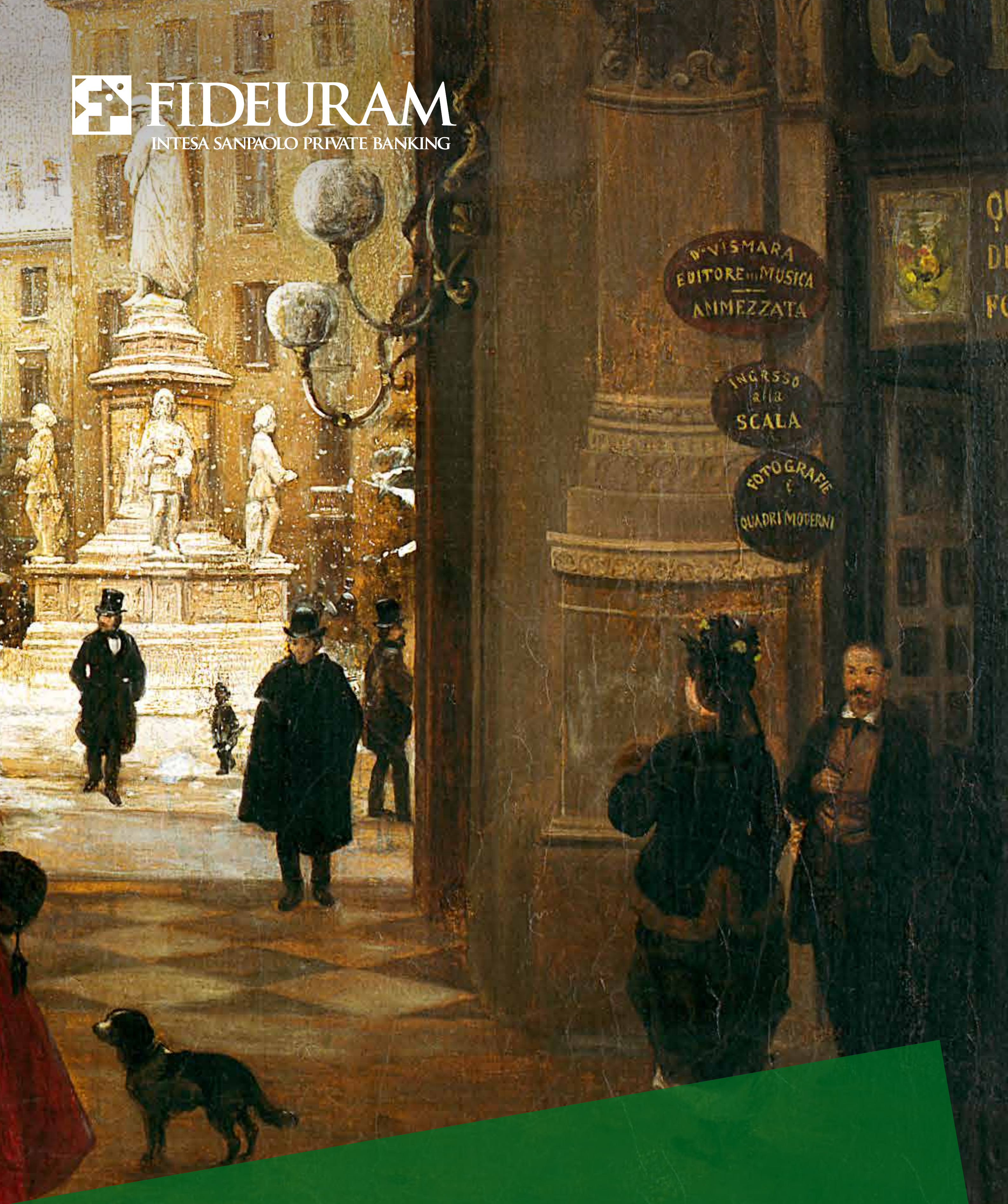
FIDEURAM
INTESA SANPAOLO PRIVATE BANKING



Interim Report at 30 September 2019

Bank of INTESA SANPAOLO

Fideuram - Intesa Sanpaolo Private Banking's **Mission**

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

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

FIDEURAM
INTESA SANPAOLO PRIVATE BANKING

Interim Report at 30 September 2019

Introduction

The Interim Report of the Fideuram – Intesa Sanpaolo Private Banking Group at 30 September 2019 is prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission.

The accounting and financial reporting standards adopted to prepare the Interim Report comply with those adopted for the Consolidated Financial Statements as at 31 December 2018 (to which consequently reference is made for more details) except for the standard that governs accounting for leases, which was changed due to the mandatory application, starting on 1 January 2019, of the new IFRS 16, replacing 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 in the Legal Form of a Lease". 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 gratuitous loan agreements, which previously were not associated with finance lease, fall within the scope of the standard. The new accounting model introduced by IFRS 16 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, the new IFRS 16 requires that these expenses be recognised as amortisation of the right of use and as the interest expenses on the payable. Pursuant to the requirements of IFRS 16 and the clarifications of IFRIC, software is excluded from the scope of application of IFRS 16, and is thus recognised, in continuation with the past, in accordance with IAS 38 and its requirements. The types of lease falling in the scope of application of the new standard particularly concern arrangements related to real estate, cars and hardware. Real estate lease contracts represent the most important area to be affected.
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 for the financial statements of the year when IFRS 16 was applied for the first time.

In the first quarter of 2019, the integration of the Swiss companies of the 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 that will guide the foreign development of the Group assumed the company name of "Intesa Sanpaolo Private Bank (Suisse) Morval S.A."
On 18 July 2019, the extraordinary 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 Consolidated Interim Report comprises the balance sheet, income statement, statement of comprehensive income and statement of changes in shareholders' equity, accompanied by explanatory notes on the Group's performance.
The balance sheet and income statement as at and for the period ended 30 September 2019 referred to in the explanatory notes have been reclassified to facilitate comparison of the figures for different periods and to enable a clearer and more immediate understanding of the Group's financial position and results. These statements were prepared using appropriate groupings of the items in the official financial statements.
An analysis comparing the financial and operational data for the first nine months of 2019 with the corresponding data 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). The operational and financial data presented in the balance sheet and income statement have been restated, where necessary and if material, in the notes to the financial statements 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 the scope of consolidation, as if the company transactions and the first-time adoption of IFRS 16 had become effective as of 1 January 2018. Detailed information on the restatements and reclassifications is presented in specific reconciliation statements provided in the schedules accompanying this Report.

