	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	1	X	-	-	X	X	X	8	X	X
3. Portfolio	X	X	X	X	X	X	1	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**11**	**-**	**-**	**-**	**-**	**-**	**1**	**8**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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 6 - ADJUSTMENTS TO FINANCIAL ASSETS SUBJECT TO MACRO-HEDGING - ITEM 60

6.1 Adjustments to hedged assets: analysis by portfolio hedged

	31.12.2019	31.12.2018
1. Positive adjustment	**11**	**1**
1.1 of specific portfolios:	11	1
a) financial assets measured at amortised cost	11	1
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 total	-	-
2. Negative adjustment	**-**	**-**
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	-	-
Total	**11**	**1**

SECTION 7 - EQUITY INVESTMENTS - ITEM 70

7.1 Equity investments: information on equity relationships

COMPANY	REGISTERED OFFICE	OPERATIONAL HEAD OFFICE	TYPE OF RELATIONSHIP	OWNERSHIP		% VOTES
				ASSOCIATE COMPANY	% OWNED	
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. Companies subject to significant influence			
1. Fideuram Vita S.p.A.	166		

The book value of the equity investments also includes €4m for several investments in subsidiaries that have less than €10m in total assets carried on the books. These equity investments are consolidated using the equity method.

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. Companies subject to significant influence														
Fideuram Vita S.p.A.	X	35,005	1,042	34,507	712	2,730	X	X	75	55	-	55	24	79

Reconciliation of financial statement data and book value of the equity investment

	FIDEURAM VITA
Shareholders' equity	828
Interest held by Fideuram	19,99%
Consolidated book value of the equity investment	166

7.5 Equity investments: changes in the year

	31.12.2019	31.12.2018
A. Opening balance	**151**	**148**
B. Increases	**19**	**7**
B.1 Purchases	-	1
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other increases (*)	19	6
C. Decreases	**-**	**4**
C.1 Sales	-	-
C.2 Value adjustments	-	-
C.3 Write-downs	-	-
C.4 Other decreases	-	4
D. Closing balance	**170**	**151**
E. Total revaluations	**-**	**-**
F. Total adjustments	**-**	**-**

(*) This item refers to adjustment of the equity investment in Fideuram Vita to the equity value of the investee.

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.

SECTION 9 - PROPERTY AND EQUIPMENT - ITEM 90

9.1 Functional property and equipment: analysis of assets measured at cost

	31.12.2019	31.12.2018
1. Owned assets	**13**	**13**
a) land	-	-
b) buildings	-	-
c) furniture	9	9
d) electronic equipment	2	2
e) other	2	2
2. Assets purchased under financial leasing agreements	**304**	**-**
a) land	-	-
b) buildings	303	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	1	-
Total	**317**	**13**
of which: obtained through execution of received guarantees	-	-

9.3 Functional property and equipment: analysis of revalued assets

	31.12.2019			31.12.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Owned assets	**-**	**-**	**63**	**-**	**-**	**70**
a) land (*)	-	-	23	-	-	23
b) buildings (*)	-	-	39	-	-	46
c) furniture (*)	-	-	1	-	-	1
d) electronic equipment	-	-	-	-	-	-
e) other	-	-	-	-	-	-
2. Assets purchased under financial leasing agreements	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic equipment	-	-	-	-	-	-
e) other	-	-	-	-	-	-
Total	**-**	**-**	**63**	**-**	**-**	**70**
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

Owned assets: changes in the year

	LAND	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	TOTAL
A. Gross opening balance	**23**	**90**	**49**	**48**	**44**	**254**
A.1 Total net adjustments	-	(44)	(39)	(46)	(42)	(171)
A.2 Net opening balance	**23**	**46**	**10**	**2**	**2**	**83**
B. Increases	**-**	**1**	**2**	**1**	**-**	**4**
B.1 Purchases	-	-	2	1	-	3
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	-	-	-	-	-	-
C. Decreases	**-**	**8**	**2**	**1**	**-**	**11**
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:	-	6	-	-	-	6
a) investment property and equipment	-	-	X	X	X	-
b) non-current assets held for sale and discontinued operations (*)	-	6	-	-	-	6
C.7 Other decreases	-	-	-	-	-	-
D. Net closing balance	**23**	**39**	**10**	**2**	**2**	**76**
D.1 Total net adjustments	-	46	41	47	42	176
D.2 Gross closing balance	**23**	**85**	**51**	**49**	**44**	**252**
E. Valuation at cost (**)	12	15	1	-	-	28

(*) The amount refers to the value of a property owned by Intesa Sanpaolo Private Bank (Suisse) Morval that is on sale.
(**) Valuable art assets, classified under furniture, were measured at their fair value. Their value at cost amounts to€1m.

The depreciation rates applied to property and equipment were as follows (% range):
Buildings: 3%
Furniture: 10%
Electronic equipment: 25%
Other: from 10% to 20%

Rights of use acquired under lease: changes in the year

	LAND	OTHER	TOTAL
A. Gross opening balance	**-**	**-**	**-**
A.1 Total net adjustments	-	-	-
A.2 Net opening balance	**-**	**-**	**-**
B. Increases	**372**	**1**	**373**
B.1 Purchases	26	-	26
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	-	-	-
B.6 Transfers from investment property	-	X	-
B.7 Other increases (*)	346	1	347
C. Decreases	**69**	**-**	**69**
C.1 Sales	3	-	3
C.2 Amortisation	43	-	43
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	-
b) non-current assets held for sale and discontinued operations	-	-	-
C.7 Other decreases	23	-	23
D. Net closing balance	**303**	**1**	**304**
D.1 Total net adjustments	43	-	43
D.2 Gross closing balance	**346**	**1**	**347**
E. Valuation at cost	-	-	-

(*) The other increases include €267m for the effect of first-time adoption of IFRS 16 beginning from 1 January 2019.

SECTION 10 - INTANGIBLE ASSETS - ITEM 100

10.1 Intangible assets: analysis by type of asset

	31.12.2019		31.12.2018	
	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
A.1 Goodwill	**X**	**140**	**X**	**140**
A.1.1 Group interests	X	140	X	140
A.1.2 Third party interests	X	-	X	-
A.2 Other intangible assets	**94**	**-**	**86**	**-**
A.2.1 Assets valued at cost:	94	-	86	-
a) Internally generated intangible assets	1	-	1	-
b) Other assets (*)	93	-	85	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**94**	**140**	**86**	**140**

(*) The amount includes €30m for the intangible assets recognised after acquisition of the Morval Vonwiller Group in 2018. A comparison of the total cost of the acquisition and the shareholders' equity of the Morval Vonwiller 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 book value of €34m (including the tax effect) and is amortised over 15 years on the basis of the useful life of the underlying assets.

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	
A. Gross opening balance	**140**	**2**	**-**	**143**	**-**	**285**
A.1 Total net adjustments	-	(1)	-	(58)	-	(59)
A.2 Net opening balance	**140**	**1**	**-**	**85**	**-**	**226**
B. Increases	**-**	**1**	**-**	**28**	**-**	**29**
B.1 Purchases	-	1	-	28	-	29
B.2 Increases in internally generated intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value recognised in:	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases	**-**	**1**	**-**	**20**	**-**	**21**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	1	-	20	-	21
- Depreciation and amortisation	X	1	-	19	-	20
- Write-downs	-	-	-	1	-	1
+ shareholders' equity	X	-	-	-	-	-
+ income statement	-	-	-	1	-	1
C.3 Decreases in fair value recognised in:	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-	-
D. Net closing balance	**140**	**1**	**-**	**93**	**-**	**234**
D.1 Total net adjustments	-	2	-	78	-	80
E. Gross closing balance	**140**	**1**	**-**	**154**	**-**	**295**
F. Valuation at cost	-	-	-	-	-	-

The software amortisation rate falls in a range between 14.3% and 33%.
The amortisation rate applied to intangible assets with a finite useful life is 6.7%.

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 €130m and consist of €112m for taxes recognised with a balancing entry in the income statement and €18m 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 €64m and include €38m for taxes recognised with a balancing entry in the income statement and €26m 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 and the taxation of positive valuation reserves related to financial assets measured at fair value through other comprehensive income.

11.3 Changes in deferred tax assets (balancing entry in income statement)

	31.12.2019	31.12.2018
1. Opening balance	**125**	**100**
2. Increases	**35**	**50**
2.1 Deferred tax liabilities recognised in the year	35	35
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	35	35
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	15
3. Decreases	**48**	**25**
3.1 Deferred tax liabilities reversed in the year	42	23
a) reversals	24	22
b) write-downs for uncollectibility	4	-
c) changes in accounting policies	-	-
d) other	14	1
3.2 Reduction in tax rates	-	2
3.3 Other decreases	6	-
a) conversion to tax credits in accordance with Italian law No. 214/2011	-	-
b) other	6	-
4. Closing balance	**112**	**125**

11.4 Changes in deferred tax assets pursuant to law 214/2011

	31.12.2019	31.12.2018
1. Opening balance	**17**	**17**
2. Increases	**-**	**-**
3. Decreases	**-**	**-**
3.1 Reversals	-	-
3.2 Conversion to tax credits	-	-
a) from operating losses	-	-
b) from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**17**	**17**

11.5 Changes in deferred tax liabilities (balancing entry in income statement)

	31.12.2019	31.12.2018
1. Opening balance	**48**	**33**
2. Increases	**27**	**42**
2.1 Deferred tax liabilities recognised in the year	27	42
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) other	27	42
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**37**	**27**
3.1 Deferred tax liabilities reversed in the year	15	3
a) reversals	-	2
b) due to changes in accounting policies	-	-
c) other	15	1
3.2 Reductions in tax rates	-	-
3.3 Other decreases	22	24
4. Closing balance	**38**	**48**

11.6 Changes in deferred tax assets (balancing entry in shareholders' equity)

	31.12.2019	31.12.2018
1. Opening balance	**31**	**48**
2. Increases	**3**	**19**
2.1 Deferred tax liabilities recognised in the year	3	19
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) other	3	19
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**16**	**36**
3.1 Deferred tax liabilities reversed in the year	15	34
a) reversals	2	31
b) write-downs for uncollectibility	-	-
c) due to changes in accounting policies	-	-
d) other	13	3
3.2 Reductions in tax rates	1	-
3.3 Other decreases	-	2
4. Closing balance	**18**	**31**

11.7 Changes in deferred tax liabilities (balancing entry in shareholders' equity)

	31.12.2019	31.12.2018
1. Opening balance	**24**	**27**
2. Increases	**13**	**13**
2.1 Deferred tax liabilities recognised in the year	13	-
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) other	13	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
2.4 Business combination transactions	-	13
3. Decreases	**11**	**16**
3.1 Deferred tax liabilities reversed in the year	2	16
a) reversals	1	5
b) due to changes in accounting policies	-	-
c) other	1	11
3.2 Reductions in tax rates	2	-
3.3 Other decreases	7	-
3.4 Business combination transactions	-	-
4. Closing balance	**26**	**24**

11.8 Other information

The Italian companies in the Fideuram Group availed themselves of the "Istituto del Consolidato Fiscale Nazionale" national 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

	31.12.2019	31.12.2018
A. Assets held for sale		
A.1 Financial assets	-	12
A.2 Equity investments	-	-
A.3 Property and equipment	6	-
of which: obtained through execution of received guarantees	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**6**	**12**
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	6	-
B. Terminated operating activities		
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	-	-
Total 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	-	-
C. Liabilities associated with assets held for sale		
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**-**	**-**
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	-	-
D. Liabilities associated with discontinued operations		
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	-	-
Total D	**-**	**-**
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	-	-

The item refers to the value of a property owned by Intesa Sanpaolo Private Bank (Suisse) Morval that is on sale.

SECTION 13 - OTHER ASSETS - ITEM 130

13.1 Other assets: analysis

	31.12.2019	31.12.2018
Prepaid expenses relating to Network incentives (*)	336	268
Due from Personal Financial Advisers (**)	254	231
Due from tax authorities (***)	248	324
Clearing accounts and other receivables	191	164
Other accrued income and prepaid expenses	11	20
Due from Intesa Sanpaolo under Italy's tax consolidation regime	1	12
Other receivables	66	46
Total	**1,107**	**1,065**

(*) The item refers to the prepaid expenses regarding the bonuses for meeting net inflow targets, linked to the duration of contractual relationships with customers.

(**) The item mainly includes 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.

(***) The item includes €206m 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.

LIABILITIES

SECTION 1 - FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - ITEM 10

1.1. Financial liabilities measured at amortised cost - Due to banks: analysis

	31.12.2019				31.12.2018			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Due to Central Banks	**-**	**X**	**X**	**X**	**-**	**X**	**X**	**X**
2. Due to banks	**3,033**	**X**	**X**	**X**	**3,366**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	408	X	X	X	882	X	X	X
2.2 Term deposits	578	X	X	X	359	X	X	X
2.3 Loans	1,944	X	X	X	2,101	X	X	X
2.3.1 Repurchase agreement liabilities (*)	1,944	X	X	X	2,101	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 Debt for leases	22	X	X	X	-	X	X	X
2.6 Other debts	81	X	X	X	24	X	X	X
Total	**3,033**	**-**	**1,212**	**1,821**	**3,366**	**-**	**1,588**	**1,778**

(*) The item mainly includes repurchase agreements with Intesa Sanpaolo and Banca IMI.

Fair Value – Level 3 mainly includes repurchase agreements maturing in more than one year.

1.2 Financial liabilities measured at amortised cost - Due to customers: analysis

	31.12.2019				31.12.2018			
	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	35,193	X	X	X	30,211	X	X	X
2. Term deposits	3,411	X	X	X	1,794	X	X	X
3. Loans	32	X	X	X	46	X	X	X
3.1 Repurchase agreement liabilities	32	X	X	X	46	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	8	X	X	X
5. Debt for leases	280	X	X	X	-	X	X	X
6. Other debts	100	X	X	X	71	X	X	X
Total	**39,024**	**-**	**36,412**	**2,612**	**32,130**	**-**	**30,875**	**1,255**

Debts for repurchase commitments of own equity instruments refer to sold put options having as their underlying minority shares in a fully consolidated shareholding.

Fair Value - Level 3 mainly includes term deposits maturing in more than one year.

1.6 Debts for leases

Analysis of debts for leases by remaining contractual term

	NOT LATER THAN ONE YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	31.12.2019
Debts to banks for leases	6	15	1	22
Debts to customers for leases	36	127	117	280

The cash outflows during the year to cover debts for leases totalled €39m.

SECTION 2 - FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 20

2.1 Financial liabilities held for trading: analysis

	31.12.2019					31.12.2018				
	NOMINAL VALUE	FAIR VALUE			FV*	NOMINAL VALUE	FAIR VALUE			FV*
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
A. Cash Liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1. Financial derivatives	-	-	33	-	-	-	-	28	-	-
1.1 Held for trading	X	-	33	-	X	X	-	28	-	X
1.2 Connected with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Connected with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**33**	**-**	**X**	**X**	**-**	**28**	**-**	**X**
Total (A+B)	**X**	**-**	**33**	**-**	**X**	**X**	**-**	**28**	**-**	**X**

FV*: fair value calculated excluding any changes in value due to changes in the credit rating of the issuer with respect to the issue date.

SECTION 4 - HEDGING DERIVATIVES - ITEM 40

4.1 Hedging derivatives: analysis by type of hedge and level

	31.12.2019				31.12.2018			
	FAIR VALUE			NOMINAL VALUE	FAIR VALUE			NOMINAL VALUE
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
A. Financial derivatives	**-**	**930**	**-**	**4,429**	**-**	**808**	**-**	**5,155**
1) Fair value	-	930	-	4,429	-	808	-	5,155
2) Financial flows	-	-	-	-	-	-	-	-
3) Investments outside Italy	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Financial flows	-	-	-	-	-	-	-	-
Total	**-**	**930**	**-**	**4,429**	**-**	**808**	**-**	**5,155**

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 DERIVATIVES AND INTEREST RATES	EQUITY DERIVATIVES AND INDEX DERIVATIVES	CURRENCIES AND GOLD	LENDING	COMMODITIES	OTHER				
1. Financial assets measured at fair value through other comprehensive income	37	-	17	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	864	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	12	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**901**	**-**	**17**	**-**	**-**	**-**	**12**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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

	31.12.2019	31.12.2018
Due to Personal Financial Advisers	482	411
Due to Intesa Sanpaolo under Italy's tax consolidation regime	205	166
Due to suppliers	138	65
Clearing accounts and other payables	93	147
Due under past Loyalty Schemes	79	77
Amounts to be collected by customers	70	59
Due to tax authorities	40	51
Due to pension and social security institutions	20	15
Payroll and social security payables	18	18
Other debts	22	22
Total	**1,167**	**1,031**

SECTION 9 - PROVISION FOR EMPLOYMENT TERMINATION INDEMNITIES - ITEM 90

9.1 Provision for employment termination indemnities: changes in the year

	31.12.2019	31.12.2018
A. Opening balance	**48**	**53**
B. Increases	**4**	**2**
B.1 Provisions for the year	1	1
B.2 Other increases	3	1
C. Decreases	**4**	**7**
C.1 Indemnities paid	4	6
C.2 Other decreases	-	1
D. Closing balance	**48**	**48**

The main actuarial criteria and reference rates used to determine the provision for employment termination indemnities were as follows:
- Discount rate: 0.45%
- Anticipated rate of increase in remuneration: 2.27%
- Annual inflation rate: 1.5%

SECTION 10 - PROVISIONS FOR RISKS AND CHARGES - ITEM 100

10.1 Provisions for risks and charges: analysis

	31.12.2019	31.12.2018
1. Provisions for credit risk associated with commitments and financial guarantees issued	1	1
2. Provisions for other commitments and guarantees issued	-	-
3. Company pension funds	23	14
4. Other provisions for risks and charges	454	453
4.1 Lawsuits and tax disputes	79	88
4.2 Personnel expenses	83	89
4.3 Other	292	276
Total	**478**	**468**

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
A. Opening balance	**-**	**14**	**453**	**467**
B. Increases	**-**	**12**	**101**	**113**
B.1 Provisions for the year	-	3	98	101
B.2 Changes due to the passage of time	-	-	-	-
B.3 Changes due to fluctuations in the discount rate	-	-	-	-
B.4 Other increases	-	9	3	12
C. Decreases	**-**	**3**	**100**	**103**
C.1 Utilisation in the year	-	3	65	68
C.2 Changes due to fluctuations in the discount rate	-	-	-	-
C.3 Other decreases	-	-	35	35
D. Closing balance	**-**	**23**	**454**	**477**

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	-	-	-	-
Total	**-**	**1**	**-**	**1**

10.5 Defined-benefit company pension funds

The actuarial values required by IAS 19 - Employee benefits for the defined-benefit complementary social security funds were calculated by an independent actuary using the projected unit credit method. The item balance of €23m is for the Intesa Sanpaolo Private Bank (Suisse) Morval and Intesa Sanpaolo Private Banking funds. Both 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 disputes: these provisions include €79m in accruals for lawsuits against the company, tax disputes, clawback actions, and provisions for defaulted corporate bonds.
- Personnel expenses: this includes the variable component of the remuneration of employees and the provisions set aside to pay seniority bonuses. This item also includes €25m in costs for exit incentives in the Group, connected with the restructuring and integration of the former Venetian Banks (Banca Popolare di Vicenza and Veneto Banca) in the Intesa Sanpaolo Group. As part of that transaction, 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.
- Provision for the termination of Personal Financial Adviser agency agreements: this provision comprises the estimated amount of costs for the contractual indemnities to be paid to Group Personal Financial Advisers. The total amount of the provision was determined using actuarial valuations that take the indemnities actually accrued into account, together with the composition of the Network and the indemnities paid. The Italian government bond curve was used to calculate the discounted value of the liabilities.
- Network Loyalty Schemes: this provision, calculated on the basis of actuarial methods, comprises the estimate of costs connected with the Retention Plans of the Group Personal Financial Advisers. The Italian Government Bond Curve was used to calculate the discounted value of the liabilities.

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	TOTAL
A. Opening balance	**88**	**89**	**232**	**40**	**4**	**453**
B. Increases	**17**	**45**	**16**	**22**	**1**	**101**
B.1 Provisions for the year	17	43	16	22	-	98
B.2 Changes due to the passage of time	-	-	-	-	-	-
B.3 Changes due to fluctuations in the discount rate	-	-	-	-	-	-
B.4 Other increases	-	2	-	-	1	3
of which business combination transactions						-
C. Decreases	**26**	**51**	**13**	**7**	**3**	**100**
C.1 Utilisation in the year	9	43	12	1	-	65
C.2 Changes due to fluctuations in the discount rate	-	-	-	-	-	-
C.3 Other decreases	17	8	1	6	3	35
D. Closing balance	**79**	**83**	**235**	**55**	**2**	**454**

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 2019, 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 2019.

13.2 Share capital - Number of shares held by parent company: changes in the year

	ORDINARY	OTHER
A. Shares at beginning of financial year	**1,500,000,000**	**-**
- full paid-up	1,500,000,000	-
- partially paid-up	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	**1,500,000,000**	**-**
B. Increases	**-**	**-**
B.1. New issues	-	-
- Cash issues:	-	-
- business combination transactions	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- Other	-	-
- Free issues:	-	-
- for employees	-	-
- for directors	-	-
- Other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other increases	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Company sale transactions	-	-
C.4 Other decreases	-	-
D. Outstanding shares: closing balance	**1,500,000,000**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares at end of financial year	1,500,000,000	-
- full paid-up	1,500,000,000	-
- partially paid-up	-	-

13.6 Other information

The reserves totalled €1,515m 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 comprise Fideuram's remaining reserves and Group changes in the shareholders' equity of the companies included in the consolidation.

The Group valuation reserves total a positive €33m, and include:

- the valuation reserve of financial assets measured at fair value through other comprehensive income totalled a positive €20m;
- the revaluation reserve related to recalculation of the value of property used in operations totalled a positive €14m;
- the valuation reserve for cash flow hedges, which was positive at €3m;
- the foreign exchange difference valuation reserve, which was positive at €5m;
- the valuation reserve for actuarial gains and losses on defined benefit plans, which was negative at €21m;
- the reserves stemming from special revaluation laws totalled a positive €6m;
- the portion of valuation reserves related to investments consolidated at equity totalled a positive €6m.

OTHER INFORMATION

1. Commitments and financial guarantees issued

	NOMINAL VALUE OF COMMITMENTS AND FINANCIAL GUARANTEES ISSUED			31.12.2019	31.12.2018
	FIRST STAGE	SECOND STAGE	THIRD STAGE		
1. Commitments to grant finance	**3,061**	**572**	**2**	**3,635**	**3,224**
a) Central Banks	-	-	-	-	-
b) Public entities	-	-	-	-	-
c) Banks	66	-	-	66	-
d) Other Financial Institutions	37	49	-	86	57
e) Non-financial companies	353	388	-	741	671
f) Households	2,605	135	2	2,742	2,496
2. Financial guarantees issued	**242**	**64**	**-**	**306**	**265**
a) Central Banks	-	-	-	-	-
b) Public entities	-	-	-	-	-
c) Banks	35	-	-	35	1
d) Other Financial Institutions	1	11	-	12	10
e) Non-financial companies	44	45	-	89	83
f) Households	162	8	-	170	171

2. Other commitments and guarantees issued

	NOMINAL VALUE	
	31.12.2019	31.12.2018
1. Other guarantees issued	**-**	**-**
of which: non-performing credit exposures	-	-
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other Financial Institutions	-	-
e) Non-financial companies	-	-
f) Households	-	
2. Other commitments	**371**	**372**
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	8	9

3. Assets pledged as security for own liabilities and commitments

	31.12.2019	31.12.2018
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	552	1,279
3. Financial assets measured at amortised cost	4,095	5,182
4. Property and equipment	-	-
of which: property and equipment constituting inventory	-	-

5. Administration and trading on behalf of third parties

	31.12.2019
1. Execution of customer instructions	**1,498**
a) purchases	785
1. settled	785
2. not settled	-
b) sales	713
1. settled	713
2. not settled	-
2. Portfolio management	**94,806**
a) individual	49,477
b) collective	45,329
3. Custody and administration of securities	
a) third-party securities held on deposit: connected with activities as depositary bank (excluding portfolio management)	46,111
1. securities issued by companies included in the consolidation	-
2. other securities	46,111
b) third-party securities held on deposit (excluding portfolio management): other	33,314
1. securities issued by companies included in the consolidation	-
2. other securities	33,314
c) third-party securities deposited with third parties	37,381
d) portfolio securities deposited with third parties	17,059
4. Other transactions	**27,764**

6. Financial assets subject to offsetting, master netting arrangements or similar agreements

	GROSS FINANCIAL ASSETS	FINANCIAL LIABILITIES SET OFF IN THE FINANCIAL STATEMENTS	NET FINANCIAL ASSETS RECOGNISED IN THE FINANCIAL STATEMENTS	RELATED AMOUNTS NOT SET OFF IN THE FINANCIAL STATEMENTS		NET AMOUNT AT 31.12.2019	NET AMOUNT AT 31.12.2018
				FINANCIAL INSTRUMENTS	CASH DEPOSITS HELD AS COLLATERAL		
1. Derivatives	49	-	49	12	28	9	18
2. Repurchase agreement	714	-	714	700	14	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
TOTAL 31.12.2019	**763**	**-**	**763**	**712**	**42**	**9**	**X**
TOTAL 31.12.2018	**745**	**-**	**745**	**727**	**-**	**X**	**18**

1. BUSINESS MODEL
2. STRATEGIES
3. MARKET CONTEXT
4. PERFORMANCE
5. GOVERNANCE
6. FINANCIAL STATEMENTS

7. Financial liabilities subject to offsetting, master netting arrangements or similar agreements

	GROSS FINANCIAL LIABILITIES	FINANCIAL ASSETS SET OFF IN THE FINANCIAL STATEMENTS	NET FINANCIAL LIABILITIES SET OFF IN THE FINANCIAL STATEMENTS	RELATED AMOUNTS NOT SET OFF IN THE FINANCIAL STATEMENTS		NET AMOUNT AT 31.12.2019	NET AMOUNT AT 31.12.2018
				FINANCIAL INSTRUMENTS	CASH DEPOSITS PLEDGED AS COLLATERAL		
1. Derivatives	933	-	933	121	810	2	(2)
2. Repurchase agreement	527	-	527	527	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other transactions	-	-	-	-	-	-	-
TOTAL 31.12.2019	**1,460**	**-**	**1,460**	**648**	**810**	**2**	**X**
TOTAL 31.12.2018	**1,469**	**-**	**1,469**	**783**	**688**	**X**	**(2)**

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 banks and 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.

8. Securities lending transactions

An optional bank service for securities lending transactions is offered mainly by Intesa Sanpaolo Private Banking and Fideuram Bank Luxembourg to their customers (individuals, legal entities and commercial entities). The agreement entails the transfer of ownership of a certain quantity of securities of a given kind with the obligation to return them, in exchange for a consideration as remuneration for use of those securities.

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	2019	2018
1. Financial assets measured at fair value through profit or loss	1	-	-	1	-
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	1	-	-	1	-
2. Financial assets measured at fair value through other comprehensive income	35	-	X	35	39
3. Financial assets measured at amortised cost	193	118	-	311	289
3.1 Loans and advances to banks	115	33	X	148	129
3.2 Loans and advances to customers	78	85	X	163	160
4. Hedging derivatives	X	X	(95)	(95)	(94)
5. Other assets	X	X	1	1	1
6. Financial liabilities	X	X	X	6	7
Total	**229**	**118**	**(94)**	**259**	**242**
of which: interest income on impaired financial assets	-	1	-	1	1
of which: interest income on finance leases	-	-	-	-	-

1.2 Interest income and similar income: other information

1.2.1 Interest income on financial assets denominated in foreign currencies

	2019	2018
On financial assets denominated in foreign currencies	25	25

1.3 Interest expense and similar expense: analysis

	DEBTS	SECURITIES	OTHER TRANSACTIONS	2019	2018
1. Financial liabilities measured at amortised cost	54	-	-	54	51
1.1 Due to Central Banks	-	X	X	-	-
1.2 Due to banks	16	X	X	16	18
1.3 Due to customers	38	X	X	38	33
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
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	27	31
Total	**54**	**-**	**-**	**81**	**83**
of which: interest expense on debts for leases	4	-	-	4	-

1.4 Interest expense and similar expense: other information

1.4.1 Interest expenses on liabilities denominated in foreign currencies

	2019	2018
On liabilities denominated in foreign currencies	15	15

1.5 Hedging gains and losses

	2019	2018
A. Hedging gains	23	19
B. Hedging losses	118	113
C. Net gains / losses (A-B)	**(95)**	**(94)**

SECTION 2 - FEE AND COMMISSION INCOME AND EXPENSE - ITEMS 40 AND 50

2.1 Fee and commission income: analysis

	2019	2018
a) Guarantees given	**1**	**1**
b) Credit derivatives	**-**	**-**
c) Management, brokerage and advisory services:	**2,481**	**2,407**
1. Trading in financial instrument	12	5
2. Currency trading	3	2
3. Portfolio management:	1,040	1,008
3.1 Individual	435	413
3.2 Collective	605	595
4. Custody and administration of securities	26	24
5. Depository bank	22	22
6. Placement of securities	120	95
7. Receipt and transmission of instructions	38	31
8. Advisory services	115	125
8.1 Regarding investments	115	125
8.2 Regarding investment structure	-	-
9. Supply of third-party services	1,105	1,095
9.1 Portfolio management	509	511
9.1.1 Individual	65	72
9.1.2 Collective	444	439
9.2 Insurance products	593	578
9.3 Other products	3	6
d) Collection and payment services	**7**	**7**
e) Securitization services	**-**	**-**
f) Factoring services	**-**	**-**
g) Tax collection services	**-**	**-**
h) Management of multilateral trading systems	**-**	**-**
i) Processing and management of current accounts	**8**	**6**
j) Other services	**22**	**21**
k) Securities lending transactions	**14**	**15**
Total	**2,533**	**2,457**

2.2 Fee and commission expense: analysis

	2019	2018
a) Guarantees received	**9**	**9**
b) Credit derivatives	**-**	**-**
c) Management and brokerage services:	**745**	**728**
1. Trading in financial instrument	3	1
2. Currency trading	-	-
3. Portfolio management:	49	51
3.1 Owned	9	11
3.2 On behalf of third parties	40	40
4. Custody and administration of securities	12	14
5. Placement of financial instruments	-	-
6. Sales of financial products, products and services through non-branch channels	681	662
d) Collection and payment services	**11**	**10**
e) Other services	**10**	**5**
f) Securities lending transactions	**11**	**11**
Total	**786**	**763**

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
1. Financial assets held for trading	**-**	**1**	**-**	**-**	**1**
1.1 Debt securities	-	1	-	-	1
1.2 Equities	-	-	-	-	-
1.3 Units in mutual funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
Other financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**4**
3. Derivatives	**-**	**-**	**-**	**-**	**8**
3.1 Financial derivatives:	-	-	-	-	8
- Debt derivatives and interest rate derivatives	-	-	-	-	-
- Equity derivatives and index derivatives	-	-	-	-	-
- Currencies and gold	X	X	X	X	8
- Other	-	-	-	-	-
3.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected with fair value option	X	X	X	X	-
Total	**-**	**1**	**-**	**-**	**13**

SECTION 6 - NET PROFIT (LOSS) ON SALES/REPURCHASES - ITEM 100

6.1 Net profit (loss) on sales/repurchases: analysis

	2019			2018		
	PROFITS	LOSSES	NET PROFITS OR LOSSES	PROFITS	LOSSES	NET PROFITS OR LOSSES
Financial assets						
1. Financial assets measured at amortised cost	-	-	-	11	-	11
1.1 Loans and advances to banks	-	-	-	11	-	11
1.2 Loans and advances to customers	-	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	26	(2)	24	17	(4)	13
2.1 Debt securities	26	(2)	24	17	(4)	13
2.2 Loans	-	-	-	-	-	-
Total assets	**26**	**(2)**	**24**	**28**	**(4)**	**24**
Financial liabilities measured at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt on issue	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

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
1. Financial assets	**27**	**-**	**-**	**-**	**27**
1.1 Debt securities (*)	25	-	-	-	25
1.2 Equities	1	-	-	-	1
1.3 Units in mutual funds	1	-	-	-	1
1.4 Loans	-	-	-	-	-
2. Financial assets: exchange rate differences	**X**	**X**	**X**	**X**	**-**
Total	**27**	**-**	**-**	**-**	**27**

(*) The gains 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		2019	2018
	FIRST AND SECOND STAGE	THIRD STAGE		FIRST AND SECOND STAGE	THIRD STAGE		
		WRITE-OFF	OTHER				
A. Loans and advances to banks	**(7)**	**-**	**-**	**5**	**-**	**(2)**	**-**
- Loans	(6)	-	-	4	-	(2)	1
- Debt securities	(1)	-	-	1	-	-	(1)
of which: purchased or originated impaired loans	-	-	-	-	-	-	-
B. Loans and advances to customers	**(8)**	**-**	**(5)**	**5**	**4**	**(4)**	**4**
- Loans	(4)	-	(5)	5	4	-	4
- Debt securities	(4)	-	-	-	-	(4)	-
of which: purchased or originated impaired loans	-	-	-	-	-	-	-
Total	**(15)**	**-**	**(5)**	**10**	**4**	**(6)**	**4**

8.2 Net impairment for credit risk related to financial assets measured at fair value through other comprehensive income: analysis

	WRITE-DOWNS			WRITE-BACKS		2019	2018
	FIRST AND SECOND STAGE	THIRD STAGE		FIRST AND SECOND STAGE	THIRD STAGE		
		WRITE-OFF	OTHER				
A. Debt securities	(1)	-	-	1	-	-	1
B. Loans	-	-	-	-	-	-	-
- Due to customers	-	-	-	-	-	-	-
- Due to banks	-	-	-	-	-	-	-
of which: impaired financial assets that are purchased or originated	-	-	-	-	-	-	-
Total	**(1)**	**-**	**-**	**1**	**-**	**-**	**1**

SECTION 12 - ADMINISTRATIVE EXPENSES - ITEM 190

12.1 Personnel expenses: analysis

	2019	2018
1) Employees	**358**	**358**
a) Wages and salaries	245	242
b) Social security contributions	61	60
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:	19	18
- defined contribution	16	16
- defined benefit	3	2
h) Costs arising from payment agreement based on own equity instruments	-	-
i) Other employee benefits	30	35
2) Other staff	**2**	**1**
3) Directors and auditors	**3**	**3**
4) Retired staff	**-**	**-**
Total	**363**	**362**

12.2 Average number of employees by category

	2019	2018
Employees:	**3,121**	**3,176**
a) Directors	93	96
b) Executive Management	1,926	1,975
c) Other employees	1,102	1,105
Other staff	**23**	**24**

12.4 Other employee benefits

These mainly comprised the variable component of the remuneration of employees (including the Sales Network of subsidiary Intesa Sanpaolo Private Banking), the provisions accrued for seniority bonuses, the company contributions to the Health Fund, and the cafeteria contributions.

12.5 Other administrative expenses: analysis

	2019	2018
IT costs	**25**	**23**
Maintenance costs for IT services and electronic equipment	20	17
Telephone, broadcasting and data transmission costs	5	6
Property management costs	**16**	**56**
Property rent and building charges	4	44
Security	1	1
Cleaning	3	3
Building maintenance	2	2
Power	4	4
Miscellaneous building costs	2	2
General operating expenses	**23**	**24**
Printed material, stationery, consumables and publications	2	3
Transport and other related services (including counting of valuables)	4	4
Search and information services	13	12
Postage and telegraphic expenses	4	5
Professional and insurance costs	**19**	**23**
Professional advice	8	8
Legal advice and court fees	6	9
Bank and customer insurance premiums	5	6
Promotional and advertising expenses	**7**	**10**
Services by third parties	**107**	**105**
Costs related to banking system	**24**	**20**
Indirect personnel expenses	**6**	**7**
Other expenses	**6**	**6**
Indirect taxes	**252**	**237**
Recovery of sundry expenses	**-**	**-**
Total other administrative expenses	**485**	**511**

SECTION 13 - NET PROVISIONS FOR RISKS AND CHARGES - ITEM 200

13.3 Net provisions to other provisions for risks and charges: analysis

	2019		
	PROVISIONS	REALLOCATIONS	TOTAL
Termination of Personal Financial Adviser agency agreements	(16)	1	(15)
Lawsuits and tax disputes	(17)	17	-
Costs relating to the Personal Financial Adviser Networks' Loyalty Schemes	(22)	3	(19)
Other	-	2	2
Total	**(55)**	**23**	**(32)**

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 PROFIT (LOSS)
A. Property and equipment				
1. Functional property and equipment	(48)	-	-	(48)
- Owned	(5)	-	-	(5)
- Rights of use acquired under lease	(43)	-	-	(43)
2. Investment property and equipment	-	-	-	-
- Owned	-	-	-	-
- Rights of use acquired under lease	-	-	-	-
3. Inventories	X	-	-	-
Total	**(48)**	**-**	**-**	**(48)**

SECTION 15 - AMORTISATION OF INTANGIBLE ASSETS - ITEM 220

15.1 Amortisation of intangible assets: analysis

	AMORTISATION	NET ADJUSTMENTS FOR IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFIT (LOSS)
A. Intangible assets				
A.1 Owned	(20)	(1)	-	(21)
- Generated internally	(1)	-	-	(1)
- Other	(19)	(1)	-	(20)
A.2 Rights of use acquired under lease	-	-	-	-
Total	**(20)**	**(1)**	**-**	**(21)**

SECTION 16 - OTHER INCOME (EXPENSE) - ITEM 230

16.1 Other expense: analysis

Depreciation of leasehold improvements	3
Personal Financial Advisers - related expenses	1
Settlement of litigation	1
Other	5
Total 2019	**10**
Total 2018	**7**

16.2 Other income: analysis

Recovery of indirect taxes	246
Income on leases	2
Other income	4
Total 2019	**252**
Total 2018	**247**

SECTION 17 - PROFIT (LOSS) ON EQUITY INVESTMENTS - ITEM 250

17.1 Profit (loss) on equity investments: analysis

	2019	2018
1) Jointly-controlled entities		
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	-	-
Net profit (loss)	**-**	**-**
2) Entities subject to significant influence		
A. Income	11	10
1. Revaluations	11	10
2. Profit on sales	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expenses	3	1
1. Write-downs	3	1
2. Impairment	-	-
3. Losses from sales	-	-
4. Other	-	-
Net profit (loss)	**8**	**9**
Total	**8**	**9**

(*) The items "Revaluations" and "Write-downs" consist of the income and expenses, respectively, that derive from the equity investments carried at equity.