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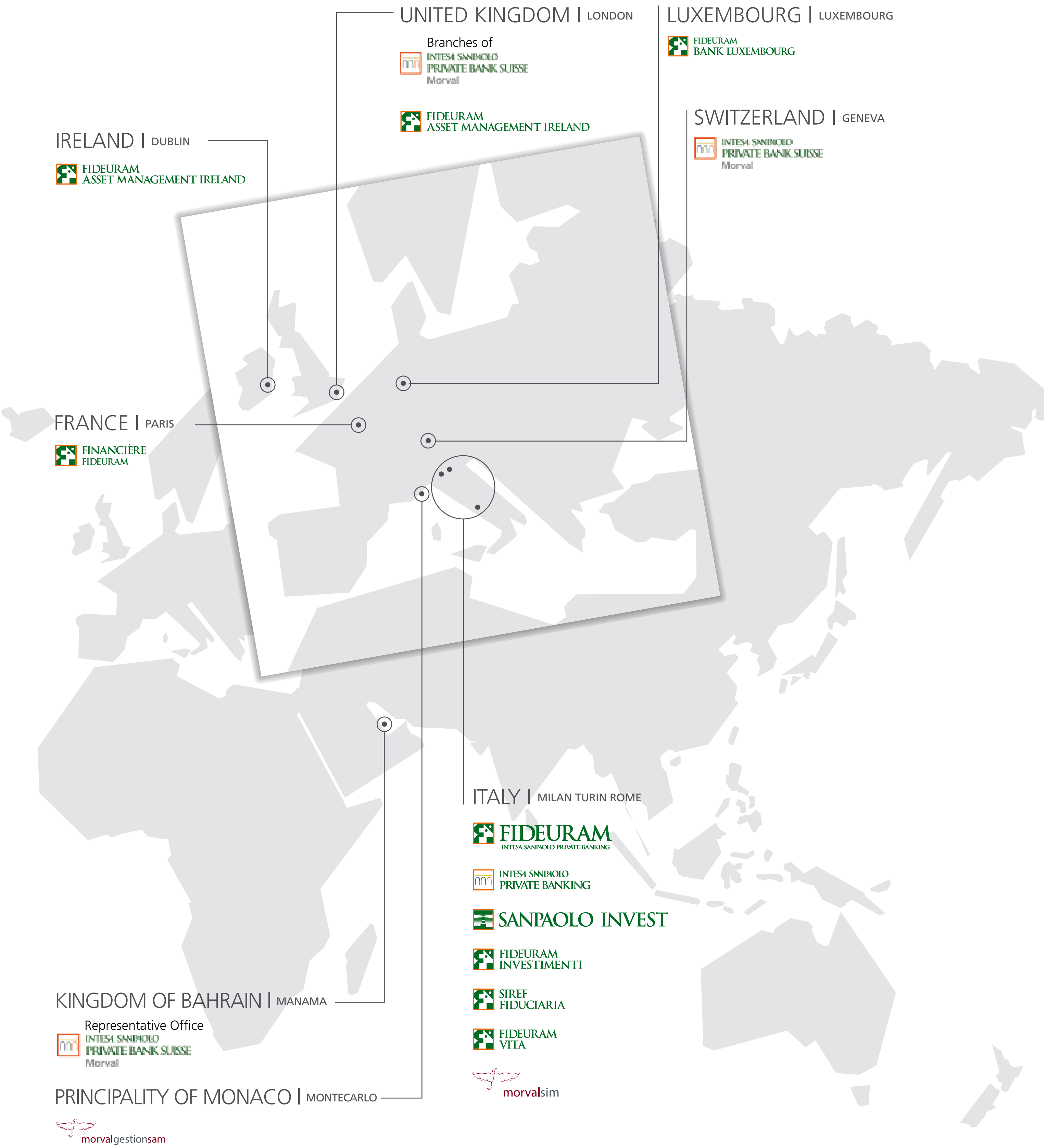
Group Structure



BRITISH VIRGIN ISLANDS | TORTOLA

morvalvonwillers
assets management co.

CAYMAN ISLANDS | GEORGE TOWN

southerngroup

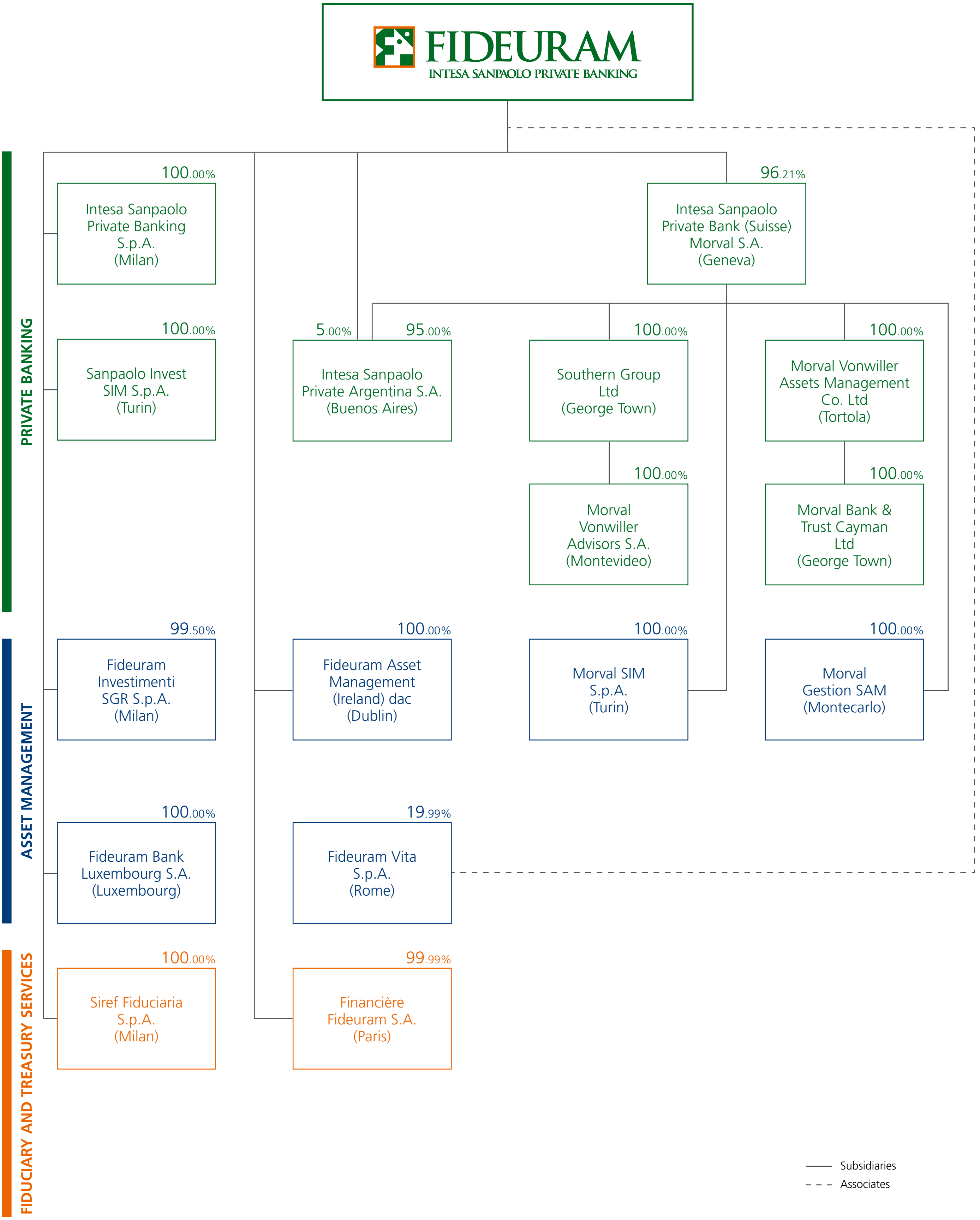
morvalbank&trust

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)
96.21% Intesa Sanpaolo Private Bank (Suisse) Morval S.A. (Geneva)
100.00% Sanpaolo Invest SIM S.p.A. (Turin)
5.00% 95.00% 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 SIM S.p.A. (Turin)
100.00% Morval Gestion SAM (Montecarlo)
100.00% Fideuram Bank Luxembourg S.A. (Luxembourg)
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

Company Officers

Shareholders' Meeting

Board of Directors

Chairman
PAOLO MARIA VITTORIO GRANDI

Acting Deputy Chairman
GIANGIACOMO DOMENICO LUIGI NARDOZZI TONIELLI

Managing Director
PAOLO MOLESINI

Directors
GIOVANNI BATTISTA BISOGNI
ELENA DAVID
CLAUDIA DE BENEDETTI
DANIELE PIETRO GIUDICI
ELIANO LODESANI
PIERO LUONGO
GIUSEPPE RUSSO

Secretary to the Board of Directors
FILIPPO MAMMOLA

Board of Statutory Auditors

Chairman
GIULIO STEFANO LUBATTI

Statutory Auditors
MARCO ANTONIO MODESTO DELL'ACQUA
LORENZO GINISIO

Acting Auditors
ALESSANDRO COTTO
FRANCESCA MONTI

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
(Operational and Financial Governance)
FABIO CUBELLI
(Business Coordination)

Manager responsible for the preparation of the company accounts
PAOLO BACCIGA

Independent Auditors
KPMG S.p.A.

Highlights

OPERATING RESULTS

Personal financial advisers No. 5,902

Customers

Fideuram No. 578,542

Intesa Sanpaolo Private Banking No. 37,963 households

Intesa Sanpaolo Private Bank (Suisse) Morval No. 1,918

Sanpaolo Invest No. 154,271

Siref Fiduciaria No. 2,012 mandates

Total Net Inflows

€7.3 bn

of which *Net Inflows into Managed Assets*

€987 bn

Client Assets

€235.9 bn

of which *Managed Assets*

€159.4 bn

of which *Advanced Advisory Service*

€38.1 bn

Fideuram and Sanpaolo Invest
13 years

Intesa Sanpaolo Private Banking
12 years

Average length of customer relationship

FINANCIAL RESULTS

Net Recurring Fees
€1.2 bn

Cost / Income Ratio
31%

Consolidated Net Profit
€659 bn

Return On Equity
32%

Key Performance Indicators

	30.9.2019	30.9.2018	% CHANGE
CUSTOMER FINANCIAL ASSETS			
Net inflows into managed assets (€m)	987	3,350	-71
Total net inflows (€m)	7,319	7,932	-8
Client Assets (€m)	235,876	220,425	7
OPERATING STRUCTURE			
Personal Financial Advisers (No.)	5,902	6,057	
Staff (No.)	3,187	3,351	
- women (No.)	1,425	1,485	
- outside Italy (No.)	313	316	
Personal Financial Advisers' Offices (No.)	323	324	
Bank Branches (No.)	233	228	
CONSOLIDATED FINANCIAL RESULTS			
Consolidated net profit (€m)	659	657	-
Group shareholders' equity (€m)	2,718	2,652	2
Basic consolidated net earnings per share (€)	0.439	0.438	-
Consolidated pay-out ratio (%)	97.07	90.39	
Fideuram pay-out ratio (%)	99.48	99.96	
Total assets (€m)	46,870	40,570	16
Wealth created (€m)	2,147	2,096	2
Value distributed (€m)	2,068	2,034	2
PROFITABILITY INDICATORS			
Return on Equity (%)	32	32	
Return on Assets (%)	2	2	
Cost / Income ratio (%)	31	30	
Payroll costs / Operating margin (%)	18	18	
Annualised net profit / Average client assets (%)	0.4	0.4	
Economic Value Added (€m)	572	582	

Counterparty rating (S&P Global)	**Long term: BBB**	**Short term: A-2**	**Outlook: Negative**

Glossary

Net inflows: total subscriptions minus disinvestments.

Client Assets: consist of:
- 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.

Personal Financial Advisers: professionals registered in Italy's Unified Register of Financial Advisers, including Trainee Financial Advisers. At the foreign companies, the Personal Financial Advisers are professionals, natural and legal persons, engaged in the sales business.

Bank Branches: branches where one can carry out banking transactions.

Basic consolidated net earnings per share: ratio of consolidated net profit to weighted average ordinary shares outstanding.

Pay-out Ratio: the ratio of the dividends that Fideuram pays its shareholder Intesa Sanpaolo to net profit (separate and consolidated) at year-end.

Wealth created and distributed: value created measures the economic value generated by the production and distribution of financial services using Fideuram's factors of production (capital and labour). Value distributed shows how the wealth created is distributed among the Group's main stakeholders.

R.O.E. (Return on Equity): the ratio of annualised consolidated net profit to average shareholders' equity.

R.O.A. (Return on Assets): the ratio of annualised consolidated net profit to total assets for the period.

Cost / Income ratio: the ratio of net operating expenses to net operating income.

E.V.A. (Economic Value Added): 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 consolidated 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.

Consolidated Interim Report

Reclassified Financial Statements

Consolidated balance sheet

(reclassified - €m)

	30.9.2019	1.1.2019 (*)	CHANGE	
			AMOUNT	%
ASSETS				
Financial assets measured at fair value through profit or loss	347	294	53	18
Financial assets measured at fair value through other comprehensive income	3,616	3,294	322	10
Debt securities measured at amortised cost	14,641	13,299	1,342	10
Loans to banks	16,244	12,301	3,943	32
Loans to customers	9,465	9,531	(66)	-1
Hedging derivatives	12	-	12	n.s.
Equity investments	166	151	15	10
Property and equipment and intangible assets	613	576	37	6
Tax assets	170	198	(28)	-14
Other assets	1,596	1,388	208	15
TOTAL ASSETS	**46,870**	**41,032**	**5,838**	**14**
LIABILITIES				
Due to banks	3,030	3,409	(379)	-11
Due to customers	37,983	32,354	5,629	17
Financial liabilities held for trading	42	28	14	50
Hedging derivatives	1,094	808	286	35
Tax liabilities	119	82	37	45
Other liabilities	1,405	1,079	326	30
Provisions for risks and charges	479	468	11	2
Share capital and reserves	2,059	1,970	89	5
Net profit	659	834	(175)	-21
TOTAL LIABILITIES	**46,870**	**41,032**	**5,838**	**14**

(*) 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)