SECTION 21 - INCOME TAXES - ITEM 300

21.1 Income taxes: analysis

		2019	2018
1.	Current taxes (-)	(368)	(334)
2.	Changes to current taxes for prior years (+/-)	4	(23)
3.	Reduction in current taxes (+)	4	6
3.bis	Reduction in current taxes due to tax credit pursuant to Italian Law No. 214/2011 (+)	-	-
4.	Change in deferred tax assets (+/-)	(7)	10
5.	Change in deferred tax liabilities (+/-)	(12)	(39)
6.	**Taxes for the year (-)**	**(379)**	**(380)**

21.2 Reconciliation of theoretical tax burden and actual financial statement tax burden

	2019
Taxable income	**1,284**
Standard tax rate applicable	33%
Theoretical tax burden	424
Tax impact with respect to:	
Different tax rates applying to foreign subsidiaries	(52)
IRAP regional business tax and minor effects	7
Actual tax burden	**379**

SECTION 23 - NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS - ITEM 340

23.1 Detail of item 340 "Profit (loss) for the year of non-controlling interests"

	2019	2018
Equity investments in consolidated companies with significant non-controlling interests		
Intesa Sanpaolo Private Bank (Suisse) Morval	1	-
Other equity investments	-	-
Total	**1**	**-**

SECTION 24 - OTHER INFORMATION

The Fideuram Group received no public subsidies to be reported pursuant to Article 35 of Decree Law no. 34/2019 ('growth decree'), converted by Law no. 58/2019, which imposes transparency obligations on information about grants, subsidies, benefits, contributions or aid in cash or in kind, "that are not general and are not in the form of consideration, remuneration or compensation", effectively paid out by the public administrations and by the parties envisaged in Article 2-bis of Legislative Decree no. 33/2013.

SECTION 25 - EARNINGS PER SHARE

25.1 Average number of diluted capital ordinary shares

	2019		2018	
	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)	906	-	834	-
Basic earnings per share (€)	0.604	-	0.556	-
Diluted earnings per share (€)	0.604	-	0.556	-

PART D - TOTAL COMPREHENSIVE INCOME

COMPONENTS OF TOTAL COMPREHENSIVE INCOME

		2019	2018
10.	**Net profit (Loss) for the year**	**905**	**834**
	Other comprehensive income not transferred to the income statement:	**(13)**	**(1)**
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):	-	-
	a) 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	-	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	(13)	(1)
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	-	-
	Other comprehensive income that may be transferred to the income statement	**58**	**(61)**
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:	(1)	5
	a) changes in value	-	-
	b) transfers to income statement	-	-
	c) other changes	(1)	5
130.	Cash flow hedges:	4	4
	a) changes in fair value	-	-
	b) transfers to income statement	-	-
	c) other changes	4	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:	63	(141)
	a) changes in fair value	53	(80)
	b) transfers to income statement	16	(14)
	- adjustments for credit risk	-	-
	- income/losses on disposal	16	(14)
	c) other changes	(6)	(47)
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	(7)
	a) changes in fair value	7	(5)
	b) transfers to income statement	-	(1)
	- adjustments for impairment losses	-	-
	- income/losses on disposal	-	(1)
	c) other changes	-	(1)
180.	Income tax on comprehensive income transferred to the income statement	(15)	78
190.	**Total other comprehensive income**	**45**	**(62)**
200.	**Total comprehensive income (Item 10+190)**	**950**	**772**
210.	**Total comprehensive income attributable to non-controlling interests**	**(1)**	**-**
220.	**Total comprehensive income attributable to parent company**	**951**	**772**

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);
- the 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.

Reform of benchmarks on hedging derivatives
European benchmark rates are currently undergoing a profound reform, arising largely from introduction of the European Union Benchmarks Regulation (Regulation (EU) No. 2016/1011), published in 2016 and in force since January 2018. Prescribing precise rules for the contributors, users and administrators of benchmarks, this regulation has also mandate that they be measured on the basis, as much as possible, of the effective transactions completed on the reference markets, in accordance with the provisions of the Financial Stability Board, in light of the key role played by benchmark rates for the proper functioning of the global financial system.

In the specific case of the short-term benchmark interest rates declared to be critical by European authorities, reforms have become necessary for:

- Euribor: revision by the EMMI (European Money Markets Institute) of the fixing reporting methodology during 2019, using – when present – the transactions completed on the money market that are unsecured up to 12 months by the contributor banks, in full continuation of measurement of the reference market, the reporting and the use of the fixing.
- Eonia: beginning in October 2019, reporting of fixing by calculating it on the basis of the new risk free rate published by the European Central Bank (€STR rate), on the basis of the overnight transactions completed by major European banks and reported in compliance with the rules imposed by Money Market Statistical Reporting (EU 2014/1333). The Eonia fixing will be published until the end of 2021 and then definitively substituted by €STR.

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 O PAY	NON-PERFORMING PAST DUE EXPOSURES	PERFORMING PAST DUE EXPOSURES	PERFORMING EXPOSURES	TOTAL
1. Financial assets measured at amortised cost	1	19	15	99	41,668	41,802
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	3,189	3,189
3. Financial assets measured at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	292	292
5. Financial assets held for sale	-	-	-	-	-	-
Total 31.12.2019	**1**	**19**	**15**	**99**	**45,149**	**45,283**
Total 31.12.2018	**2**	**7**	**3**	**79**	**38,585**	**38,676**

1. BUSINESS MODEL
2. STRATEGIES
3. MARKET CONTEXT
4. PERFORMANCE
5. GOVERNANCE
6. FINANCIAL STATEMENTS

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	50	(15)	35	-	41,802	(35)	41,767	41,802
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	3,190	(1)	3,189	3,189
3. Financial assets measured at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	292	292
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 31.12.2019	**50**	**(15)**	**35**	**-**	**44,992**	**(36)**	**45,248**	**45,283**
Total 31.12.2018	**26**	**(14)**	**12**	**-**	**38,445**	**(32)**	**38,664**	**38,676**

ASSET CLASS/QUALITY	ASSETS WITH CLEARLY LOW CREDIT QUALITY		OTHER ASSETS
	ACCRUED LOSSES	NET EXPOSURE	NET EXPOSURE
1. Financial assets held for trading	-	-	36
2. Hedging derivatives	-	-	20
Total 31.12.2019	**-**	**-**	**56**
Total 31.12.2018	**-**	**-**	**27**

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 LIABILITES	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)
Mutual Fund	Other financial assets mandatorily measured at fair value	12		-	12	12	-

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 by agreeing a current account overdraft facility and are linked directly to the bank's private banking business. Lines of credit granted 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.

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.

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.

2.2 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.

The impairment of performing loans and past due loans is determined based on 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, resulting from the product of PD, EAD and LGD. 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).

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, except 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 are 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" (Portale Garanzie Attive – PGA) 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.

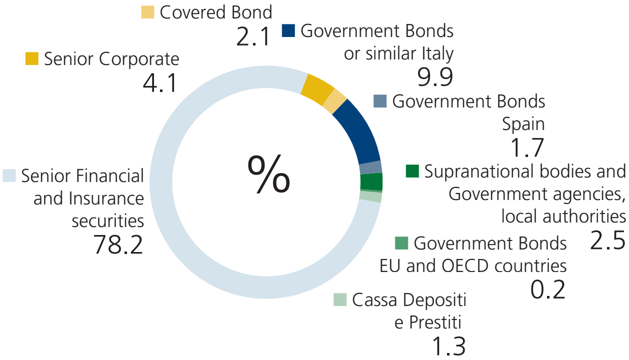
With the implementation of the "Collateral Assets Portal", the guarantees are subjected to punctual and period control through a specific application, in which a series of tests have been implemented to determine effective satisfaction of the requirements imposed by supervisory regulations.

The 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 2019, the Group portfolio was broken down as follows by product type and rating.

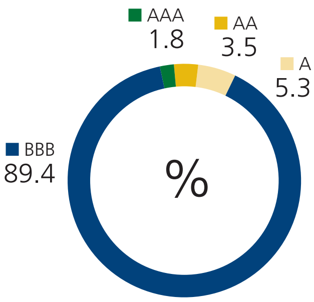
Analysis by product type

31.12.2019



Analysis by rating

31.12.2019



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 (0.01% of loans to customers). Loss forecasts are formulated analytically for each individual loan based on 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 IFRS 9, 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 IFRS 9, 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 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)

	31.12.2019		31.12.2018		CHANGE
	NET EXPOSURE	%	NET EXPOSURE	%	NET EXPOSURE
Doubtful loans	1	-	2	-	(1)
Unlikely to pay	19	-	7	-	12
Past due loans or overdue loans	15	-	3	-	12
Non-performing assets	**35**	**-**	**12**	**-**	**23**
Performing loans	9,294	79	9,519	79	(225)
Debt instruments	2,509	21	2,535	21	(26)
Loans and advances to customers	**11,838**	**100**	**12,066**	**100**	**(228)**

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 Non-performing and performing credit exposures: amounts, adjustments, changes, and financial distribution

A.1.1 Prudential consolidation - Analysis of financial assets by past-due bands (book value)

PORTFOLIOS/ RISK STAGES	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	52	12	2	24	8	1	2	-	33
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-
Total 31.12.2019	**52**	**12**	**2**	**24**	**8**	**1**	**2**	**-**	**33**
Total 31.12.2018	**31**	**21**	**11**	**6**	**4**	**6**	**1**	**-**	**11**

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	FINANCIAL ASSETS HELD FOR SALE	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	FINANCIAL ASSETS HELD FOR SALE	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS
Opening balance	**14**	**1**	**-**	**15**	**-**	**17**	**-**	**-**	**17**	**-**
Increases in purchased or originated financial assets	5	-	-	5	-	7	-	-	7	-
Cancellations other than write-offs	(5)	-	-	(5)	-	(1)	-	-	(1)	-
Net impairment for credit risk	-	-	-	-	-	(1)	-	-	(1)	-
Contractual changes without cancellation	-	-	-	-	-	-	-	-	-	-
Changes in estimation method	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in income statement	-	-	-	-	-	-	-	-	-	-
Other changes	2	-	-	2	-	(3)	-	-	(3)	-
Closing balance	**16**	**1**		**17**	**-**	**19**	**-**		**19**	**-**
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)

PORTFOLIOS/RISK STAGES	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	579	620	51	2	11	6
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Commitments to grant funds and financial guarantees issued	143	236	9	5	1	1
Total 31.12.2019	**722**	**856**	**60**	**7**	**12**	**7**
Total 31.12.2018	**3,690**	**4,554**	**13**	**7**	**6**	**7**

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	FINANCIAL ASSETS HELD FOR SALE	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS		FIRST STAGE	SECOND STAGE	THIRD STAGE	
14	**-**	**-**	**14**	**-**	**-**	**(1)**	**1**	**-**	**46**
-	-	-	-	-	-	-	-	-	12
-	-	-	-	-	-	-	-	-	(6)
1	-	-	1	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1	-	-	-
15	**-**		**15**	**-**	**-**	**-**	**1**	**-**	**52**
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-

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	31,133	(14)	31,119	-
- of which: forborne exposures	X	-	-	-	-
Total A	**-**	**31,133**	**(14)**	**31,119**	**-**
B. Off-balance-sheet exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	400	-	400	-
Total B	**-**	**400**	**-**	**400**	**-**
Total (A+B)	**-**	**31,533**	**(14)**	**31,519**	**-**

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	TYPE OF EXPOSURE/VALUE		TOTAL NET ADJUSTMENTS AND TOTAL PROVISIONS	NET EXPOSURE	TOTAL PARTIAL WRITE-OFFS
	NON-PERFORMING	PERFORMING			
A. Cash exposure					
a) Doubtful loans	9	X	(8)	1	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to pay	24	X	(5)	19	-
- of which: forborne exposures	4	X	(2)	2	-
c) Non-performing past due exposures	17	X	(2)	15	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past due exposures	X	100	(1)	99	-
- of which: forborne exposures	X	-	-	-	-
e) Other performing exposures	X	14,051	(21)	14,030	-
- of which: forborne exposures	X	2	-	2	-
Total A	**50**	**14,151**	**(37)**	**14,164**	**-**
B. Off-balance-sheet exposures					
a) Non-performing	2	X	-	2	-
b) Performing	X	3,840	(1)	3,839	-
Total B	**2**	**3,840**	**(1)**	**3,841**	**-**
Total (A+B)	**52**	**17,991**	**(38)**	**18,005**	**-**

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
A. Gross exposure at beginning of period	**10**	**12**	**4**
- of which: loans disposed of but not written off	-	-	-
B. Increases	**-**	**21**	**32**
B.1 Transfers from performing exposures	-	10	29
B.2 Transfers from impaired financial assets that are purchased or originated	-	-	-
B.3 Transfers from other categories of non-performing exposures	-	10	-
B.4 Contractual changes without cancellation	-	-	-
B.5 Other increases	-	1	3
C. Decreases	**(1)**	**(9)**	**(19)**
C.1 Transfers to performing exposures	-	(3)	(5)
C.2 Write-off	-	-	-
C.3 Collections	(1)	(6)	(4)
C.4 Disposals	-	-	-
C.5 Losses on sales	-	-	-
C.6 Transfers to other categories of non-performing exposures	-	-	(10)
C.7 Contractual changes without cancellation	-	-	-
C.8 Other decreases	-	-	-
D. Gross exposure at end of period	**9**	**24**	**17**
- 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
A. Gross exposure at beginning of period	**4**	**1**
- of which: loans disposed of but not written off	-	-
B. Increases	**-**	**2**
B.1 Transfers from non-forborne performing exposures	-	2
B.2 Transfers from forborne performing exposures	-	X
B.3 Transfers from non-performing forborne exposures	X	-
B.4 Transfers from non-performing exposures	-	-
B.5 Other increases	-	-
C. Decreases	**-**	**(1)**
C.1 Transfers to non-forborne performing exposures	X	(1)
C.1 Transfers to forborne performing 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	-	-
D. Gross exposure at end of period	**4**	**2**
- 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
A. Total adjustments at beginning of period	**8**	**-**	**5**	**2**	**1**	**-**
- of which: loans disposed of but not written off	-	-	-	-	-	-
B. Increases	**1**	**-**	**3**	**-**	**3**	**-**
B.1 Adjustments to impaired financial assets that are purchased or originated	-	X	-	X	-	X
B.2 Other adjustments	1	-	1	-	3	-
B.3 Losses on sales	-	-	-	-	-	-
B.4 Transfers from other categories of non-performing exposures	-	-	2	-	-	-
B.5 Contractual changes without cancellation	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases	**(1)**	**-**	**(3)**	**-**	**(2)**	**-**
C.1 Write-backs from year-end valuations	-	-	(2)	-	-	-
C.2 Write-backs following collections	(1)	-	(1)	-	-	-
C.3 Profit on sales	-	-	-	-	-	-
C.4 Write-off	-	-	-	-	-	-
C.5 Transfers to other categories of non-performing exposures	-	-	-	-	(2)	-
C.6 Contractual changes without cancellation	-	-	-	-	-	-
C.7 Other decreases	-	-	-	-	-	-
D. Total adjustments at end of period	**8**	**-**	**5**	**2**	**2**	**-**
- 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		
A. Financial assets measured at amortised cost	**24**	**2,220**	**30,076**	**-**	**-**	**41**	**9,491**	**41,852**
- First stage	24	409	30,076	-	-	-	7,976	38,485
- Second stage	-	1,811	-	-	-	-	1,506	3,317
- Third stage	-	-	-	-	-	41	9	50
B. Financial assets measured at fair value through other comprehensive income	**391**	**567**	**1,086**	**20**	**-**	**-**	**1,126**	**3,190**
- First stage	391	567	1,075	20	-	-	1,116	3,169
- Second stage	-	-	11	-	-	-	10	21
- Third stage	-	-	-	-	-	-	-	-
C. Financial assets held for sale	-	-	-	-	-	-	-	-
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
TOTAL (A+B+C)	**415**	**2,787**	**31,162**	**20**	**-**	**41**	**10,617**	**45,042**
of which: impaired financial assets that are purchased or originated	-	-	-	-	-	-	-	
D. Commitments to grant funds and financial guarantees issued								
- First stage	-	-	101	-	-	-	3,203	3,304
- Second stage	-	-	-	-	-	-	636	636
- Third stage	-	-	-	-	-	-	2	2
TOTAL (D)	**-**	**-**	**101**	**-**	**-**	**-**	**3,841**	**3,942**
TOTAL (A+B+C+D)	**415**	**2,787**	**31,263**	**20**	**-**	**41**	**14,458**	**48,984**

		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
1. Cash exposure of secured loans	**500**	**500**	**-**	**-**	**500**	**-**
1.1 fully secured	500	500	-	-	500	-
- including impaired	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-
- including impaired	-	-	-	-	-	-
2. Off-balance-sheet exposures of secured loans	**14**	**14**	**-**	**-**	**-**	**11**
2.1 fully secured	-	-	-	-	-	-
- including impaired	-	-	-	-	-	-
2.2 partially secured	14	14	-	-	-	11
- 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
1. Cash exposure of secured loans:	**8,522**	**8,508**	**613**	**-**	**6,762**	**569**
1.1 fully secured	7,862	7,854	612	-	6,661	540
- including impaired	23	21	3	-	18	-
1.2 partially secured	660	654	1	-	101	29
- including impaired	13	7	-	-	7	-
2. Off-balance-sheet exposures of secured loans	**3,151**	**3,151**	**1**	**-**	**2,846**	**274**
2.1 fully secured	3,074	3,074	1	-	2,825	244
- including impaired	2	2	-	-	2	-
2.2 partially secured	77	77	-	-	21	30
- including impaired	-	-	-	-	-	-

PERSONAL GUARANTEES									TOTAL
CREDIT DERIVATIVES					ENDORSEMENT CREDIT				
CREDIT LINKED NOTES	OTHER DERIVATIVES				PUBLIC ENTITIES	BANKS	OTHER FINANCIAL INSTITUTIONS	OTHER PARTIES	
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL INSTITUTIONS	OTHER PARTIES					
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**500**
-	-	-	-	-	-	-	-	-	500
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11**
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	11
-	-	-	-	-	-	-	-	-	-

PERSONAL GUARANTEES									TOTAL
CREDIT DERIVATIVES					ENDORSEMENT CREDIT				
CREDIT LINKED NOTES	OTHER DERIVATIVES				PUBLIC ENTITIES	BANKS	OTHER FINANCIAL INSTITUTIONS	OTHER PARTIES	
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL INSTITUTIONS	OTHER PARTIES					
-	**-**	**-**	**-**	**-**	**-**	**479**	**-**	**36**	**8,459**
-	-	-	-	-	-	9	-	32	7,854
-	-	-	-	-	-	-	-	-	21
-	-	-	-	-	-	470	-	4	605
-	-	-	-	-	-	-	-	-	7
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10**	**3,131**
-	-	-	-	-	-	-	-	4	3,074
-	-	-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	-	6	57
-	-	-	-	-	-	-	-	-	-