	9 MONTHS 2019	9 MONTHS 2018 (*)	CHANGE	
			AMOUNT	%
Net interest income	132	116	16	14
Net profit (loss) on financial assets and liabilities at fair value	33	19	14	74
Net fee and commission income	1,276	1,269	7	1
INTERMEDIATION MARGIN	**1,441**	**1,404**	**37**	**3**
Profit on equity investments and other income (expense)	3	5	(2)	-40
NET OPERATING INCOME	**1,444**	**1,409**	**35**	**2**
Personnel expenses	(263)	(252)	(11)	4
Other administrative expenses	(143)	(141)	(2)	1
Depreciation and amortisation	(42)	(34)	(8)	24
NET OPERATING EXPENSES	**(448)**	**(427)**	**(21)**	**5**
OPERATING MARGIN	**996**	**982**	**14**	**1**
Net impairment of loans	-	(1)	1	-100
Net provisions for risks and charges and net impairment of other assets	(38)	(12)	(26)	n.s.
Net non-recurring income (expenses)	9	10	(1)	-10
GROSS INCOME (LOSS)	**967**	**979**	**(12)**	**-1**
Income taxes for the period on continuing operations	(279)	(294)	15	-5
Integration and voluntary redundancy expenses (net of tax)	(13)	(16)	3	-19
Effects of purchase price allocation (net of tax)	(1)	-	(1)	n.s.
Expenses regarding the banking system (net of tax)	(15)	(12)	(3)	25
NET PROFIT	**659**	**657**	**2**	**-**

(*) 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 balance sheets

(reclassified - €m)

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

Quarterly consolidated income statements

(reclassified - €m)

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

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

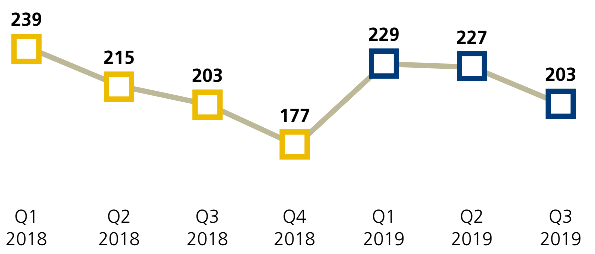
Overview of consolidated results

The Fideuram - Intesa Sanpaolo Private Banking Group ended the first nine months of 2019 with **consolidated net profit** of €**659m**, up €2m on the same period in 2018.
The Wealth created by the Group's business totalled €2.1bn in the first nine months of 2019, up €51m on the same period last year.
The return on equity (R.O.E.) was 32%.

The analysis of the main income-statement items shows that net operating income is up by €35m compared to the first nine months of the previous year due to the growth in net interest income (+€16m) and the profit on financial assets measured at fair value (+€14m), and net fee and commission income (+€7m). Conversely, net operating expenses were up by €21m and provisions for risks and charges were up by €26m. Income taxes for the period, which include some non-recurring positive items totalling €9m, recorded a fall of €15m compared with the first nine months of 2018.
The Group's Cost/Income Ratio reached 31% from 30% during the same period last year.

Consolidated net profit

(€m)



At 30 September 2019, the number of Personal Financial Advisers in the Group's networks totalled 5,902, compared with 5,995 at 31 December and 6,057 at 30 September 2018. Client assets per Personal Financial Adviser were approximately €40m at 30 September 2019. Total Group staff came to 3,187, down from 3,335 at 31 December 2018. Bank branches totalled 233 and Personal Financial Advisers' offices totalled 323.

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 about €236bn.
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 high-end customers, creating value with products and services conceived for excellence, while ensuring the increased profitability of client assets through the constant development of our product range and service delivery solutions. The Fideuram Group specialises in particular in the provision of financial advisory services and the development, management and distribution of financial, insurance and banking products and services.

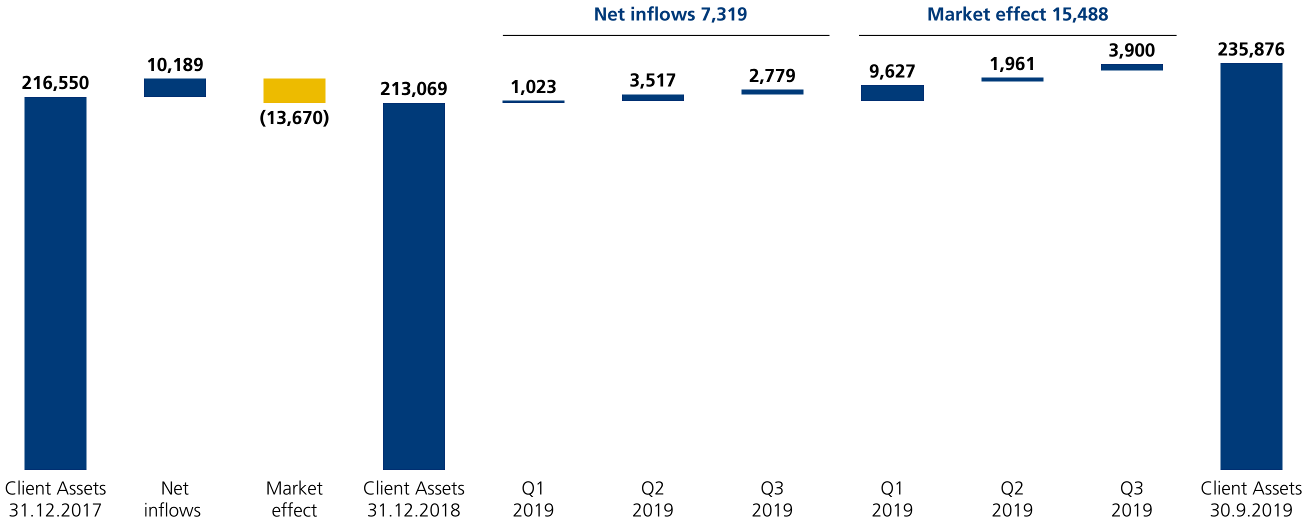
The Group's positioning is principally focused on the Private Banking customers and High Net Worth Individuals. Our products and services are provided by approximately 6 thousand highly qualified professionals in four separate networks (Fideuram, Sanpaolo Invest, Intesa Sanpaolo Private Banking and Intesa 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..

Client financial assets

Client Assets totalled **€235.9bn** at 30 September 2019, up by €22.8bn (+11%) on the figure at the end of December 2018. This result is mainly attributable to market performance, which positively impacted assets by €15.5bn (+€11.5bn in managed assets and +€4bn in non-managed assets) and, to a lesser extent, to net positive inflows amounting to €7.3bn.

Client Assets (*)

(€m)



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

Analysis of the aggregated items shows that **managed assets** (about 68% of total client assets) equalled **€159.4bn**, up compared to the amount at the end of 2018 (€147bn), as well as compared to the average figure for 2018 (€152.3bn) and for the first nine months of 2019 (€154.9bn). Compared to the end of 2018, the increase affected all components of managed assets: discretionary accounts (+€4.2bn), life insurance (+€4.2bn) and mutual funds (+3.8bn). **Non-managed assets** totalled **€76.5bn**, up €10.4bn on the figure at year-end 2018.

Client Assets

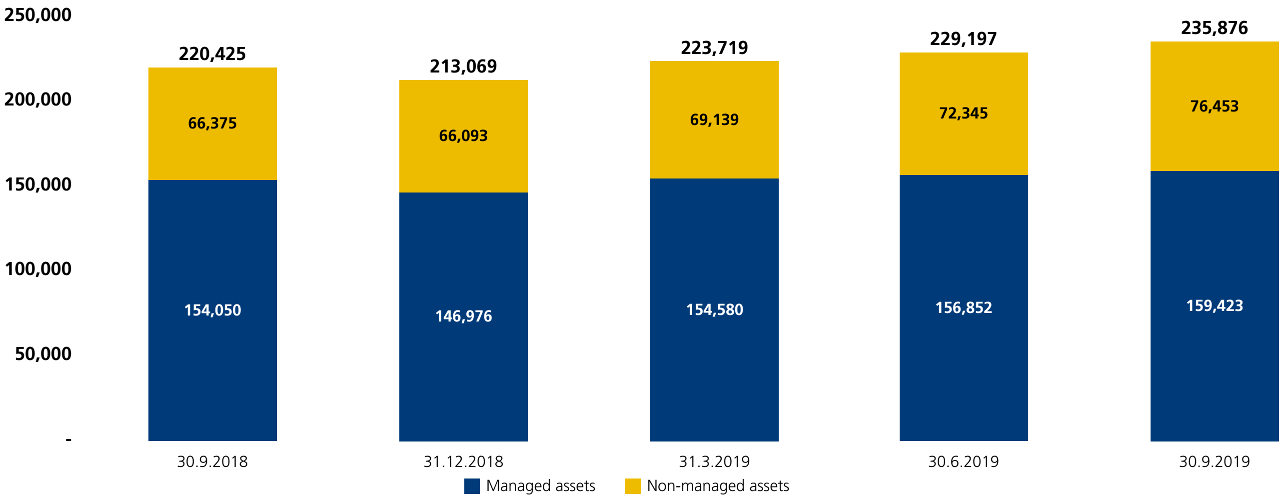
(€m)

	30.9.2019	31.12.2018	CHANGE	
			AMOUNT	%
Mutual funds	59,226	55,418	3,808	7
Discretionary accounts	45,552	41,338	4,214	10
Life insurance	52,398	48,228	4,170	9
including: Fideuram Vita / Intesa Sanpaolo Vita unit linked	*35,278*	*32,649*	*2,629*	*8*
Pension funds	2,247	1,992	255	13
Total managed assets	**159,423**	**146,976**	**12,447**	**8**
Total non-managed assets	**76,453**	**66,093**	**10,360**	**16**
including: Securities	*44,049*	*37,730*	*6,319*	*17*
Total Client Assets	**235,876**	**213,069**	**22,807**	**11**

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

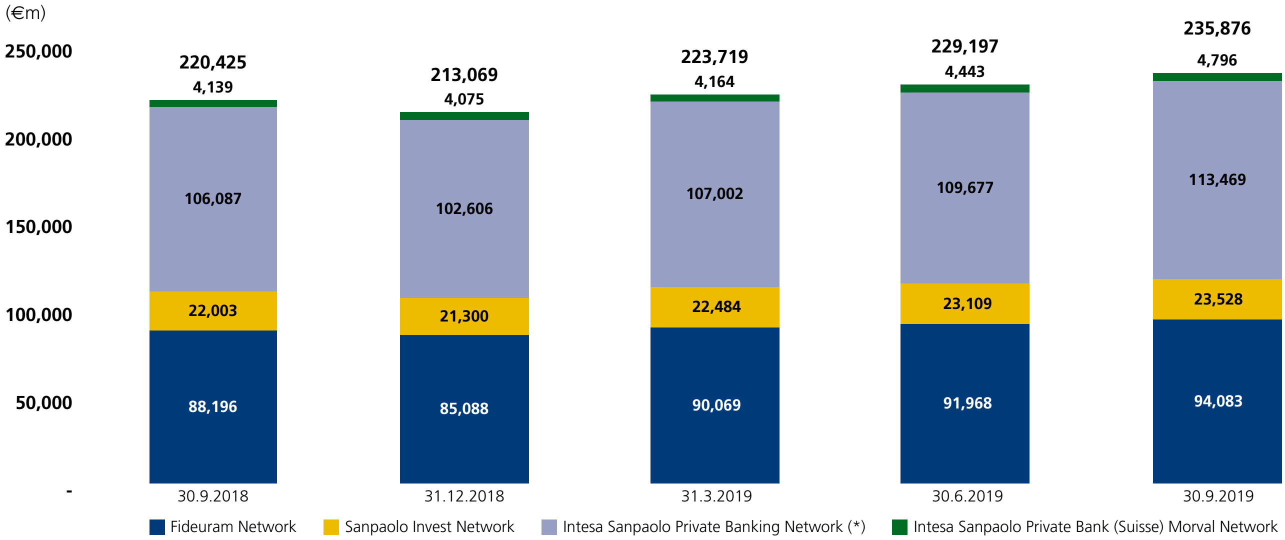
Client Assets - by type of inflows

(€m)



Client Assets - by Sales Network

(€m)



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

Inflows into managed and non-managed assets

The Group's distribution networks generated **€7.3bn in net inflows** during the first nine months of 2019, down €613m (-8%) on the total for the first nine months of 2018. Analysis of aggregated figures shows that the inflows into managed assets, amounting to €987m, fell sharply (down by €2.4bn) compared with the corresponding period of the previous year. This was partly attributable to the Group personal financial advisers directing a portion of the new inflows from customers towards liquid instruments, as well as bonds and money-market instruments. The non-managed assets component was a positive €6.3bn, having grown (+€1.8bn) from the first nine months of the previous year.

Net inflows

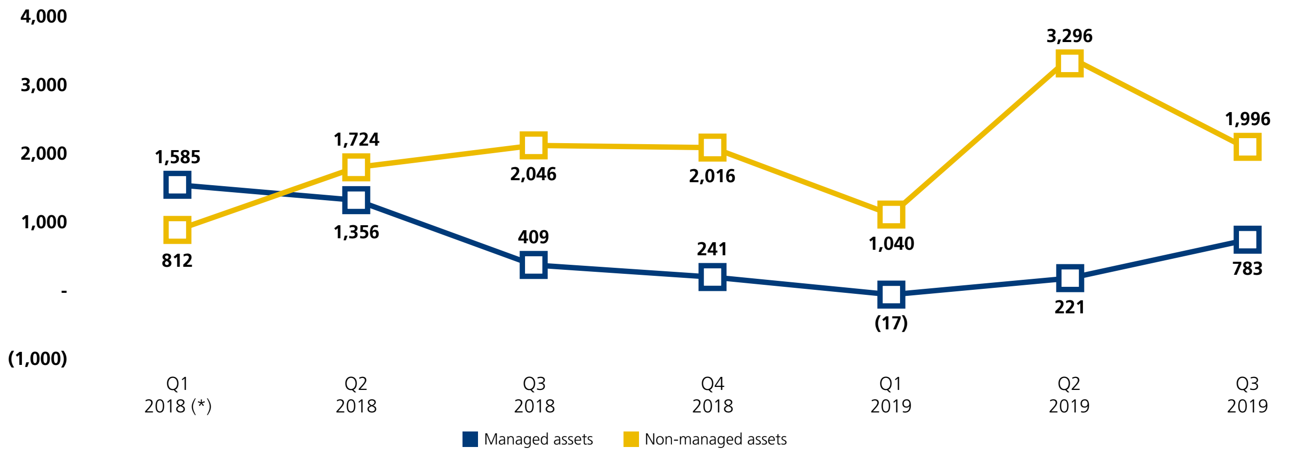
(€m)