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
A. Cash exposure										
A.1 Doubtful loans	-	-	-	(4)	-	-	-	-	1	(4)
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	7	(1)	12	(4)
- of which: forborne exposures	-	-	-	-	-	-	-	-	2	(2)
A.3 Non-performing past due exposures	-	-	-	-	-	-	2	-	13	(2)
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	3,329	(13)	1,737	(1)	495	-	2,489	(5)	6,574	(3)
- of which: forborne exposures	-	-	-	-	-	-	-	-	2	-
Total A	**3,329**	**(13)**	**1,737**	**(5)**	**495**	**-**	**2,498**	**(6)**	**6,600**	**(13)**
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	2	-
B.2 Performing exposures	-	-	98	-	-	-	829	(1)	2,910	-
Total B	**-**	**-**	**98**	**-**	**-**	**-**	**829**	**(1)**	**2,912**	**-**
Total (A+B) 31.12.2019	**3,329**	**(13)**	**1,835**	**(5)**	**495**	**-**	**3,327**	**(7)**	**9,512**	**(13)**
Total (A+B) 31.12.2018	**3,094**	**(10)**	**2,654**	**(4)**	**432**	**-**	**2,843**	**(8)**	**8,769**	**(14)**

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
A. Cash exposure										
A.1 Doubtful loans	1	(8)	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	19	(5)	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	15	(2)	-	-	-	-	-	-	-	-
A.4 Performing exposures	12,317	(22)	1,256	-	534	-	3	-	19	-
Total A	**12,352**	**(37)**	**1,256**	**-**	**534**	**-**	**3**	**-**	**19**	**-**
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	2	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	3,825	(1)	9	-	3	-	-	-	-	-
Total B	**3,827**	**(1)**	**9**	**-**	**3**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2019	**16,179**	**(38)**	**1,265**	**-**	**537**	**-**	**3**	**-**	**19**	**-**
Total (A+B) 31.12.2018	**15,951**	**(35)**	**776**	**-**	**567**	**-**	**5**	**-**	**61**	**-**

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
A. Cash exposure								
A.1 Doubtful loans	-	-	-	-	1	(7)	-	(1)
A.2 Unlikely to pay	3	(1)	2	(2)	2	-	12	(2)
A.3 Non-performing past due exposures	9	(1)	1	-	2	(1)	3	-
A.4 Performing exposures	3,873	(3)	1,795	(2)	5,501	(15)	1,148	(2)
Total A	**3,885**	**(5)**	**1,798**	**(4)**	**5,506**	**(23)**	**1,163**	**(5)**
B. Off-balance-sheet exposures								
B.1 Non-performing exposures	2	-	-	-	-	-	-	-
B.2 Performing exposures	1,568	(1)	827	-	882	-	548	-
Total B	**1,570**	**(1)**	**827**	**-**	**882**	**-**	**548**	**-**
Total (A+B) 31.12.2019	**5,455**	**(6)**	**2,625**	**(4)**	**6,388**	**(23)**	**1,711**	**(5)**
Total (A+B) 31.12.2018	**4,943**	**(6)**	**2,446**	**(5)**	**6,991**	**(19)**	**1,571**	**(5)**

B.3 Prudential consolidation - Analysis of territorial distribution of on- and off-balance sheet exposure of loans and advances to banks

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
A. Cash exposure										
A.1 Doubtful loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	29,558	(14)	1,246	-	230	-	38	-	47	-
Total A	**29,558**	**(14)**	**1,246**	**-**	**230**	**-**	**38**	**-**	**47**	**-**
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	110	-	6	-	-	-	-	-	-	-
Total B	**110**	**-**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2019	**29,668**	**(14)**	**1,252**	**-**	**230**	**-**	**38**	**-**	**47**	**-**
Total (A+B) 31.12.2018	**23,495**	**(11)**	**1,009**	**(1)**	**219**	**-**	**33**	**-**	**44**	**-**

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
A. Cash exposure								
A.1 Doubtful loans	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	29,367	(14)	139	-	52	-	-	-
Total A	**29,367**	**(14)**	**139**	**-**	**52**	**-**	**-**	**-**
B. Off-balance-sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	110	-	-	-	-	-	-	-
Total B	**110**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2019	**29,477**	**(14)**	**139**	**-**	**52**	**-**	**-**	**-**
Total (A+B) 31.12.2018	**23,152**	**(11)**	**20**	**-**	**323**	**-**	**-**	**-**

C. SECURITISATIONS

QUALITATIVE INFORMATION

At 31 December 2019, 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 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 and the establishment of a dedicated fund.
The entire junior exposure was fully written down in 2017.

D. DISPOSAL TRANSACTIONS

A. FINANCIAL ASSETS DISPOSED OF BUT NOT WRITTEN OFF

QUALITATIVE INFORMATION

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 2019 three of these contracts had expired.
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 respects 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
A. Financial assets held for trading	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**833**	**-**	**833**	**-**	**(559)**	**-**	**(559)**
1. Debt securities	833	-	833	-	(559)	-	(559)
2. Loans	-	-	-	-	-	-	-
Total 31.12.2019	**833**	**-**	**833**	**-**	**(559)**	**-**	**(559)**
Total 31.12.2018	**1,132**	**-**	**1,132**	**-**	**(700)**	**-**	**(700)**

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	
			31.12.2019	31.12.2018
A. Financial assets held for trading	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
C. Financial assets measured at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
E. Financial assets measured at amortised cost	**820**	**-**	**820**	**1,132**
1. Debt securities	820	-	820	1,132
2. Loans	-	-	-	-
Total financial assets	**820**	**-**	**820**	**1,132**
Total associated financial liabilities	**(559)**	**-**	**(559)**	**(700)**
Net value at 31.12.2019	**261**	**-**	**261**	**X**
Net value at 31.12.2018	**432**		**X**	**432**

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 aimed at meeting 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 role 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 of development to the Managing Director based on 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, a stable investment portfolio and a service portfolio.

1. BUSINESS MODEL
2. STRATEGIES
3. MARKET CONTEXT
4. PERFORMANCE
5. GOVERNANCE
6. FINANCIAL STATEMENTS

This portfolio has a prudent minimum limit of assets deemed eligible with the Central Bank, as determined on a prudent basis.

The liquidity portfolio is defined as a portfolio containing financial assets and liabilities held for the purpose of:

- providing a liquidity reserve through securities deemed eligible with central banks or readily liquidated;
- comply with/optimise regulatory liquidity ratios;
- invest any excess liquidity in anticipation of future investments with a short-term investment horizon or with a moderate risk profile;
- optimise the risk profile through the use of derivative trading and/or hedging instruments.

This portfolio has a prudent minimum limit of assets deemed eligible with the Central Bank, as determined on a prudent basis.

The size of the stable investment portfolio depends on the structure of the Group's inflows, investments and shareholders' equity. It is defined as the portfolio containing positions in financial assets with a minimum mandatory holding period of 30 days, save for exceptional market events that require their disposal.
In particular, it consists of financial investments acquired when there is excess structural liquidity and contains low risk positions acquired for the purpose of benefiting from the corresponding coupon flow, whose expected holding period is for the medium-long term at the time of purchase. Derivative trading and/or hedging instruments may be used to optimise the risk profile of that portfolio. Given the characteristics of the portfolio in question, the Hold to Collect business model is associated with the relevant securities.
The service book mainly serves customers and includes:

- positions connected with the offer of products/services to customers, such as bonds to be offered as repurchase agreements, foreign currency and foreign exchange derivative trading, for intermediation purposes;
- a component resulting from market transactions aimed at meeting the needs of the Group's asset management companies.

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).

The choice between these methods is not arbitrary, since they have to be applied in hierarchical order and presented in the financial statements by level. Absolute priority is given to the quoted active market prices of the assets and liabilities being measured (Level 1 - Effective market quotes) or of similar assets and liabilities (Level 2 - Comparable Approach), and the lowest priority to unobservable inputs, which are accordingly more subjective (Level 3 - Mark-to-Model Approach).

The priority of market prices is put into practice through a process based on market-maker prices. The valuation price is calculated as the average of the prices available, selected using objectively identified criteria. The number of contributions, the bid/ask spread and the reliability of the contributors are monitored regularly, enabling the Group to keep market prices as the appropriate prime parameter for the determination of fair value.
The entire portfolio of financial assets measured at fair value through other 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 consisted 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 consisted principally of Interest Rate Swaps. As a rule, the Fideuram Group 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 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.

The banking book comprises long-term investment securities and interest rate hedging derivatives, short and medium-long term loans. The banking book totalled €45bn at 31 December 2019.

QUANTITATIVE INFORMATION

Banking Book

(€m)

	31.12.2019	31.12.2018	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through other comprehensive income	3,189	3,294	(105)	-3
Debt securities classified as loans to banks	12,766	10,764	2,002	19
Debt securities classified as loans to customers	2,509	2,535	(26)	-1
Hedging derivatives	20	-	20	n.s.
Total securities and derivatives	**18,484**	**16,593**	**1,891**	**11**
Loans to customers	9,329	9,531	(202)	-2
Loans to banks	17,198	12,301	4,897	40
Total loans	**26,527**	**21,832**	**4,695**	**22**
Total banking book	**45,011**	**38,425**	**6,586**	**17**

n.s.: not significant

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 (ΔEVE);
2. net interest income:
   shift sensitivity of net interest income (ΔNII);
   dynamic simulation of net interest income (NII);
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 the FTP.

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 worst 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 (€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 ΔEVE: instantaneous and parallel shock of +100 bps;
- to check exposure in terms of ΔNII: 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 -€6m; likewise, even the interest margin sensitivity was negative -€114.7m 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 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 2019, the Value at Risk calculated for a one-day time horizon was 2.2m, in light of the rate, credit spread and volatility components. It featured limited volatility notwithstanding changes in the portfolio for purchases and sales during the year.

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
A. Financial assets	**672**	**49**	**65**	**2**	**59**	**51**
A.1 Debt securities	402	19	-	-	16	-
A.2 Equities	-	-	-	-	-	-
B. Loans to banks	244	29	62	2	19	41
C. Loans to customers	26	1	3	-	24	10
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**1**	**1**	**-**	**-**	**5**	**-**
C. Financial liabilities	**707**	**76**	**56**	**3**	**106**	**39**
C.1 Due to banks	111	12	-	-	3	3
C.2 Due to customers	596	64	56	3	103	36
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**1**	**-**	**-**	**-**	**10**	**9**
E. Financial derivatives						
- Options						
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other derivatives						
+ Long positions	3,184	410	169	1	40	73
+ Short positions	3,147	392	163	1	19	72
Total assets	**3,857**	**460**	**234**	**3**	**104**	**124**
Total liabilities	**3,855**	**468**	**219**	**4**	**135**	**120**
Balance (+/-)	**2**	**(8)**	**15**	**(1)**	**(31)**	**4**

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	31.12.2019				31.12.2018			
	OVER THE COUNTER				OVER THE COUNTER			
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		REGULATED MARKETS	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		REGULATED MARKETS
		WITH NETTING AGREEMENTS	WITHOUT NETTING AGREEMENTS			WITH NETTING AGREEMENTS	WITHOUT NETTING AGREEMENTS	
1. Debt securities and interest rate derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity derivatives and index derivatives	**-**	**-**	**512**	**-**	**-**	**-**	**513**	**-**
a) Options	-	-	512	-	-	-	513	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**3,449**	**3,793**	**-**	**-**	**3,157**	**3,489**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	2,534	1,941	-	-	2,548	1,845	-
c) Forward	-	915	1,852	-	-	609	1,644	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**3,449**	**4,305**	**-**	**-**	**3,157**	**4,002**	**-**

A.2 Financial trading derivatives: gross positive and negative fair value - distribution by product

TYPES OF DERIVATIVES	31.12.2019				31.12.2018			
	OVER THE COUNTER				OVER THE COUNTER			
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		REGULATED MARKETS	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		REGULATED MARKETS
		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	-	23	-	-	-	17	4	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	7	6	-	-	2	4	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**30**	**6**	**-**	**-**	**19**	**8**	**-**
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	2	19	-	-	4	12	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	-	12	-	-	3	9	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**2**	**31**	**-**	**-**	**7**	**21**	**-**

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
Contracts other than netting agreements				
1. Debt securities and interest rate derivatives				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2. Equity derivatives and index derivatives				
- notional values	X	494	2	16
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3. Currencies and gold				
- notional values	X	233	3,355	205
- positive fair value	X	2	3	1
- negative fair value	X	1	28	2
4) Commodities				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Netting agreements				
1. Debt securities and interest rate derivatives				
- notional values	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2. Equity derivatives and index derivatives				
- notional values	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3. Currencies and gold				
- notional values	-	3,449	-	-
- positive fair value	-	30	-	-
- negative fair value	-	2	-	-
4) Commodities				
- notional values	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- 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 YEAR	OVER 5 YEARS	TOTAL
A.1 Debt derivatives and interest rate derivatives	-	-	-	-
A.2 Equity derivatives and index derivatives	494	-	18	512
A.3 Currency and gold derivatives	7,242	-	-	7,242
A.4 Commodity derivatives	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2019	**7,736**	**-**	**18**	**7,754**
Total 31.12.2018	**6,646**	**495**	**18**	**7,159**

1.3.2 ACCOUNTING HEDGES

QUALITATIVE INFORMATION

Upon first-time adoption of IFRS 9, the Group exercised the option allowed by the standard to continue applying all the rules of IAS 39 for all types of hedges (micro and macro). Therefore, the provisions of IFRS 9 for hedging do not apply.

Disclosure on the uncertainty deriving from the reform of benchmarks on hedging derivatives

As illustrated in Part A - Accounting policies, the Group exercises its right to early application of Regulation No. 34/2020 of 15 January 2020 to its Annual Report 2019. That Regulation has implemented the document issued by IASB in September 2019 concerning "Interest Rate Benchmark Reform (amendments to IFRS 9 - Financial Instruments, to IAS 39 - Financial Instruments: Recognition and Measurement, and to IFRS 7 - Financial Instruments: Disclosures"). The regulation in question introduced several changes in hedge accounting, for the purpose of preventing the uncertainties over the amount and timing of the cash flows deriving from the interest rate reform from interrupting existing hedges and difficulty in designating new hedge relationships. Therefore, the analysis of the robustness of the hedges was carried out in light of the flows and timing of the existing hedging derivatives, on the assumption that the existing interest rate benchmarks cannot be modified after the Interest Rate Benchmark Reform, or IBOR Reform.

Following below is the disclosure mandated by paragraph 24 H of IFRS 7 in regard to the uncertainty deriving from the Interest Rate Benchmark Reform in determination of the interest rates applicable in hedging relationships and the face value of the hedging instruments that might be impacted by the Interest Rate Benchmark Reform.

The hedging derivatives used in fair value hedge relationships are mainly indexed to Euribor, whose calculation method was revised during 2019 in order to continue using that parameter even after 1 January 2022, both for existing contracts and new ones. To render Euribor compliant with the EU Benchmarks Regulation ("BMR" – Regulation No. 2016/1011/EU), the EMMI – European Money Markets Institute – has completed the transition to a new, "hybrid" calculation method. The new calculation system, whose activities were completed at the end of November 2019, does not modify the economic variable that the benchmark measures. Euribor expresses the effective cost of inflows to the contributing European banks and is always available and consultable. Therefore, the Group does not believe that there is any uncertainty over the timing or amount of the Euribor cash flows and does not consider the fair value hedges linked to Euribor to be impacted by the reform of 31 December 2019. The fair value hedge relationships also contain derivatives that are indexed to benchmarks impacted by the reform, and particularly EONIA, which is the object of future substitution with the new risk-free rates. In particular, the Eonia fixing in Europe, which has been calculated since October 2019 on the basis of the new, risk-free €STR, will be published until the end of 2021 and then definitively substituted by €STR.

More specifically, there were fair value hedges indexed to EONIA for a notional amount of €950m at 31 December 2019, of which €200m due by 2021. These amounts represent 15.2% of the total of the Group's fair value hedge derivatives and 3.2% considering only the derivatives due by 2021.

A. Fair value hedging

The Fideuram Group engages in hedging to immunise its banking book from changes in the fair value of 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.
Macro fair value hedges of fixed rate loans were introduced. The hedges are 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 hedging derivative (or derivatives) are sufficient to cover the same measures calculated on the hedged assets. The type of hedge in question is implemented by purchasing amortizing Interest Rate Swaps with a long maturity date (usually 30 years), which require quarterly amortisation of the same amount for both the pay fixed and receive floating legs, with the latter being indexed to the 3-month Euribor benchmark. At the end of December 2019, the overall size of the existing eight hedges was about €261m in original notional value.
All the macro fair value hedges that were (subsequently) completed are fully effective and efficient in terms of both sensitivity and fair value and in situations of capital gains and losses on the derivatives.
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.

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.

B. Cash flow hedging

The Group adopted a new type of hedge to mitigate the risk of exposure to changes in future cash flows attributable to movements of the interest rate curve (so-called Cash Flow Hedge). Specifically, the hedged flows are those associated to the coupons of a floating-rate Intesa Sanpaolo bond with a residual maturity of five years. The hedge was sized with reference to a notional value of €400m, through two interest rate swaps of €200m each, completed in February and April. The methods of performing effectiveness tests are similar to those relating to the hedging of micro fair value hedges, with some differences linked to the fact that the subject of the hedge are the cash flows and not the value of the hedged asset.

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;

1. BUSINESS MODEL
2. STRATEGIES
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- 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.

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 (s.c. delta fair value), net of accrued interest.

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 bask 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.