	9 MONTHS 2019	9 MONTHS 2018 (*)	CHANGE AMOUNT	CHANGE %
Mutual funds	(1,187)	2,190	(3,377)	n.s.
Discretionary accounts	1,098	(169)	1,267	n.s.
Life insurance	970	1,212	(242)	-20
including: Fideuram Vita / Intesa Sanpaolo Vita unit linked	*(98)*	*941*	*(1,039)*	*n.s.*
Pension funds	106	117	(11)	-9
Total managed assets	**987**	**3,350**	**(2,363)**	**-71**
Total non-managed assets	**6,332**	**4,582**	**1,750**	**38**
including: Securities	*1,686*	*2,364*	*(678)*	*-29*
Total Net inflows	**7,319**	**7,932**	**(613)**	**-8**

n.s.: not significant

Net inflows

(€m)



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

Customer segmentation

CLIENT ASSETS at 30 September 2019

- Fideuram: €94,083m
- Sanpaolo Invest: €23,528m
- Intesa Sanpaolo Private Banking: €109,297m
- Siref Fiduciaria: €4,172m (*)
- Intesa Sanpaolo Private Bank (Suisse) Morval: €4,796m

(*) The figure does not include the fiduciary mandates regarding Group Client Assets. Total client assets came to €12.3bn.

CUSTOMERS at 30 September 2019

- Fideuram: no. 578,542
- Sanpaolo Invest: no. 154,271
- Intesa Sanpaolo Private Banking: no. 37,963 (**)
- Siref Fiduciaria: no. 2,012 (*) mandates
- Intesa Sanpaolo Private Bank (Suisse) Morval: no. 1,918

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

Analysis of the Group's customer base shows that it is concentrated in the Private Banking and High Net Worth Individual (HNWI) segment.
This focus on high-end customers (over 75% of client assets come from Private Banking and HNWI customers) enables our Personal Financial Advisers to target a segment with high growth prospects in the Italian Market. The Group supports its customers with a dedicated service model using ad hoc organisational management (Private Banking and HNWI branches) and customised products and services.

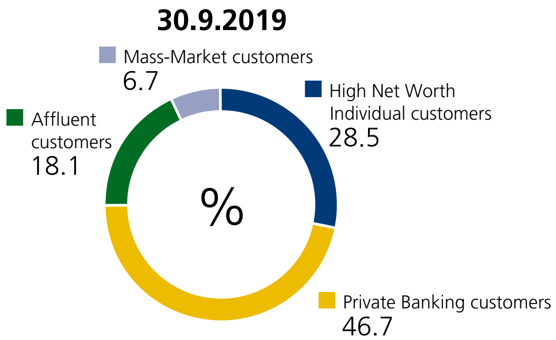
The table and graphs below analyse client assets by type of customer.

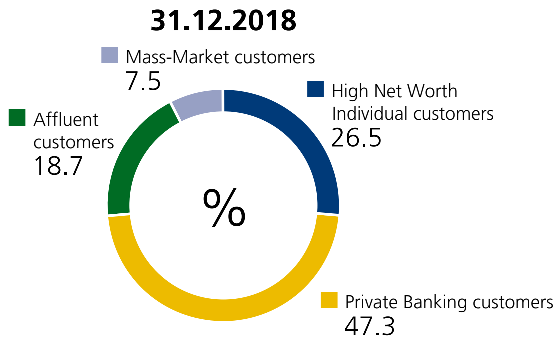
Client assets by type of customer (***)

(€m)

	30.9.2019	31.12.2018	CHANGE	
			AMOUNT	%
High Net Worth Individual customers	67,265	56,576	10,689	19
Private Banking customers	110,239	100,695	9,544	9
Affluent customers	42,712	39,760	2,952	7
Mass-Market customers	15,660	16,038	(378)	-2
Total	**235,876**	**213,069**	**22,807**	**11**

Percentage analysis of client assets by type of customer





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

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 renowned brands – Fideuram, Intesa Sanpaolo Private Banking and Sanpaolo Invest – and a network of 233 bank branches and 323 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.
- VIEW (Value Investment Evolution Wealth) Advanced Advisory Service: an advisory service offered by Intesa Sanpaolo Private Banking. VIEW takes all 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, the real estate tool and the asset protection tool. VIEW also allows the customer and their Personal Financial Adviser to identify investment strategies and solutions for each individual area of need in accordance with their risk/return profile and to monitor their wealth from a global standpoint over time.
- 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.

A total of approximately 67 thousand customers were subscribed to our Advanced Advisory Services at the end of September 2019, accounting for approximately €38.1bn of client assets.

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

Customers subscribed to Advanced Advisory Services

(number)

	30.9.2019	31.12.2018	CHANGE AMOUNT	CHANGE %
High Net Worth Individual customers	965	873	92	11
Private Banking customers	17,405	16,758	647	4
Affluent customers	31,628	32,586	(958)	-3
Mass-Market customers	16,552	18,281	(1,729)	-9
Total	**66,550**	**68,498**	**(1,948)**	**-3**

Advanced Advisory Service client assets

(€m)

	30.9.2019	31.12.2018	CHANGE AMOUNT	CHANGE %
High Net Worth Individual customers	6,343	5,717	626	11
Private Banking customers	22,744	21,306	1,438	7
Affluent customers	8,072	8,186	(114)	-1
Mass-Market customers	966	1,132	(166)	-15
Total	**38,125**	**36,341**	**1,784**	**5**

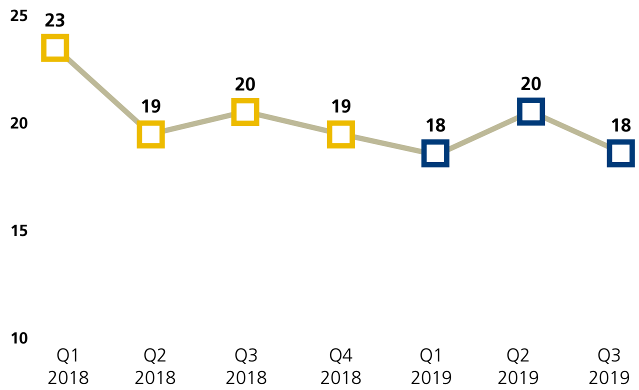
Advanced Advisory Service fee and commission income

(€m)

	9 MONTHS 2019	9 MONTHS 2018	CHANGE AMOUNT	CHANGE %
Fee and commission income	89	98	(9)	-9
Fee and commission expense	(33)	(36)	3	-8
Net fee and commission income	**56**	**62**	**(6)**	**-10**

Quarterly net fee and commission income from Advanced Advisory Services

(€m)