Previously set coupons of variable rate loans

The fixed coupon of variable rate loans is 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	31.12.2019				31.12.2018			
	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	**-**	**6,188**	**-**	**-**	**-**	**5,076**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	6,188	-	-	-	5,076	-	-
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	**-**	**67**	**-**	**-**	**-**	**114**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	67	-	-	-	114	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**6,255**	**-**	**-**	**-**	**5,190**	**-**	**-**

A.2 Financial hedging derivatives: gross positive and negative fair value - distribution by product

TYPES OF DERIVATIVES	POSITIVE AND NEGATIVE FAIR VALUE			
	31.12.2019			
	OVER THE COUNTER			REGULATED MARKETS
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		
		WITH NETTING AGREEMENTS	WITHOUT NETTING AGREEMENTS	
1. Positive fair value				
a) Options	-	-	-	-
b) Interest rate swap	-	20	-	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**-**	**20**	**-**	**-**
2. Negative fair value				
a) Options	-	-	-	-
b) Interest rate swap	-	913	-	-
c) Cross currency swap	-	17	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**-**	**930**	**-**	**-**

				CHANGE IN VALUE USED TO DETERMINE INEFFECTIVENESS OF HEDGE	
31.12.2018				31.12.2019 TOTAL	31.12.2018 TOTAL
OVER THE COUNTER					
CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		REGULATED MARKETS		
	WITH NETTING AGREEMENTS	WITHOUT NETTING AGREEMENTS			
-	-	-	-	-	-
-	-	-	-	20	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	**-**	**-**	**-**	**20**	**-**
-	-	-	-	-	-
-	786	-	-	-	(18)
-	22	-	-	-	5
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	**808**	**-**	**-**	**-**	**(13)**

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
Contracts other than netting agreements				
1. Debt securities and interest rate derivatives				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2. Equity derivatives and index derivatives				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3. Currencies and gold				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4. Commodities				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5. Other				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Netting agreements				
1. Debt securities and interest rate derivatives				
- notional values	-	6,188	-	-
- positive fair value	-	20	-	-
- negative fair value	-	913	-	-
2. Equity derivatives and index derivatives				
- notional values	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3. Currencies and gold				
- notional values	-	67	-	-
- positive fair value	-	-	-	-
- negative fair value	-	17	-	-
4. Commodities				
- notional values	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5. Other				
- 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 YEAR	OVER 5 YEARS	TOTAL
A.1 Debt derivatives and interest rate derivatives	1,162	1,726	3,300	6,188
A.2 Equity derivatives and index derivatives	-	-	-	-
A.3 Currency and gold derivatives	-	67	-	67
A.4 Commodity derivatives	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2019	**1,162**	**1,793**	**3,300**	**6,255**
Total 31.12.2018	**1,165**	**1,473**	**2,552**	**5,190**

1.3.3 OTHER INFORMATION ABOUT DERIVATIVES (FOR TRADING AND HEDGING)

A. FINANCIAL AND CREDIT DERIVATIVES

A.1 OTC financial and credit derivatives: net fair values by counterparty

	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL INSTITUTIONS	OTHER PARTIES
A. Financial derivatives				
1) Debt securities and interest rate derivatives				
- notional values	-	6,188	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	303	-	-
2) Equity derivatives and index derivatives				
- notional values	-	494	2	16
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-
3) Currencies and gold				
- notional values	-	3,749	3,355	205
- net positive fair value	-	32	3	1
- net negative fair value	-	3	28	2
4) Commodities				
- notional values	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-
5) Other				
- notional values	-	-	-	-
- net positive fair value	-	10	-	-
- net negative fair value	-	616	-	-
B. Credit derivatives				
1) Purchase of protection				
- notional values	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-
2) Sale of protection				
- notional values	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-

1.4 LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General aspects, management processes, and methods for measuring liquidity risk

Liquidity risk is the risk that the Group 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 inter 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 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%, 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 key 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 deposits that benefit from considerable stability over time, meaning that the Group does not need to depend on the interbank market and can thus avoid exposure to the risk of a liquidity crisis in that market. In addition to the stability of customer deposits, where interest-bearing assets are concerned, the Group has an investment portfolio that is governed by stringent liquidity limits for securities (readily-negotiable and eligible for Central Bank refinancing) in accordance with the provisions of the 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 expected cash flows.

QUANTITATIVE INFORMATION

1. Analysis of financial assets and liabilities by remaining contractual term (euro)

ITEMS/TIME BANDS	DEMAND DEPOSITS	BETWEEN MORE THAN 1 AND 7 DAYS	BETWEEN MORE THAN 7 AND 15 DAYS	BETWEEN MORE THAN 15 DAYS AND 1 MONTH	BETWEEN MORE THAN 1 MONTH AND 3 MONTHS	BETWEEN MORE THAN 3 MONTHS AND 6 MONTHS	BETWEEN MORE THAN 6 MONTHS AND 1 YEAR	BETWEEN MORE THAN 1 AND 5 YEARS	OVER 5 YEARS	UNSPECIFIED MATURITY
Cash assets	**10,697**	**719**	**909**	**968**	**1,529**	**392**	**1,737**	**14,359**	**10,471**	**2,642**
A.1 Government securities	-	-	-	10	186	6	115	144	2,469	-
A.2 Other debt securities	1	-	12	262	330	48	353	7,075	7,243	-
A.3 Units in mutual funds	12	-	-	-	-	-	-	-	-	-
A.4 Loans	10,684	719	897	696	1,013	338	1,269	7,140	759	2,642
- Banks	3,463	501	602	362	785	230	1,203	6,833	250	2,642
- Customers	7,221	218	295	334	228	108	66	307	509	-
Cash liabilities	**34,980**	**1,298**	**193**	**93**	**913**	**120**	**629**	**2,124**	**725**	**-**
B.1 Deposits and current accounts	34,762	114	32	91	740	112	585	1,761	418	-
- Banks	394	1	-	-	-	-	-	50	418	-
- Customers	34,368	113	32	91	740	112	585	1,711	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	218	1,184	161	2	173	8	44	363	307	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	230	69	27	743	1	-	67	-	-
- Short positions	-	438	-	1	747	3	7	-	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	3	9	10	14	-	-	-
- Short positions	-	-	-	2	9	8	34	-	-	-
C.3 Deposits and loans receivable										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to grant finance										
- Long positions	-	-	-	-	-	-	-	1	-	-
- Short positions	1	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	47	-	-	1	5	7	17	35	11	-
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)

ITEMS/TIME BANDS	DEMAND DEPOSITS	BETWEEN MORE THAN 1 AND 7 DAYS	BETWEEN MORE THAN 7 AND 15 DAYS	BETWEEN MORE THAN 15 DAYS AND 1 MONTH	BETWEEN MORE THAN 1 MONTH AND 3 MONTHS	BETWEEN MORE THAN 3 MONTHS AND 6 MONTHS	BETWEEN MORE THAN 6 MONTHS AND 1 YEAR	BETWEEN MORE THAN 1 AND 5 YEARS	OVER 5 YEARS	UNSPECIFIED MATURITY
Cash assets	**301**	**-**	**48**	**40**	**164**	**28**	**117**	**195**	**1**	**2**
A.1 Government securities	-	-	-	40	39	-	82	118	-	-
A.2 Other debt securities	-	-	3	-	18	23	35	75	1	-
A.3 Units in mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	301	-	45	-	107	5	-	2	-	2
- Banks	270	-	45	-	82	-	-	-	-	2
- Customers	31	-	-	-	25	5	-	2	-	-
Cash liabilities	**836**	**2**	**12**	**14**	**101**	**12**	**1**	**3**	**-**	**-**
B.1 Deposits and current accounts	834	2	12	14	101	12	1	3	-	-
- Banks	11	-	12	-	98	-	-	3	-	-
- Customers	823	2	-	14	3	12	1	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	2	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	498	26	1	747	3	21	-	-	-
- Short positions	-	291	94	27	742	1	16	67	-	-
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	1	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	4	-	-	-	-	-	-	-	-	-
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.

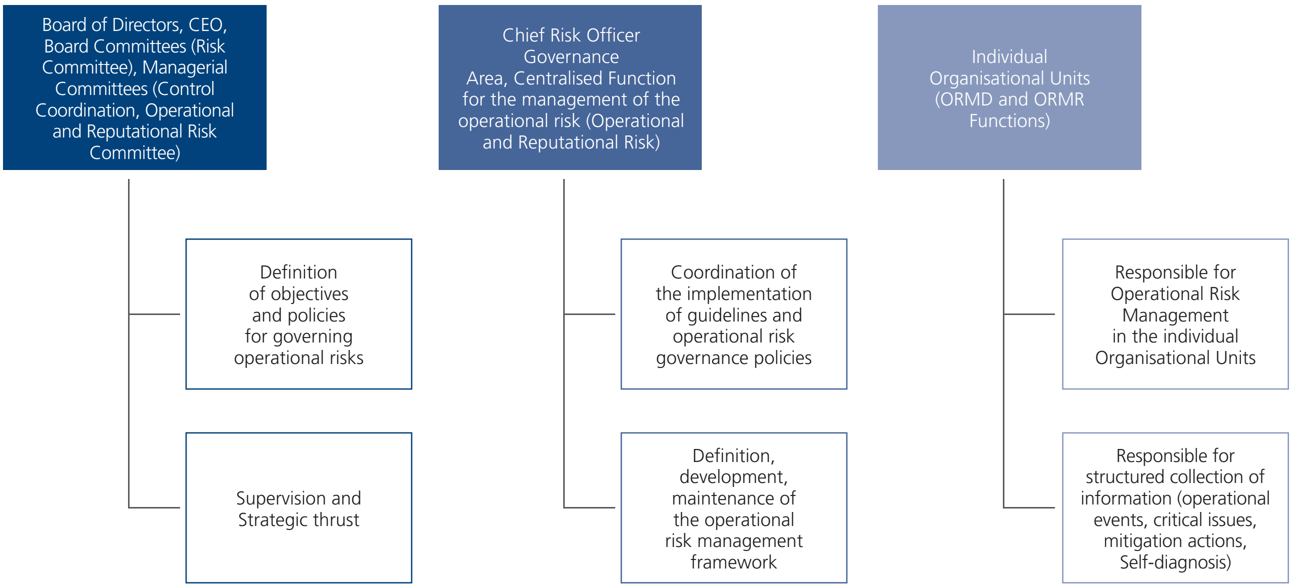
The Group implements an operational risk assumption and management strategy based on the principles of prudent management and aimed at guaranteeing its long-term soundness and business continuity. Moreover, the Group devotes special attention to striking an optimal balance between growth and earnings targets and the consequent risks.

To that end, the Group 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.

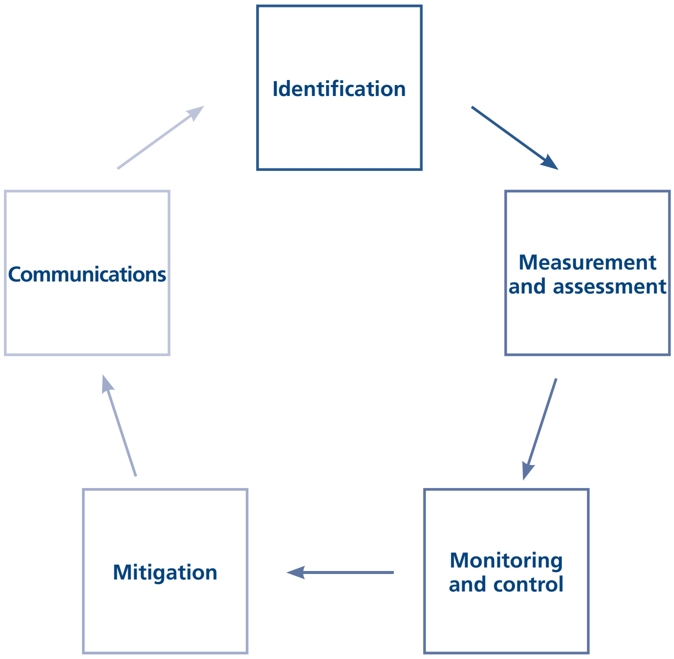
GOVERNANCE MODEL

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 contain an adequate level of detail for knowing the overall risk profile of the Group and permitting quantification of the capital at risk for 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 IT 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.

INFORMATION TECHNOLOGY AND CYBER RISK

Information technology 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 Information Technology 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.).

The information obtained from the processes implemented to identify and assess the exposure to information technology risk (of operating procedures or connected with changes in significant components of the information system) together with the analysis and prevention activities performed by the Cybersecurity function are also used to identify the principal areas of exposure and determination of the cyber risk scenarios.

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 assessments 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 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 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

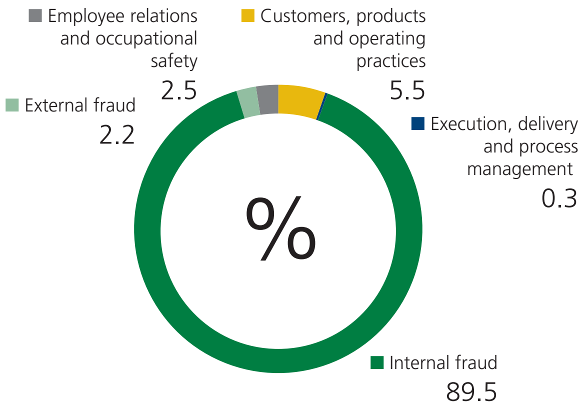
Fideuram calculates its capital requirement by using the Advanced Measurement Approaches (AMA) authorised by the Supervisory Authority.
The resulting capital absorption amounted to €181m at 31 December 2019, up from 31 December 2018 (€163m).

The operational losses in the year (exceeding the compulsory recording threshold established or the Group) are analysed by type of event below.

The allocation shows that most of them can be classified as "Internal Misconduct", stemming from losses due to the misappropriation of customer assets by Personal Financial Advisers. The item, which typically represents the most significant risk class for the Private Banking Division, showed a loss of €14.9m, resulting from €16m for provisions/indemnities to cover events that came to light during the year, €1.2m in indemnities and legal expenses paid, €3.9m for the release of provisions, and €1.6m in incremental provisions accrued to cover previously existing cases of fraud.
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.

The Private Banking Division continued its work on improving the processes and controls in place to mitigate risk and contain losses, and participated fully in every initiative launched by Intesa Sanpaolo.

Analysis of operational loss 2019



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 2019, these provisions totalled €79m. The total provisions and the amount of the individual provisions set aside are calculated based on 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 2019, 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 Personal Financial Advisers authorised to offer products and services outside Group premises

The majority of legal proceedings against the Group regard claims for compensation of damages in response to alleged unlawful conduct by former Personal 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 Personal Financial Advisers pursuant to article 31, subparagraph 3, of the Italian Finance Consolidation Act (Testo Unico della Finanza - TUF), which specifies that the broker is jointly and severally 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 2019, Fideuram renewed a Personal Financial Adviser misconduct insurance policy with Generali Italia in coinsurance with AIG, through the broker AON S.p.A., which covers claims consequent upon unlawful acts committed by Fideuram and Sanpaolo Invest Personal 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 Personal Financial Adviser).

During 2019, after an inspection performed by the Audit Department, a major case of fraud committed by a former Personal Financial Adviser of Sanpaolo Invest SIM was discovered. The audits confirmed that serious irregularities were committed that caused damage to several customers, such as the misappropriation of funds and reports showing untrue increases in value. On 28 June 2019, the Company terminated with cause the agency agreement it had with the Personal Financial Adviser and reported the facts of the case to the Judicial Authorities and Supervisory Authority for Personal Financial Advisers, which first suspended and then expelled the Personal Financial Adviser from the Unified Register of Financial Advisers in December 2019. On request by the Company, the Judicial Authorities seized the total amount of about €7m from several customers who had unlawfully benefited from the amounts misappropriated by the Personal Financial Adviser from other customers of his. At the same time, the Company initiated extrajudicial and judicial proceedings against the illegitimate beneficiaries to recover the expropriated funds. After the fraud was discovered, the Company received 56 claims of misappropriation, with claims totalling €15m. The audits performed by the Internal Audit Department and the Legal Affairs Department confirmed that the misappropriate amounts totalled €12m. The Company has also received another 195 claims for about €18m concerning the false account statements and unauthorised transactions, and claims for reimbursement of the fees and commissions for the Advanced Advisory Service. The Company has already started making the first refunds and, on 31 December 2019, claims amounting to about €1m had already been accepted and recognised as other expense. To cover the liabilities connected with the aforementioned fraud, the Company set aside a provision totalling €11m at the end of 2019. That provision also reflects the legal expenses mentioned by the customers. That amount was determined on the basis of the claims for misappropriations confirmed at the end of 2019, without considering the recovery actions that have already been started and the evidence seizure orders that have been issued, or the coverage provided by the specific insurance policy that the Company promptly activated for the compensation allowed under the policy conditions.

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 Personal 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 Personal 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. The Rome Court of Appeal found in favour of the defence presented by Sanpaolo Invest and the managers concerned, annulling the penalties. The Court of Cassation overturned the Rome Court of Appeal's judgement following an appeal by the CONSOB and Italian Ministry of the Economy and Finance, remitting the case to the Rome Court of Appeal. The Court of Appeal, to which the case was remitted on 11 February 2011, ruled that the penalties against Sanpaolo Invest and its managers be annulled. On 28 March 2012, the Italian Ministry of the Economy and Finance and the CONSOB filed an appeal in Cassation against the Rome Court of Appeal's decision of 11 February 2011. The Company and managers subsequently filed their defence. On 15 July 2016, the Court of Cassation overturned the Court of Appeal's judgment of 11 February 2011 and again remitted the case to another section of the Rome Court of Appeal, where the case is pending after it was resumed by the Company and its management.

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, overturned the penalties and remitted the case to the Rome Court of Appeal. The Company and managers therefore resumed the proceedings in the Rome Court of Appeal. With an order issued on 26 July 2019, the Rome Court of Appeal rejected the appeal, confirming the position that it had already taken in its previous decision. The Company is assessing the possibility of filing another appeal before the Court of Cassation.

6) Tax disputes

The Lazio Regional Tax Police (Nucleo Regionale di Polizia Tributaria del Lazio) sent Fideuram a Formal Notice of Assessment 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 and subsequently to the Court of Cassation. The judgment of the Court of Cassation positively concluded the long dispute, beginning in 2007, deciding on the merits, therefore without referral to the Regional Tax Courts. As a consequence, the income statement for 2019 includes the use in excess of about €9m of the provision for risks and charges which had been set aside in previous years to cover a possible negative outcome of the dispute.

On 31 January 2019, the Tax Police completed the audit with reference to the direct taxes due for the years 2014, 2015 and 2016, serving a Formal Notice of Assessment regarding the same objections raised for 2013 and already settled with an assessment process with acceptance during 2018. In particular, the claims concerned the recalculation of prices applied in transactions executed with the French subsidiary Financière Fideuram 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 accrual principle. In April and May 2019 the process of settlement with acceptance for tax years 2014, 2015 and 2016 was finalised with the Italian Revenue Agency with the payment of taxes, penalties and interest totalling €4.6m for 2014, €3.4m for 2015 and €3.1m for 2016 completely settling the dispute arising from the claims made by the Tax Police.

For the same items and using the same criteria as for the previous years, a settlement with acceptance was finalised in May 2019 for the tax year 2017 with the payment of taxes, penalties and interest totalling €2.3m. Please note that, following the outcome relating to 2013, the possible charges deriving from the settlement of the disputes referring to the subsequent years had already been set aside in the 2018 financial statements. The conclusion of the dispute led to a contingent asset of €3.8m which had a positive impact on the accounts for the year.

Regarding Intesa Sanpaolo Private Banking, in April the Lombardy Regional Office of the Italian Revenue Agency - Large Taxpayers Office, followed the already ongoing disputes for 2011 to 2013 by serving 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, also for 2014 and 2015, to request taxes totalling €7.9m, in addition to penalties and interest.
The Regional Tax Court also rejected the appeal submitted by the Tax Authorities against the trial court judgement upon acceptance of the appeal concerning the 2011 tax year, while another Division of the same Regional Tax Court accepted the appeal submitted by the Tax Authorities for the 2012 and 2013 tax years. Both of those disputes are now being appealed by the losing party to the Court of Cassation. Since the tax office's claim is groundless, no amount has been set aside in the provision for risks and charges.

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 2019, 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 2019.

B. QUANTITATIVE INFORMATION

B.1 Consolidated shareholders' equity: analysis by type of company

	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	1,516	-	-	-	1,516
4. Equity instruments	-	-	-	-	-
5. (Treasury shares)		-	-	-	-
6. Valuation reserves:	33	-	-	-	33
- 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	20	-	-	-	20
- Property and equipment	14	-	-	-	14
- Intangible assets	-	-	-	-	-
- Hedging of net investments in foreign operations	-	-	-	-	-
- Cash flow hedges	3	-	-	-	3
- Hedging instruments (undesignated elements)	-	-	-	-	-
- Exchange rate differences	5	-	-	-	5
- 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	(21)	-	-	-	(21)
- Valuation reserves related to investments carried at equity	6	-	-	-	6
- Special revaluation laws	6	-	-	-	6
7. Net profit (loss) for the year (+/-) for the Group and non-controlling interests	905	-	-	-	905
Total	**2,960**	**-**	**-**	**-**	**2,960**

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: analysis

	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	24	(4)	-	-	-	-	-	-	24	(4)
2. Equities	-	-	-	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-	-	-	-
Total 31.12.2019	**24**	**(4)**	**-**	**-**	**-**	**-**	**-**	**-**	**24**	**(4)**
Total 31.12.2018	**6**	**(34)**	**-**	**-**	**-**	**-**	**-**	**-**	**6**	**(34)**

B.3 Valuation reserves for financial assets measured at fair value through other comprehensive income: changes in the year

	DEBT SECURITIES	EQUITIES	LOANS
1. Opening balance	**(28)**	**-**	**-**
2. Increases	**52**	**-**	**-**
2.1 Increases in fair value	38	-	-
2.2 Impairment for credit risk	1	X	-
2.3 Transfers to income statement of negative reserves from realisation	12	X	-
2.4 Transfers to other components of shareholders' equity (equity securities)	-	-	-
2.5 Other increases	1	-	-
3. Decreases	**4**	**-**	**-**
3.1 Decreases in fair value	1	-	-
3.2 Reversal of impairment for credit risk	-	-	-
3.3 Transfers to income statement from positive reserves: from realisation	3	X	-
3.4 Transfers to other components of shareholders' equity (equity securities)	-	-	-
3.5 Other decreases	-	-	-
4. Closing balance	**20**	**-**	**-**

B.4 Valuation reserves for defined-benefit plans: changes in the year

	ACTUARIAL GAINS/ LOSSES
1. Opening balance	**(12)**
2. Increases	**-**
2.1 Actuarial gains	-
2.2 Other changes	-
3. Decreases	**9**
3.1 Actuarial losses	9
3.2 Other changes	-
4. Closing balance	**(21)**

PART G - BUSINESS COMBINATION TRANSACTIONS OF COMPANIES OR COMPANY DIVISIONS

SECTION 1 - TRANSACTIONS COMPLETED IN THE YEAR

1.1 Business combination transactions

The Bank did not engage in any business combination transactions in the year as governed by IFRS 3.

The foreign development project saw the realisation of several non-recurring intercompany transactions within the Fideuram Group and thus outside the scope of application of IFRS 3. In consideration of the fact that the transaction was entered into exclusively for the purposes of reorganisation, it was recognised keeping the financial statement values unchanged without recognising the effects in profit or loss in the consolidated financial statements.

In the first quarter of 2019, the integration of the Swiss companies of the Fideuram Group took place via the following transactions:

- the contribution to Morval Vonwiller Holding of the 100% stake held by Fideuram in Intesa Sanpaolo Private Bank (Suisse), for CHF45m. This was accomplished through a capital increase. The new shares were wholly subscribed by Fideuram, and the minority shareholders of Morval Vonwiller Holding waived their option rights. The transfer of the shareholding took effect on 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) into Banque Morval;
- the merger of Morval Vonwiller Holding into the new entity resulting 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 assumed the company name of “Intesa Sanpaolo Private Bank (Suisse) Morval S.A.”.

On 18 July 2019, the Shareholders’ Meeting of Intesa Sanpaolo Private Bank (Suisse) Morval passed a resolution to increase the capital of the Swiss bank by CHF25m, of which CHF2.2m as a share capital increase and CHF22.8m as an increase of the Bank’s reserves. Following this operation, in which the non-controlling shareholders did not take part, Fideuram’s equity investment in the Swiss subsidiary stands at 96.21%. Finally, on 1 August 2019, Intesa Sanpaolo Private Bank (Suisse) Morval established a new branch in London by acquiring all the relationships and assets of the London branch of Intesa Sanpaolo Private Banking, which ceased operating as of that same date.

The merger of FI.GE. S.p.A. into Siref Fiduciaria S.p.A. took effect on 31 March 2019 with retroactive effect for tax and accounting purposes to 1 January 2019.

Finally, the transfer to Fideuram of the equity investment in Morval SIM by Intesa Sanpaolo Private Bank (Suisse) Morval was completed on 9 December 2019. The Fideuram Board of Directors’ meeting of 17 December 2019 then authorised the merger of Morval SIM into Intesa Sanpaolo Private Banking. It is expected that the merger will be completed during the first half of 2020, with retroactive effect for tax and accounting purposes to 1 January 2020.

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 ex article 136 of Italian Banking Consolidation Act (Testo Unico Bancario - TUB) and adopted the related Addendum, amended most recently with a Board of Directors resolution approved on 26 September 2019 (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;
iii) company directors and their relatives up to the second degree of consanguinity or affinity and significant equity investments.

As a self-regulatory measure, the Regulations were extended to:
i) Intesa Sanpaolo shareholders and related company groups that hold shares with voting rights in the Parent Company above the minimum threshold provided for by the regulations on the disclosure of significant investments in listed companies;
ii) companies where members of the Board of Directors are close family members of directors on the Board of Directors of the Group's banks or significant authorised intermediaries;
iii) companies in which the Group has significant equity or financial interests.

The parties considered Insiders by the Regulations also include the Bank's related parties as defined by IAS 24.

The Regulations specify the various investigative safeguards in carrying out transactions with Intesa Sanpaolo Related Parties, Group Associated Parties and Insiders in accordance with ex 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 law or the By-Laws.

The Related Parties Committee, made up of three non-executive and mostly independent members of the Bank's Board of Directors, as provided by the By-laws, 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.

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 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

	31.12.2019
Short-term benefits	6
Post-employment benefits	-
Other long-term benefits	1
Employment termination indemnity	-
Payment in shares	2
Total	**9**

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 2019 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 Fideuram Board of Directors' meeting on 20 June 2019 approved the renewal of the existing service contract with Intesa Sanpaolo, integrated to take account of the merger, as from 1 January 2019, of Intesa Sanpaolo Group Services S.C.p.A. Therefore, the new contract provides for the supply of the services previously provided by Intesa Sanpaolo and those offered by the aforesaid Consortium until the end of 2018. The existing service contracts between Intesa Sanpaolo and the following subsidiaries of the Group: Sanpaolo Invest, Siref Fiduciaria, Intesa Sanpaolo Private Banking, Fideuram Investimenti and Fideuram Asset Management (Ireland) were also renewed.

The Fideuram Board of Directors' Meeting of 26 September 2019 approved renewal of the shareholders' agreement made with the shareholder management of the holding company of the former Morval Group. The agreement, made upon acquisition of about 95% of the share capital of Morval Holding in August 2017 to protect the non-controlling interests and simultaneously assure eventual acquisition of total control by the majority shareholder in the event of a bad leaver, exclusively regulates put/call option (at fair market value) mechanisms embedded in the non-controlling interest, with the first window for exercising the option scheduled for May 2020. The renewal, which was completed on 15 October 2019, became necessary to reflect the effects of the integration of Swiss banks and concerned the only object of the agreement, by replacing the shares of Morval Holding with the shares of Intesa Sanpaolo Private Bank (Suisse) Morval, while all the other conditions contained in the original shareholders' agreement were confirmed.

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 2019 regarding companies in the Intesa Sanpaolo Group are summarised below:

Assets 31.12.2019

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	**%**
Debt and equity securities	13,049	69
Loans and advances to banks	16,332	95
Loans and advances to customers	200	2
Financial derivatives	32	57
Property and equipment	16	4
Other assets	30	3

Liabilities 31.12.2019

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	**%**
Due to banks	2,434	80
Due to customers	543	1
Financial derivatives	567	59
Other liabilities	287	25
Guarantees and commitments	101	2

Income Statement 2019

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	**%**
Interest income	104	40
Interest expense	(27)	34
Fee and commission income	804	32
Fee and commission expense	(24)	3
Net profit (loss) on other financial assets	(67)	n.s.
Administrative expenses	(81)	10
Depreciation of property and equipment	(9)	19

n.s.: not significant

Relationships with companies in the Intesa Sanpaolo Group

	ASSETS	LIABILITIES	GUARANTEES AND COMMITMENTS	INCOME	EXPENSES
Parent Company					
Intesa Sanpaolo S.p.A.	28,463	1,209	101	213	115
Companies controlled by the Parent Company					
Banca IMI S.p.A.	620	2,076	-	19	112
Epsilon Associati SGR S.p.A.	-	-	-	1	-
Eurizon Capital S.A.	-	-	-	15	-
Eurizon Capital SGR. S.p.A.	42	-	-	97	1
Fideuram Vita S.p.A.	411	527	-	475	4
Intesa Sanpaolo Assicura S.p.a.	-	-	-	-	4
Intesa Sanpaolo Bank Luxembourg S.A.	77	-	-	-	-
Intesa Sanpaolo Harbourmaster III S.A.	1	1	-	-	-
Intesa Sanpaolo Holding International S.A.	1	1	-	-	1
Intesa Sanpaolo Life dac	4	1	-	39	-
Intesa Sanpaolo Servitia S.A.	-	-	-	-	2
Intesa Sanpaolo Vita S.p.A.	40	16	-	81	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 2019 the Fideuram Group had a total of €9m 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 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 Intesa Sanpaolo 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, in June 2018, the Group signed an assumption of obligations agreement with JP Morgan. That agreement transferred the obligation to deliver to the Group 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 JP 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 the employees 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.

Both of the long-term incentive plans in question (POP and LECOIP 2.0) fall within the scope of application of IFRS 2 and can be referred to as equity-settled share-based payment transactions ("equity-settled plans"). 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 is 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) is recognised in the balance sheet as a balancing entry in shareholders' equity.
In particular, under IFRS 9, the Certificates recognised in the Group financial statements have to be classified as Financial assets mandatorily measured at fair value.

QUANTITATIVE INFORMATION

2. OTHER INFORMATION

2.1 Development of the incentive plan based on financial instruments

	NUMBER OF SHARES	NUMBER OF SHARES (euro)
Intesa Sanpaolo Shares at 31 December 2018	**2,613,059**	**1.9398**
- Shares acquired in the year	1,782,346	2.1297
- Shares allocated in the year	754,001	2.1802
Intesa Sanpaolo Shares at 31 December 2019	**3,641,404**	**2.3485**

2.2 Long-term investment plans 2018-2021: LECOIP 2.0 and POP

	LECOIP 2.0 PLAN									NUMBER OF LECOIP CERTIFICATES AT 31.12.2018	CHANGES IN THE YEAR	NUMBER OF LECOIP CERTIFICATES AT 31.12.2019	AVERAGE FAIR VALUE AT 31.12.2019
	FREE SHARES AT JULY 2018		MATCHING SHARES AT JULY 2018		DISCOUNTED SHARES AT JULY 2018		SELL TO COVER SHARES AT JULY 2018		TOTAL NUMBER OF SHARES ALLOCATED AT JULY 2018				
	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	4,768,730	(104,112)	4,664,618	2.6222

The income statement effects of the Leveraged Co-Investment Plan (LECOIP) totalled €12m in 2019.

	PERFORMANCE - BASED OPTION PLAN (POP)						
	NUMBER OF POP OPTIONS AT JULY 2018	AVERAGE PER-SHARE FAIR VALUE AT JULY 2018	NUMBER OF POP OPTIONS AT 31.12.2018	AVERAGE PER-SHARE FAIR VALUE AT 31.12.18	CHANGES IN THE YEAR	NUMBER OF POP OPTIONS AT 31.12.2019	AVERAGE PER-SHARE FAIR VALUE AT 31.12.19
TOTAL RISK TAKERS	26,976,939	0.3980	26,976,939	0.0372	(1,001,007)	25,975,932	0.0560

The income statement effects of the POP Plan totalled €2m in 2019.

PART M - DISCLOSURE ON LEASES

This part provides the information required by IFRS 16 that has not been presented in other parts of the financial statements.

SECTION 1 - LESSEE

QUALITATIVE INFORMATION

The Group mainly has real estate leases and car leases in force.

The number of lease contracts at 31 December 2019 totalled 616, of which 573 for real estate leases, with the rights of use worth a total of €304m.

The real estate leases mainly consist of properties for use as offices, bank branches, or Personal Financial Advisers' offices. Within Italy, the lease contracts normally have a term longer than 12 months and typically feature renewal and termination options that can be exercised by the lessor and the lessee as prescribed by law or specific contractual provisions. These contracts usually do not include the purchase option at the end of the lease term or significant restoration costs. According to the characteristics of Italian lease contracts and the provisions of Law 392/1978, in case of a new lease having a term of six years and the option for tacit renewal of the lease once every six years, the total duration of the lease is set at twelve years. This general guidance is superseded if there are new elements or specific situations within the contract.
The contracts referring to other leases mainly concern cars. These are long-term rental contracts for cars provided to the employees (mixed personal and business use) or the organisational units of the individual companies. These contracts generally have a four-year term, with monthly payments, with no renewal option and do not include a purchase option. The contract may be extended according to management of the car fleet. If it is terminated prematurely, a penalty may apply.
The lease contracts other than those relating to real estate or cars represent a negligible amount.
During 2019, no sale or leaseback transactions were made.
Sublease transactions represent an insignificant amount and concern intercompany relationships.
As previously mentioned in the accounting policies, the Group uses the exemptions allowed by IFRS 16 for short-term leases (having a term less than or equal to 12 months) or leases for assets having a low value (worth less than or equal to €5,000).

QUANTITATIVE INFORMATION

Part B - Assets in the Notes to the consolidated financial statements contains information about the rights of use acquired with leases (Table 9.1 - Functional property and equipment: analysis of assets measured at cost) and Part B - Liabilities shows the debts for leases (Table 1.1 - Financial liabilities measured at amortised cost - Due to banks: analysis and Table 1.2 - Financial liabilities measured at amortised cost - Due to customers: analysis). In particular, the rights of use acquired with leases totalled €304m, of which €303m for real estate leases. The debts for leases totalled €302m. Reference is made to those sections for more details.

Part C of the Notes to the consolidated financial statements contain information on the interest expense for debts for leases and the other costs connected with the rights of use acquired with leases. Reference is made to the specific sections for more details.
The following table breaks down the depreciation charge for right-of-use assets in the various categories, consistently with the presentation of property and equipment.

Depreciation expense by asset class

	2019
Functional property and equipment	
a) buildings	43
b) furniture	-
b) electronic equipment	-
d) other	-
Total	**43**

7. Certification of the consolidated financial statements

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 2019.

2. The verification of the suitability and effective application of the administrative and accounting procedures for preparing the consolidated financial statements at 31 December 2019 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[1].

3. In addition, the undersigned also certify as follows:

   3.1 The consolidated financial statements at 31 December 2019:
   - 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.

24 February 2020

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.

8. Independent Auditors’ Reports

KPMG S.p.A.
Revisione e organizzazione contabile
Via Ettore Petrolini, 2
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(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 2019, 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 2019 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 balance sheet: PART A - Accounting policies, sections 10 "Provisions for risks and charges" and 16 "Other information"; PART B - Notes to the consolidated balance sheet, section 10 "Provisions for risks and charges"; PART C - Notes to the consolidated income statement, section 13 "Net provisions for risks and charges"; PART E – Information on risks and related hedging policies

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2019 include provisions for risks and charges of €478 million. They comprise provisions for pending disputes (€79 million), personal financial advisers' termination indemnities (€235 million) and loyalty schemes (€55 million). 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. 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. For the above reasons, we believe that measuring provisions for risks and charges is a key audit matter.	Our audit procedures included: — 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; — 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; — 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; — 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; — analysing the reasonableness of the assumptions, actuarial assumptions and methods used by the directors to estimate the liability for personal 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 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 2019, which is comprised of paragraphs from 3.1 to 3.3 of section 3 "Market context", paragraphs from 4.1 to 4.4, 4.7 and 4.8.1 of section 4.9 "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 2019 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 2019 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, 12 March 2020

KPMG S.p.A.

(signed on the original)

Giovanni Giuseppe Coci
Director of Audit

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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 2019 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 2019 integrated annual report:

- section 1 "Business model";
- sections 2.1 "Chairman's statement" and 2.2 "Managing director's statement";
- sections 4.5 "Customer segmentation", 4.8.1 "Financial capital" - "Distribution of value", 4.8.2 "Productive capital", 4.8.3 "Intellectual capital", 4.8.4 "Human capital", 4.8.5 "Relational capital" and 4.8.6 "Natural capital";
- sections 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" and 5.7 "Internal control system" - "Corruption risk monitoring";
- sections 9.1 "Non-financial reporting methodology", 9.2 "Overview table of GRI indicators" and 9.4 "Value added statement".

Directors' responsibilities for the NFI

The directors of are responsible for the preparation of an 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.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of an 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 sustainability performance and the identification of the stakeholders and the significant aspects to report.

Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFI with the requirements of the GRI Standards. 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 plan and perform the engagement to obtain limited assurance about whether the NFI is free from material misstatement.

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.

The procedures we performed on the NFI are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the NFI, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

1 analysing the reporting of material aspects process, specifically how these aspects are identified and prioritised for each stakeholder category and how the process outcome is validated internally;

2 comparing the financial disclosures presented in the "Value added statement" section of the NFI with those included in the group's consolidated financial statements;

3 understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFI.

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.. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFI.

Furthermore, with respect to significant information, considering the group's business and characteristics:

— at group level,

a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFI;

b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2019 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, 12 March 2020

KPMG S.p.A.

(signed on the original)

Marco Maffei
Director of Audit

9. Schedules

9.1 Non-financial reporting methodology

The non-financial disclosures have been included in the Directors' Report to highlight the connections among the various 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 Statement made by Intesa Sanpaolo S.p.A..

Since 2013, the Fideuram 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 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 at 31 December 2018, 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).

Beginning this year, Fideuram has decided to express its commitment to sustainable development by identifying which Sustainable Development Goals (SDG) of the UN Agenda 2030 it intends to pursue in the course of company operations. In keeping with the Paris Global Climate Conference, the Group has committed itself to monitoring and reporting on greenhouse gas emissions to identify and implement actions to reduce its ecological footprint.

The data and information provided on Scope1 and Scope2 greenhouse gas (GHG) emissions were prepared in accordance with the international Greenhouse Gas Protocol, and with the guidelines set out in the GRI Standards.

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 2019 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 non-financial data (economic, social, environmental and governance) have 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 2018.

The Fideuram Group's non-financial reporting at 31 December 2019 is provided in the following sections and paragraphs of the Integrated Annual Report:

- Key Performance Indicators;
- Section 1. Business model;
- Section 2. Strategies: paragraphs 2.1 and 2.2;
- Section 4. Performance: paragraphs 4.5, 4.8.1 (Distribution of Value), 4.8.2, 4.8.3, 4.8.4, 4.8.5 and 4.8.6;
- Section 5. Governance: paragraphs 5.1, 5.2, 5.3, 5.4, 5.5, 5.6 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	- Identify the material topics for the sector, for the Fideuram Group and for its stakeholders - Identify and prioritise significant stakeholders	- Identify the material topics for the creation of value in the Fideuram Group through an internal analysis	- 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)	- Assess the importance of the main stakeholder categories in terms of influence on the Group and dependency on the Group	- Review prioritisation of the topics in relation to their impact on the Group's strategies - Report procedure followed and results obtained
OUTPUTS	- Tree of topics - Stakeholders tree	- Shortlist of material topics	- Preparation of materiality matrix	- Preparation of materiality matrix and stakeholder matrix	- Sharing of materiality matrix with Management - Publication of Integrated Annual Report focused on material aspects

The materiality matrix below shows the positioning of topics in relation to their priority for the Group and relevance for stakeholders.