Analysis of the income statement

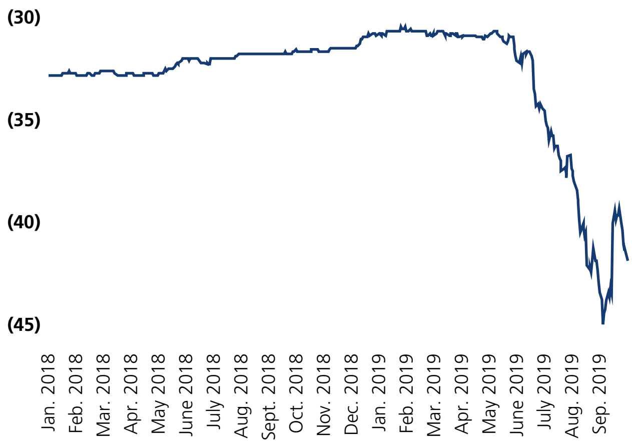
The Fideuram - Intesa Sanpaolo Private Banking Group ended the first nine months of 2019 with consolidated net profit of €659m, up €2m on the same period in the previous year.

Net operating income totalled €1.4bn, up €35m (+2%) compared with the first nine months of 2018. This result is attributable to:

- increased net interest income (+€16m);
- increased net profit on financial assets measured at fair value (+€14m);
- growth in net fee and commission income (+€7m);
- reduced profit on equity investments and other income (expense) (-€2m).

3-month Euribor rate

(bps)



Source: Bloomberg

Net interest income

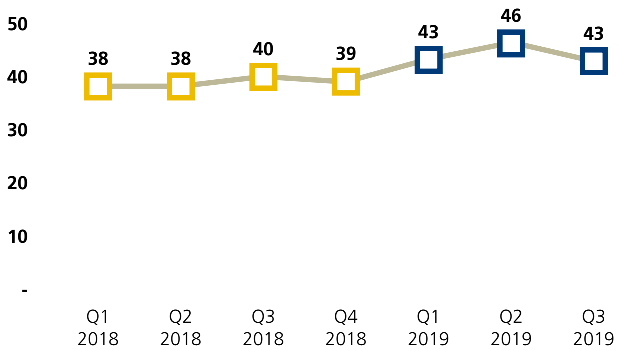
(€m)

	9 MONTHS 2019	9 MONTHS 2018	CHANGE	
			AMOUNT	%
Interest expense on due to customers	(28)	(28)	-	-
Interest expense on due to banks	(13)	(14)	1	-7
Interest income on debt securities	171	164	7	4
Interest income on loans	88	80	8	10
Net interest on hedging derivatives	(71)	(70)	(1)	1
Other net interest income	(15)	(16)	1	-6
Total	**132**	**116**	**16**	**14**

Net interest income totalled €132m, up €16m (+14%) compared to the first nine months of last 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. The fall in interest rates on several long-term maturities accelerated in the third quarter, with Euribor rates remaining deep in negative territory. Analysis of the quarterly changes shows that net interest income was stably above its levels compared with the previous year, but it was down in the third quarter of 2019 due to the higher cost of inflows from repurchase agreements with customers and the decline in the 3-month Euribor, which triggered a general reduction in the return on variable rate loans.

Quarterly net interest income

(€m)



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

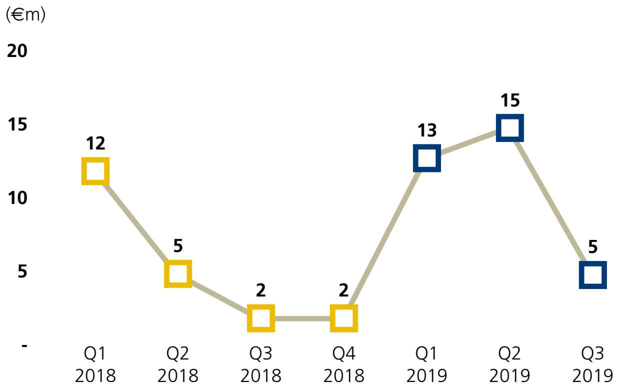
(€m)

	9 MONTHS 2019	9 MONTHS 2018	CHANGE AMOUNT	%
Net profit (loss) on sale of financial asset measured at fair value through other comprehensive income	20	12	8	67
Net profit (loss) on trading activities	14	7	7	100
Net profit (loss) on hedging derivatives	(1)	-	(1)	n.s.
Total	**33**	**19**	**14**	**74**

n.s.: not significant

Net profit on financial assets and liabilities at fair value came to €33m, up €14m compared to the figure for the first nine months of 2018 (+74%). This was mainly due to the higher gains realised from the sale of debt instruments in the Group portfolio and, to a lesser extent, the growth in income from trading activity, which was attributable to the good performance of foreign exchange trading.

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



Net fee and commission income

(€m)

	9 MONTHS 2019	9 MONTHS 2018	CHANGE AMOUNT	%
Fee and commission income	1,850	1,850	-	-
Fee and commission expense	(574)	(581)	7	-1
Net fee and commission income	**1,276**	**1,269**	**7**	**1**

Net fee and commission income totalled €1.3bn, an increase of €7m (+1%) compared with the first nine months in 2018.

Net recurring fees

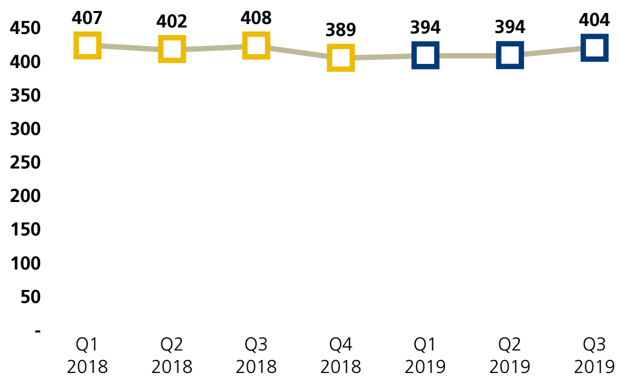
(€m)

	Q1	Q2	Q3	TOTAL
2019	394	394	404	1,192
2018	407	402	408	1,217
Change	**(13)**	**(8)**	**(4)**	**(25)**

In the first nine months of 2019, **net recurring fees** totalled €1.2bn, a decrease of €25m compared with the same period of last year (-2%). This trend was due to the repositioning of customer assets towards lower-income products that was partly offset by the favourable effect of growth in average managed assets, which went from €153.3bn at 30 September 2018 to €154.9bn at the end of September 2019. The analysis of the quarterly changes shows that recurring fee and commission income tracked a growth trend in the quarters of 2019 as compared with fourth quarter 2018 (which had been impacted by negative market performance), supported by the steady growth in average managed assets.

Quarterly net recurring fees

(€m)



Performance fees totalled €2m, compared with zero in the corresponding period of 2018. The Fideuram Group charges the performance fees on individual discretionary accounts annually, except when the customer decides to close the account early. The Group calculates the performance fees on its internal insurance funds on a daily accrual basis in relation to the performance of the fund, applying a High Water Mark clause that means 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 are charged annually, with the exception of two funds for which performance fees are charged half-yearly (applying a High Water Mark clause).