The area between the two variables is divided into bands of increasing materiality for the creation of value. The material topics are those in the top right-hand quadrant of the 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

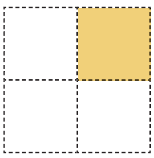
MATERIAL TOPICS (HIGH RELEVANCE)

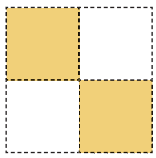
1 = Security and management of customer portfolios
2 = Maintenance of Group solidity and profitability
3 = Development of sales networks and quality of service offered
4 = Suitability of financial product offered
5 = Innovation
6 = Brand Reputation
7 = Customer satisfaction
8 = Personal Financial Adviser training and development
9 = Risk management
10 = Compliance

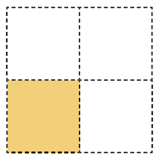
STAKEHOLDER

Customers
Personal Financial Advisers
Employees
Community and Institutions
Shareholder
Environment

The materiality assessments of the individual topics are shown in relation to the matrix quadrants below:







HIGH RELEVANCE

1.	SECURITY AND MANAGEMENT OF CUSTOMER PORTFOLIOS
2.	MAINTENANCE OF GROUP SOLIDITY AND PROFITABILITY
3.	DEVELOPMENT OF SALES NETWORKS AND QUALITY OF SERVICE OFFERED
4.	SUITABILITY OF FINANCIAL PRODUCT OFFERED
5.	INNOVATION
6.	BRAND REPUTATION
7.	CUSTOMER SATISFACTION
8.	TRAINING AND DEVELOPMENT OF PERSONAL FINANCIAL ADVISERS
9.	RISK MANAGEMENT
10.	COMPLIANCE

MEDIUM-HIGH RELEVANCE

11.	HIGH NET WORTH INDIVIDUALS AND PRIVATE BANKING CUSTOMERS
12.	INTERNET AND HOME BANKING
13.	CORPORATE GOVERNANCE
14.	EMPLOYEE TRAINING
15.	PERFORMANCE MANAGEMENT AND CAREER PATHS

MEDIUM-LOW RELEVANCE

16.	CLIMATE CHANGE

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	- Transparent management of customer portfolios - Financial fraud prevention - Monitoring of Personal Financial Adviser-customer relations - Strengthening retention mechanisms (both for Personal Financial Advisers and customer portfolios)	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	- Market competitiveness - Continuity of customer services	Economic Performance Market presence	201-1, 201-4, 202-1	Fideuram Group	Customers Supervisory Authority Community
Development of sales Networks and quality of service offered	- Strengthening the sales network and dedicated channels for contacting existing and potential customers - Customisation of product offering to meet customer needs - Developing consulting services, so as to anticipate market requirements - Prompt and effective response to customer needs - Financial literacy and promotion of responsible investment management culture	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	- 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) - Inclusion of ethical, social and environmental criteria in evaluation of investments (e.g. green bond and social venture fund)	Marketing and Labelling Complaints	417-3	Fideuram Group Personal Financial Advisers	Customers Community
Innovation	- New tools available to customers - Product innovation - Service innovation	Product responsibility	FS14	Fideuram Group	Customers Community
Brand reputation	- IT security in terms of preventing online fraud and personal data protection (privacy) of customers - Brand reputation	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	- Accessibility of services for customers with physical disabilities - Customer satisfaction surveys on quality of services offered by the Group - Effective management of customer reports and complaints to improve service	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	- Recruitment and induction of young talent in sales network through diverse systems of entry to the profession - Specialist training for Personal Financial Advisers - Further development of the tools supporting advisory services	Training and Education	404-1	Fideuram Group Personal Financial Advisers	Customers Supervisory Authority Community
Risk management	- Anti-competitive and antitrust policies - Management of business-related risks	Anti-Competitive Behaviour Public Policy	206-1, 415-1	Fideuram Group	Supervisory Authority Community
Compliance	- Regulatory compliance - Appropriate updating on developments in the reference regulatory framework	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	- Customers with financial assets potentially totalling between €500,000 and €10,000,000 - Focus on HNWI customers to obtain economies of scale and ensure creation of value in a manner that is sustainable over time - Growth and development prospects in the market	Economic Performance Marketing and Labelling	102-43, 201-1, 417-3	Fideuram Group Personal Financial Advisers	Customers Supervisory Authority
Internet and home banking	- E-banking and services virtualization - Availability of diversified and interactive channels for Bank-customer communications	Product responsibility	FS14	Fideuram Group	Customers Community
Corporate Governance	- 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	Anti-corruption Diversity and Equal Opportunities Socioeconomic Compliance	205-3, 405-1, 419-1	Fideuram Group	Supervisory Authority Community
Employee training	- 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	Training and Education	404-1, 404-2, 404-3	Fideuram Group Employees	Customers
Performance management and career paths	- Performance management system (assessment of employee performance and transparency of criteria used) - Remuneration systems with reward mechanisms for management and colleagues (MBO, bonuses, balanced management of remuneration differentials etc.) - Transfer and sharing of competencies between colleagues - Attraction capability, development and retention mechanisms	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 as well as communication activities.

A management model has been designed to enable us to monitor the entire engagement process with the objective of adhering to the three principles of the AA1000APS standard. This monitoring extends from the mapping of stakeholders and quality assessment of engagement initiatives to the proposals and weaknesses that emerge, and the action plan resulting from balancing corporate strategy and input from stakeholders.
The stakeholders involved in the materiality analysis process were selected at the end of the phase involving Group Management.

The stakeholders were selected to meet the following requirements:

RESPONSIBILITY	Parties for whom the Group has responsibilities (legal, financial and operational) that are formalised in regulations, contracts and company policies.
INFLUENCE	Parties that are currently or could in the future be able to influence the Group's decision-making processes. Can include parties who have an informal influence over those with formal decision-making powers.
PROXIMITY	Parties with whom the Group has established long-term relations and parties on whom the Group depends for its day-to-day operations.
REPRESENTATION	Parties that by law or culture and tradition act in a representative capacity for other individuals.
STRATEGY	Parties with whom the Group has entered into direct or indirect relations in line with its policies and strategic choices.

The following stakeholder groups were identified: customers, Shareholder, Personal Financial Advisers, employees, suppliers and associations.

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 2019, 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
GRI 101: FOUNDATION 2016			
GENERAL DISCLOSURES			
GRI 102: General disclosures 2016	**ORGANISATIONAL PROFILE**		
	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	Key Performance Indicators
	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 2019, 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 Commitment to sustainable development
	102-13	Membership of associations	The financial system and other institutions
	STRATEGY		
	102-14	Statement from senior decision-maker	Chairman's Statement Managing Director's Statement
	102-15	Chairman's Statement Managing Director's Statement	Key Performance Indicators Human capital (Monitoring of social, environmental, and reputational risks) Corruption risk monitoring Suppliers
	ETHICS AND INTEGRITY		
	102-16	Values, principles, standards, and norms of behavior	The values and history of the Group

Continued overleaf >>

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GRI STANDARDS	DISCLOSURE		PARAGRAPH
GRI 102: General disclosures 2016	**GOVERNANCE**		
	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
	STAKEHOLDER ENGAGEMENT		
	102-40	List of stakeholder groups	Stakeholders
	102-41	Collective bargaining agreements	Contractual Relations
	102-42	Identifying and selecting stakeholders	Stakeholders Sustainability reporting methodology: Stakeholder engagement
	102-43	Approach to stakeholder engagement	Tools supporting Advisory Services Network services Customer events Sustainability reporting 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.
	REPORTING PRACTICE		
	102-45	Entities included in the consolidated financial statements	Group structure Role of sub-holding company Sustainability reporting methodology: Period and scope of reporting
	102-46	Defining report content and topic Boundaries	Sustainability reporting methodology
	102-47	List of material topics	Sustainability reporting methodology: Materiality analysis, Materiality matrix
	102-48	Restatements of information	During 2019, no significant restatements were made compared with the previous year.
	102-49	Changes in reporting	During 2019, no significant changes were made compared with the previous year's report.
	102-50	Reporting period	31.12.2019
	102-51	Date of most recent report	March 2019
	102-52	Reporting cycle	Sustainability reporting 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 Sustainability reporting methodology: Reference standards
	102-55	GRI content index	Overview tables of GRI indicators
	102-56	External assurance	Independent Auditors' Report
MATERIAL TOPICS			
ECONOMIC PERFORMANCE			
GRI 103: Management approach 2016	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
GRI 201: Economic Performance 2016	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)

GRI STANDARDS	DISCLOSURE		PARAGRAPH
MARKET PRESENCE			
GRI 103: Management approach 2016	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
GRI 202: Market presence 2016	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
PROCUREMENT PRACTICES			
GRI 103: Management approach 2016	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
GRI 204: Procurement Policies 2016	204-1	Proportion of spending on local suppliers	Suppliers
ANTI-CORRUPTION			
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 205: Anti-corruption 2016	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.
ANTI-COMPETITIVE BEHAVIOUR			
GRI 103: Management approach 2016	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.
GRI 206: Anti-Competitive Behaviour 2016	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.
EMPLOYMENT			
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 401: Employment 2016	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
LABOR/MANAGEMENT RELATIONS			
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 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	Contractual Relations
OCCUPATIONAL HEALTH AND SAFETY			
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 403: Occupational Health and Safety 2016	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 2019.
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 - Part E

ADDITIONAL INDICATORS

INDICATORS	PARAGRAPH
CUSTOMERS	
Customer complaints by type	Customer feedback
Customer complaints by reason	Customer feedback
Net Promoter Score (NPS)	Customer Satisfaction Survey
Customer Satisfaction Index (CSI)	Customer Satisfaction Survey
SHAREHOLDERS	
Rating	Key Performance Indicators
EMPLOYEES	
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
PERSONAL FINANCIAL ADVISERS	
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
COMMUNITY	
In-house ESG products for client assets	Commitment to sustainable development
GOVERNANCE	
Composition of the Board of Directors by professional expertise	Governance
NON-DISCRIMINATION	
406-1 Episodes of discrimination and corrective measures taken	One complaint was received during 2019 concerning human rights and Code of Ethical Conduct violations and discriminatory practices.
CLIMATE CHANGE	
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
305-1 Direct greenhouse gas emissions (Scope1)	Atmospheric emissions
305-2 Indirect greenhouse gas emissions (Scope2)	Atmospheric emissions
306-2 Waste by type and disposal method	Other environmental objectives
307-1 Non-compliance with environmental laws and regulations	No significant fines or non-monetary penalties were reported during the last three years.
FINANCIAL SERVICES SECTOR DISCLOSURES	
FS1 Policies with specific environmental and social components applied to the business lines	Sustainable finance
FS2 Procedures to assess and verify social and environmental risks in the business lines	Sustainable finance
FS6 Percentage of the portfolio broken down by business lines, specific geographical areas, size (e.g. micro/SME/large) and sector	Client financial assets
FS9 Scope and frequency of audits to assess the implementation of social and environmental policies and risk assessment procedures	Sustainable finance
FS14 Initiatives to improve access to financial services by disadvantaged persons	Accessibility of services
FS16 Initiatives to improve financial literacy by type of beneficiary	Promoting a financial culture

9.3 Basis of preparation of the restated and reclassified financial statements

The comparative analysis of the balance sheet and income statement data for 2019 compared with the corresponding figures for 2018 reflects:

- with reference to the balance sheet and income statement, the impact of first-time adoption of IFRS 16 that, beginning on 1 January 2019, governs accounting for leases. The introduction of IFRS 16 has caused the Bank of Italy to revise its financial statement layouts, which have been published as new mandatory financial statements for banks in the 6th update to Bank of Italy Circular 262/2005;
- with reference to the income statement, the acquisition by Fideuram in April 2018 of the Swiss Group Morval Vonwiller, which operates in the private banking and wealth management sector.

Reconciliation statements of the official balance sheet and income statement and the corresponding restated balance sheet and restated income statement are provided below, so that comparisons may be made on a like-for-like basis and the effects of first-time adoption of IFRS 16 and the acquisition of the Morval Group can be adequately represented. They were prepared by making the adjustments to the historical data required to reflect retrospectively the changes which occurred in 2019. Specifically:

- the balance sheet at 31 December 2018 has been restated to include the impact of first-time adoption of IFRS 16 for comparative purposes;
- the income statement for 2018 has been restated to include both the impact of IFRS 16 and the contribution of the Morval Vonwiller Group for comparative purposes.

The balance sheet and income statement at 31 December 2019 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 financial assets mandatorily measured at fair value, which – as pertaining to the Personal Financial Advisers – have been recognised as commission expense and provisions.
- The reversal of the time value for the provision for employment termination indemnities and provisions for risks and charges arising from the application of the amortised cost method has been reclassified to net interest income.
- 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.
- The soft commissions have been reallocated to the administrative expenses that generated them.
- Expenses for fee and commission income, which are recognised in the official Bank of Italy schedule under administrative expenses, have been reclassified among fee and commission income.
- Net provisions for risks and charges relating to credit risk on commitments and guarantees issued have been reclassified among net impairment of loans.
- Net impairment on debt securities have been reclassified among "Net provisions for risks and charges and net impairment of other assets".
- Non-recurring income and expenses, including gains and losses on debt securities measured at amortised cost, have been reclassified in a separate item designated "Net non-recurring income (expenses)".
- Integration and voluntary redundancy expenses have been reclassified, net of tax effect, in a separate item designated "Integration and voluntary redundancy expenses (net of tax)".
- The effects of purchase price allocation have been recognised in a specific item, net of the tax effect, designated "Effects of purchase price allocation (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) have been reclassified in a separate item, net of tax, designated "Expenses regarding the banking system (net of tax)".

Reconciliation statements of the official and restated financial statements

Reconciliation of published consolidated balance sheet at 31 December 2018 and restated consolidated balance sheet at 1 January 2019

(€m)

	PUBLISHED BALANCE SHEET AT 31 DECEMBER 2018	EFFECT OF TRANSITION TO IFRS 16	RESTATED BALANCE SHEET AT 1 JANUARY 2019
ASSETS			
10. Cash and cash equivalents	310	-	310
20. Financial assets measured at fair value through profit or loss	294	-	294
a) financial assets held for trading	27	-	27
b) financial assets measured at fair value	-	-	-
c) other financial assets mandatorily measured at fair value	267	-	267
30. Financial assets measured at fair value through other comprehensive income	3,294	-	3,294
40. Financial assets measured at amortised cost	35,131	-	35,131
a) loans and advances to banks	23,065	-	23,065
b) loans and advances to customers	12,066	-	12,066
50. Hedging derivatives	-	-	-
60. Adjustments to financial assets subject to macro-hedging (+/-)	1	-	1
70. Equity investments	151	-	151
80. Reinsurers' share of technical reserves	-	-	-
90. Property and equipment	83	267	350
100. Intangible assets	226	-	226
of which: goodwill	140	-	140
110. Tax assets	198	-	198
a) current	42	-	42
b) deferred	156	-	156
120. Non-current assets held for sale and discontinued operations	12	-	12
130. Other assets	1,065	-	1,065
TOTAL ASSETS	**40,765**	**267**	**41,032**

(€m)

LIABILITIES AND SHAREHOLDERS' EQUITY	PUBLISHED BALANCE SHEET AT 31 DECEMBER 2018	EFFECT OF TRANSITION TO IFRS 16	RESTATED BALANCE SHEET AT 1 JANUARY 2019
10. Financial liabilities measured at amortised cost	35,496	267	35,763
a) due to banks	3,366	43	3,409
b) due to customers	32,130	224	32,354
c) debt on issue	-	-	-
20. Financial liabilities held for trading	28	-	28
30. Financial liabilities measured at fair value	-	-	-
40. Hedging derivatives	808	-	808
50. Adjustments to financial liabilities subject to macro-hedging (+/-)	-	-	-
60. Tax liabilities	82	-	82
a) current	10	-	10
b) deferred	72	-	72
70. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-
80. Other liabilities	1,031	-	1,031
90. Provision for employment termination indemnities	48	-	48
100. Provisions for risks and charges:	468	-	468
a) commitments and guarantees	1	-	1
b) pensions and other commitments	14	-	14
c) other provisions for risks and charges	453	-	453
110. Technical reserves	-	-	-
120. Valuation reserves	(12)	-	(12)
130. Redeemable shares	-	-	-
140. Equity instruments	-	-	-
150. Reserves	1,476	-	1,476
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	-	834
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**40,765**	**267**	**41,032**

Reconciliation of published consolidated income statement at 31 December 2018 and restated consolidated income statement at 31 December 2018

(€m)	2018 PUBLISHED	CHANGE IN SCOPE OF CONSOLIDATION (*)	EFFECT OF TRANSITION TO IFRS 16	2018 RESTATED
10. Interest income and similar income	242	-	-	242
of which: interest income calculated with the effective interest method	*328*	-	-	*328*
20. Interest expense and similar expense	(83)	-	(4)	(87)
30. Net interest income	**159**	**-**	**(4)**	**155**
40. Fee and commission income	2,457	6	-	2,463
50. Fee and commission expense	(763)	(1)	-	(764)
60. Net fee and commission income	**1,694**	**5**	**-**	**1,699**
70. Dividends and similar income	-	-	-	-
80. Net profit (loss) on trading activities	9	1	-	10
90. Net profit (loss) on hedging derivatives	-	-	-	-
100. 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)
120. Total net interest and trading income	**1,869**	**6**	**(4)**	**1,871**
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	-	-	-	-
150. Operating income	**1,874**	**6**	**(4)**	**1,876**
160. Net insurance premiums	-	-	-	-
170. Other income/expense from insurance activities	-	-	-	-
180. Operating income from financing and insurance activities	**1,874**	**6**	**(4)**	**1,876**
190. Administrative expenses:	(873)	(6)	39	(840)
a) personnel expenses	(362)	(4)	-	(366)
b) other administrative expenses	(511)	(2)	39	(474)
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)	-	(35)	(40)
220. Amortisation of intangible assets	(17)	-	-	(17)
230. Other income/expense	240	-	-	240
240. Operating expenses	**(669)**	**(6)**	**4**	**(671)**
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	-	-	-	-
290. Profit (loss) before tax from continuing operations	**1,214**	**-**	**-**	**1,214**
300. Income taxes for the year on continuing operations	(380)	-	-	(380)
310. Profit (loss) after tax from continuing operations	**834**	**-**	**-**	**834**
320. Profit (loss) after tax from discontinued operations	-	-	-	-
330. Net profit (Loss) for the year	**834**	**-**	**-**	**834**
340. Net profit (loss) for the year attributable to non-controlling interests	-	-	-	-
350. Parent company interest in net profit (loss) for the year	**834**	**-**	**-**	**834**

(*) 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 restated consolidated balance sheet and reclassified consolidated balance sheet

(€m)

RECLASSIFIED BALANCE SHEET ITEMS – ASSETS	CONSOLIDATED BALANCE SHEET ITEMS – ASSETS	31.12.2019	1.1.2019
Financial assets measured at fair value through profit or loss		349	294
	Item 20. Financial assets measured at fair value through profit or loss	*349*	*294*
Financial assets measured at fair value through other comprehensive income		3,189	3,294
	Item 30. Financial assets measured at fair value through other comprehensive income	*3,189*	*3,294*
Debt securities measured at amortised cost		15,275	13,299
	Item 40. a) (partial) Financial assets measured at amortised cost – Loans and advances to banks - securities	*12,766*	*10,764*
	Item 40. b) (partial) Financial assets measured at amortised cost – Loans and advances to customers - securities	*2,509*	*2,535*
Loans to banks		17,198	12,301
	Item 40. a) Financial assets measured at amortised cost – Loans and advances to banks	*17,198*	*12,301*
Loans to customers		9,329	9,531
	Item 40. b) Financial assets measured at amortised cost – Loans and advances to customers	*9,329*	*9,531*
Hedging derivatives		20	-
	Item 50. Hedging derivatives	*20*	*-*
Equity investments		170	151
	Item 70. Equity investments	*170*	*151*
Property and equipment and intangible assets		614	576
	Item 90. Property and equipment	*380*	*350*
	Item 100. Intangible assets	*234*	*226*
Tax assets		164	198
	Item 110. Tax assets	*164*	*198*
Other assets		1,459	1,388
	Item 10. Cash and cash equivalents	*335*	*310*
	Item 60. Adjustments to financial assets subject to macro-hedging (+/-)	*11*	*1*
	Item 120. Non-current assets held for sale and discontinued operations	*6*	*12*
	Item 130. Other assets	*1,107*	*1,065*
Total assets	**Total assets**	**47,767**	**41,032**

RECLASSIFIED BALANCE SHEET ITEMS – LIABILITIES	CONSOLIDATED BALANCE SHEET ITEMS – LIABILITIES	31.12.2019	1.1.2019
Due to banks		3,033	3,409
	Item 10. a) Financial liabilities measured at amortised cost – due to banks	*3,033*	*3,409*
Due to customers		39,024	32,354
	Item 10. b) Financial liabilities measured at amortised cost – due to customers	*39,024*	*32,354*
Financial liabilities held for trading		33	28
	Item 20. Financial liabilities held for trading	*33*	*28*
Hedging derivatives		930	808
	Item 40. Hedging derivatives	*930*	*808*
Tax liabilities		94	82
	Item 60. Tax liabilities	*94*	*82*
Other liabilities		1,215	1,079
	Item 80. Other liabilities	*1,167*	*1,031*
	Item 90. Provision for employment termination indemnities	*48*	*48*
Provisions for risks and charges		478	468
	Item 100. Provisions for risks and charges	*478*	*468*
Share capital and reserves		2,054	1,970
	Items 120, 150, 160, 170 Equity attributable to owners of the parent company	*2,054*	*1,970*
Net Profit		906	834
	Item 200. Net profit (loss) for the year	*906*	*834*
Total liabilities	**Total liabilities and shareholders' equity**	**47,767**	**41,032**

Reconciliation of restated consolidated income statement and reclassified consolidated income statement

(€m)

RECLASSIFIED CONSOLIDATED INCOME STATEMENT ITEMS	CONSOLIDATED INCOME STATEMENT ITEMS	2019	2018 RESTATED
Net interest income		177	155
	Item 30. Net interest income	*178*	*155*
	Item 190. a) (partial) Time value component of provision for employment termination indemnities	*(1)*	*-*
Net profit (loss) on financial assets and liabilities at fair value		41	21
	Item 80. Net profit (loss) on trading activities	*13*	*10*
	Item 100. b) Net profit (loss) on sale or purchase of financial assets measured at fair value through other comprehensive income	*24*	*13*
	Item 110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	*27*	*(17)*
	- Item 100. b) (partial) Costs related to banking system	*-*	*7*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*(23)*	*8*
Net fee and commission income		1,747	1,695
	Item 60. Net fee and commission income	*1,747*	*1,699*
	- Item 60. (partial) Soft commission	*(2)*	*(2)*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*6*	*(2)*
	- Item 190. b) (partial) Component of administrative expenses relating to fee and commission income	*(4)*	*-*
Net interest and trading income		**1,965**	**1,871**
Profit on equity investments and other income (expense)		5	10
	Item 230. Other income/expense	*242*	*240*
	Item 250. Profit (loss) on equity investments	*8*	*9*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*-*	*(3)*
	- Item 230. (partial) Recovery of indirect taxes	*(246)*	*(236)*
	- Item 230. (partial) Expenses for termination incentives for Vivaldi Project	*1*	*-*
Net operating income		**1,970**	**1,881**
Personnel expenses		(356)	(349)
	Item 190. a) Personnel expenses	*(363)*	*(366)*
	- Item 190. a) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*6*	*11*
	- Item 190. a) (partial) Expenses for termination incentives for Vivaldi Project	*-*	*6*
	- Item 190. a) (partial) Time value component of provision for employment termination indemnities	*1*	*-*
Other administrative expenses		(198)	(197)
	Item 190. b) Other administrative expenses	*(485)*	*(474)*
	- Item 60. (partial) Soft commission	*2*	*2*
	- Item 190. b) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*11*	*18*
	- Item 190. b) (partial) Costs related to banking system	*24*	*20*
	- Item 190. b) (partial) Component of administrative expenses relating to fee and commission income	*4*	*-*
	- Item 190. b) (partial) Costs related to integration of Swiss Hub	*-*	*1*
	- Item 230. (partial) Recovery of indirect taxes	*246*	*236*
Depreciation and amortisation		(55)	(47)
	Item 210. Depreciation of property and equipment	*(48)*	*(40)*
	Item 220. Amortisation of intangible assets	*(20)*	*(17)*
	- Item 220. (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*11*	*9*
	- Item 220. (partial) Amortisation of Client Assets recognised in intangible assets following PPA Morval	*2*	*1*
Net operating expenses		**(609)**	**(593)**
Net operating income (expenses)		**1,361**	**1,288**
Net impairment of loans		(2)	5
	Item 130. Net impairment for credit risk	*(6)*	*5*
	- Item 130. a) (Partial) Net impairment/reversal of impairment for credit risk related to financial assets measured at amortised cost - Debt securities	*4*	*-*
Net provisions for risks and charges and net impairment of other assets		(30)	(17)
	Item 200. Net provisions for risks and charges	*(32)*	*(14)*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*17*	*(3)*
	- Item 130. a) (Partial) Net impairment/reversal of impairment for credit risk related to financial assets measured at amortised cost - Debt securities	*(4)*	*-*
	- Item 200. (partial) Use in excess of Risk provision for tax dispute	*(9)*	*-*
	- Item 200. (partial) Expenses for termination incentives for Vivaldi Project	*(2)*	*-*

Continued overleaf >>

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RECLASSIFIED CONSOLIDATED INCOME STATEMENT ITEMS	CONSOLIDATED INCOME STATEMENT ITEMS	2019	2018 RESTATED
Net non-recurring income (expenses)		9	11
	Item 100. a) Net profit (loss) on sale or repurchase of financial assets measured at amortised cost	*-*	*11*
	- Item 200. (partial) Use in excess of Risk provision for tax dispute	*9*	*-*
Pre-tax profit (loss) on continuing operations		**1,338**	**1,287**
Income taxes for the year on continuing operations		(395)	(403)
	Item 300. Income taxes for the year on continuing operations	*(380)*	*(380)*
	- Item 300. (partial) Tax impact on costs related to integration of Intesa Sanpaolo Private Banking	*(8)*	*(12)*
	- Item 300. (partial) Tax impact on costs related to the banking system	*(8)*	*(9)*
	- Item 300. (partial) Tax impact on expenses for termination incentives for Vivaldi Project	*1*	*(2)*
Integration and voluntary redundancy expenses (net of tax)		(20)	(31)
	- Item 190. a) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*(6)*	*(11)*
	- Item 190. a) (partial) Expenses for termination incentives for Vivaldi Project	*-*	*(6)*
	- Item 190. b) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*(11)*	*(18)*
	- Item 190. b) (partial) Costs related to integration of Swiss Hub	*-*	*(1)*
	- Item 220. (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*(11)*	*(9)*
	- Item 300. (partial) Tax impact on costs related to integration of Intesa Sanpaolo Private Banking	*8*	*12*
	- Item 300. (partial) Tax impact on expenses for termination incentives for Vivaldi Project	*-*	*2*
Effects of purchase price allocation (net of tax)		(2)	(1)
	- Item 220. (partial) Amortisation of Client Assets recognised in intangible assets following PPA Morval	*(2)*	*(1)*
Expenses regarding the banking system (net of tax)		(16)	(18)
	- Item 100. b) (partial) Costs related to banking system	*-*	*(7)*
	- Item 190. b) (partial) Costs related to banking system	*(24)*	*(20)*
	- Item 300. (partial) Tax impact on costs related to the banking system	*8*	*9*
Net profit (Loss) for the year attributable to non-controlling interests		1	-
	- Item 340. Net profit (loss) for the year attributable to non-controlling interests	*1*	*-*
Net Profit	**Item 350. Parent company interest in net profit (loss) for the year**	**906**	**834**

9.4 Value Added Statement

The Group's Value Added Statement shown below has been prepared using the income statement figures from the 2019 Consolidated Financial Statements. These figures have been reclassified following the guidelines of the Italian Banking Association (Associazione Bancaria Italiana - ABI), updated on 24 October 2019, 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)

		2019	2018	2017
FINANCIAL STATEMENT ITEMS				
10.	Interest income and similar income	259	241	331
20.	Interest expense and similar expense	(81)	(83)	(160)
40.	Fee and commission income	2,533	2,457	2,416
50.	Fee and commission expense (not including expense for Personal Financial Advisers Network)	(105)	(100)	(98)
70.	Dividends and similar income	-	-	-
80.	Net profit (loss) on trading activities	13	9	8
90.	Net profit (loss) on hedging derivatives	-	-	1
100.	Net profit (loss) on sale or repurchase of:	24	24	5
	a) financial assets measured at amortised cost	-	11	6
	b) financial assets measured at fair value through other comprehensive income	24	13	(1)
	c) financial liabilities	-	-	-
110.	Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss	27	(17)	6
	a) financial assets and liabilities measured at fair value	-	-	6
	b) financial assets mandatorily measured at fair value	27	(17)	-
130.	Net impairment for credit risk related to:	(6)	5	(1)
	a) financial assets measured at amortised cost	(6)	4	2
	b) financial assets measured at fair value through other comprehensive income	-	1	(3)
140.	Gains/losses on contractual changes without cancellation	-	-	-
160.	Net insurance premiums	-	-	-
170.	Other income/expense from insurance activities	-	-	-
230.	Other income/expense	242	239	250
250.	Profit (loss) on equity investments (Profit/losses from sales)	-	-	-
260.	Net fair value gains (losses) on property and equipment and intangible assets	-	-	-
280.	Gain (loss) on disposal of investments	-	-	8
320.	Profit (loss) after tax from discontinued operations	-	-	-
A.	**Total Wealth created**	**2,906**	**2,775**	**2,766**
190.b	Other administrative expenses (net of indirect taxes, gifts/donations and charges for termination provisions and deposit guarantees)	(209)	(255)	(234)
	Value distributed to suppliers	**(209)**	**(255)**	**(234)**
190.a	Personnel expenses (including Personal Financial Advisers Network)	(1,076)	(1,040)	(1,036)
	Value distributed to employees and Personal Financial Advisers	**(1,076)**	**(1,040)**	**(1,036)**
340.	Net profit (loss) for the year attributable to non-controlling interests	1	-	-
	Value distributed to third parties	**1**	**-**	**-**
	Profit distributed to shareholders	(837)	(810)	(788)
	Value distributed to shareholders	**(837)**	**(810)**	**(788)**
190.b	Other administrative expenses: indirect taxes	(252)	(236)	(230)
190.b	Other administrative expenses: charges for termination provisions and deposit guarantees	(24)	(20)	(11)
300.	Income taxes for the year on continuing operations (for the portion for current taxes, changes in current taxes from previous years and the reduction in current taxes for the year)	(361)	(352)	(317)
	Value distributed to Central and Branch Administration	**(637)**	**(608)**	**(558)**
190.b	Other administrative expenses: donations and gifts	(1)	-	(1)
	Value distributed to community and environment	**(1)**	**-**	**(1)**
B.	**Total Value distributed**	**(2,759)**	**(2,713)**	**(2,617)**
C.	**Total Value retained**	**147**	**62**	**149**

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
Alternative investments are generally characterised by certain innovative elements compared to traditional investments. These innovative elements may concern the asset class of the investment (considered to be alternative) or the investment strategy used.

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 personal 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 1% of risk-weighted assets remains unchanged, a new system of rules was developed for measuring typical banking and financial sector risks (credit risk, counterparty risk, market risk and operational risk) that provides for alternative calculation approaches with different levels of complexity and offers the option, following prior authorisation by the Regulator, of internally-developed approaches.
- Pillar 2: requires banks to adopt processes and tools that equip them with an Internal Capital Adequacy Assessment Process (ICAAP) that is appropriate for every type of risk, including forms other than those covered by the minimum capital requirement (first pillar), for the purposes of assessing current and prospective risk in a manner that takes strategies and developments in the reference scenario into account. The Supervisory Authorities are tasked with examining the ICAAP process, formulating an overall judgement and specifying appropriate corrective measures where necessary.
- Pillar 3: introduces obligations regarding the publication of information on capital adequacy, risk exposure and the general characteristics of the systems in place for identifying, measuring and managing risk.

Basel III
Set of reforms drawn up by the Basel Committee on Banking Supervision following the 2007-2008 financial crisis with the aim of improving the existing capital adequacy framework for the banking sector (Basel II), the effectiveness of supervision and the ability of intermediaries to manage the risks they assume.

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.

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.

Buono Ordinario del Tesoro (BOT)
A BOT 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.

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.

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.

Certificato del Tesoro Zero Coupon (CTZ)
The CTZ Zero Coupon Treasury Certificate issued by the Italian Ministry of Economy and Finance does not have a coupon and only pays interest upon repayment.

Certificato di Credito del Tesoro (CCT)
The CCT is a floating-rate, medium-long term security issued by the Italian Ministry of Economy and Finance which offers a coupon that is indexed to the BOT treasury bill yield, increased by a given amount.

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 CCR) 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 of net operating expenses to net operating income. 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 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).

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.

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.

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.

Customer Satisfaction Index (CSI)
This is an indicator that measures customer satisfaction with regard to the company.
The CSI is based on a simple question to the customer to see what assessment they attribute to the company: from 1 to 10 where 10 is the highest and 1 the lowest.

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, this was 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.

Doubtful loan
Loan to a party that is insolvent or in a substantially equivalent situation.

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 (Environmental, 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.

Euro Short-Term Rate (€STR)
New rate for loans, also known as Ester. This new index will definitively replace Eonia (Euro Overnight Index Average) to become the official average short-term interest rate of transactions on the European interbank market, i.e. those transactions that need to be settled by the end of the day following the day they were set up.

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 cross-border groups, of promoting greater EU harmonisation of insurance and pensions rules, and of protecting consumers.

European Investment Bank (EIB)
European Union financing institution that supports public or private investment projects in line with EU objectives.

European Option
An option that may be exercised only at the expiry date of the option.

European Securities and Markets 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 27 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 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 rate
The ratio between two different currencies stated as the value of one country's currency expressed in the currency of another.

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 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.

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.

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 non-performing 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.

Greenhouse gas emissions
Total amount of greenhouse gas emissions produced by an entity.

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, 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 ser-

vices 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.

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 IAS 36, 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 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.

Interest
Remuneration for principal borrowed.

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 insurees 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 substantively influence the assessments and decisions of stakeholders.

Materiality
Consists in determining the relevance and significance of a topic for an organisation and its stakeholders. A topic is material to an organisation and its stakeholders if it influences their decisions, actions and performance.

Mercato interbancario dei depositi (e-MID - interbank market of deposits)
Electronic market for trading in interbank deposits operated by the company e-MID S.p.A..

Mercato Telematico Azionario (MTA - electronic stock exchange)
The electronic stock exchange division of the Italian stock exchange on which ordinary shares, preference shares, savings shares, convertible bonds, pre-emption rights, warrants, covered warrants and 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 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.

MiFID
The Markets in Financial Instruments Directive is Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 regarding investment services in the financial instruments sector.

Monte Titoli S.p.A.
Joint stock company that acts as Italy's centralised manager of the shares and bonds issued by private companies. Financial instruments listed in Italy must be entered in Monte Titoli's dematerialisation and centralisation system, which records every change of ownership.

Morgan Stanley Capital International All Country World Index (MSCI ACWI)
An index measuring the stock performance of principal listed companies worldwide. The vast measurement basis of the index reflects the average situation of stock markets worldwide and provides information on the performance of a hypothetical equity investment on the world market, measured as the weighted average of the performance of the regional markets. The MSCI ACWI is made up of 49 country indices, comprising 23 of securities traded on developed country markets and 26 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.

Net Promoter Score (NPS)
This is an indicator that measures the propensity of customers to recommend a product, service or company. The NPS is based on a simple question to the customer to understand to what extent they would recommend the company to a friend, relative or business partner (depending on the interlocutor). Based on the opinion expressed, respondents are divided into:
- detractors: unhappy customers who could damage the company through negative word of mouth;
- passive customers: satisfied but not devoted customers, who could be influenced by competitors;
- promoters: customers who are loyal to the company and recommend it to other people.

The NPS is calculated by subtracting the percentage of detractors from the percentage of promoters. The result, however, is not expressed in percentage points, but as an absolute number between -100 and +100.

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 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.

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-premises 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.

Quantitative easing
In monetary policy, quantitative easing identifies one of the unconventional procedures that a central bank uses to intervene in a country's financial and economic system to increase the cash in circulation through the purchase of government securities or other bonds on the market.

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 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.

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.

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 client assets.

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 On Assets (ROA)
The ratio of net profit to total assets.

Return On Equity (ROE)
The ratio of net profit to average shareholders' equity.

Return
The total profit on an investment expressed as a percentage of the capital invested.

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 information 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.

Scope1 emissions
Greenhouse gas emissions generated by the head office of an enterprise and by the vehicles owned by that same enterprise.

Scope2 emissions
Greenhouse gas emissions deriving from the consumption of electricity, heating and air conditioning that the company purchases from outsourcers.

Scope3 emissions
Indirect emissions produced by the activity of an organisation (excluding the emissions already counted in Scope2). This category includes both "upstream" emissions, i.e. emissions deriving from production of the tools that the company needs during its own production process, and "downstream" emissions, i.e. the emissions caused by the goods produced by the company during their life cycle.

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 risk, arising in securities transactions, of the counterparty not fulfilling their obligation to deliver the securities or pay the amount owed after maturity.

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 Resolution Mechanism (SRM)
One of the three pillars of the euro area banking union, set up in 2014 to meet the challenges of fragmentation in the European financial market. The mechanism provides for a Single Resolution Committee that resolves bank and investment firm crises in the euro area, operating in accordance with harmonised regulations and making use of the Single Resolution Fund.

Single Supervisory Mechanism (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 IFRS 9.

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 in

reserves at the National Central Bank. 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 write-downs 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 Go-

vernment 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

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Bari - Salò

INTESA SANPAOLO PRIVATE BANK (SUISSE) MORVAL BRANCHES

George Town, Geneva, London, Lugano

(updated at 31 December 2019)

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