Net front-end fees

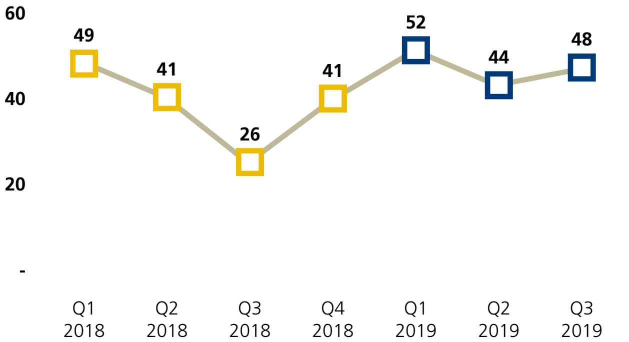
(€m)

	Q1	Q2	Q3	TOTAL
2019	52	44	48	144
2018	49	41	26	116
Change	**3**	**3**	**22**	**28**

Net front-end fees came to €144m, up €28m (+24%) on the figure for the first nine months of last year. The growth in front-end fee income on bonds and certificates more than offset the decrease in front-end fee income for managed asset product sales. The Group's sales networks distributed bond loans and certificates that brought in approximately €3.5bn gross inflows during the period, compared with €1.7bn distributed in the first nine months of 2018.

Quarterly net front-end fees

(€m)



Other fee and commission expense

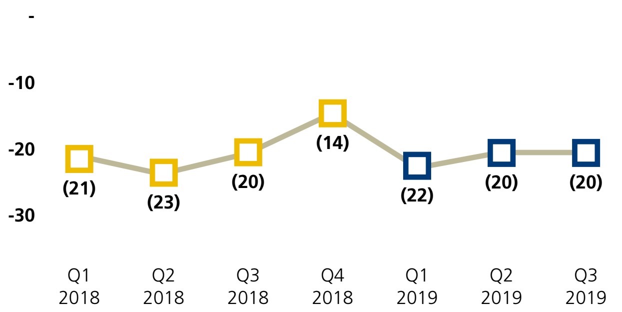
(€m)

	Q1	Q2	Q3	TOTAL
2019	(22)	(20)	(20)	(62)
2018	(21)	(23)	(20)	(64)
Change	**(1)**	**3**	**-**	**2**

The **other fee and commission expense** totalled €62m, down slightly by €2m on the figure for the first nine months of 2018 due to the lower incentives accrued in the period.

Quarterly other fee and commission expense

(€m)



Profit on equity investments and other income (expense) includes the profit on equity investments and other income and expense that cannot be recognised in other items of the income statement. In the first nine months of 2019 this item showed a reduction of €2m compared to the same period in the previous year. That stemmed from a contraction 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

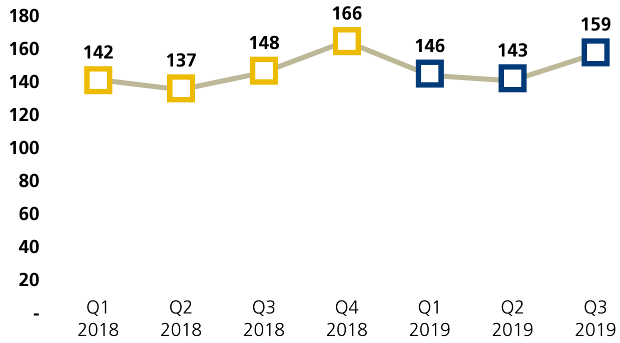
(€m)

	9 MONTHS 2019	9 MONTHS 2018	CHANGE	
			AMOUNT	%
Personnel expenses	263	252	11	4
Other administrative expenses	143	141	2	1
Depreciation and amortisation	42	34	8	24
Total	**448**	**427**	**21**	**5**

Net operating expenses, totalling €448m, rose €21m (+5%) on the figure for the same period last year.
Analysis of the item shows that personnel expenses, which totalled €263m, were up €11m on the first nine months of 2018. This is mostly attributable to the different impact of variable components of remuneration. Other administrative expenses totalled €143m, up €2m, principally as a result of higher information technology and infoprovider expenses.
Depreciation and amortisation increased by €8m, mainly due to the growth in the real estate lease costs, capitalised under assets in the balance sheet and amortised for the duration of the contract pursuant to IFRS 16 and, to a lesser extent, to higher depreciation on software.

Quarterly net operating expenses

(€m)



Net impairment of loans totalled zero in the first nine months of 2019, a €1m improvement on the corresponding period last year, due to decreased impairment on loans to customers.

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

(€m)

	9 MONTHS 2019	9 MONTHS 2018	CHANGE AMOUNT	CHANGE %
Personal Financial Advisers' termination indemnities and incentives	31	15	16	107
Litigation and complaints	4	(5)	9	n.s.
Network Loyalty Schemes	4	1	3	n.s.
Net impairment of (recoveries on) debt securities	(1)	1	(2)	n.s.
Total	**38**	**12**	**26**	**n.s.**

Net provisions for risks and charges and net impairment of other assets came to €38m, up sharply (+€26m) compared to the figure for the first nine months of 2018. Detailed analysis of the item shows that the provision for the termination of Personal Financial Adviser agency agreements, totalling €31m, increased by €16m. This was due to discounting of the long-term liability stemming from the downward shift in the interest rate curve. The provisions set aside to cover contingent liabilities from lawsuits, litigation, claims from receivers and customer complaints recorded a balance of €4m, compared with a positive balance of €5m recognised in the first nine months of the previous year, due to the settlement of several cases at costs lower than what had been estimated. The provisions set aside for the Network Loyalty Schemes totalled €4m with an increase of €3m due to the impact of market rates on the discounting of the liability, which led to an increase in the expense recorded in the income statement. Net impairment (reversal of impairment) of debt securities showed a positive net amount of €1m, attributable to the net reversal of impairment of bonds compared to net impairment of €1m in the first nine months of 2018.

Net non-recurring income (expenses) include income and expenses that are not attributable to ordinary operations. In the first nine months of 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 the first nine months of 2018 included €10m of gains on debt securities in the portfolio at amortised cost.

Income taxes, for which €279m was set aside in the period, were down €15m on the same period of 2018 due to the recognition of non-recurring items of €9m (€5m of which 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) and the lower pre-tax profit realised during the period. The tax rate was 29% compared with 30% realised in the corresponding period of the previous year.

Integration and voluntary redundancy expenses (net of tax) recorded a balance of €13m (€16m in the first nine months of 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)** (€1m) refer to the amortisation for the period 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. The net amount for this item in the first nine months of 2019 was €15m, up €3m from the same period in the previous year. It includes €7m 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.

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.

Our segment reporting presents the Group's financial results, operational 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 30 September 2019

(€m)

	MANAGED FINANCIAL ASSETS	LIFE INSURANCE ASSETS	BANKING SERVICES	TOTAL FOR FIDEURAM GROUP
Net interest income	-	-	132	132
Net profit (loss) on financial assets and liabilities at fair value	-	-	33	33
Net fee and commission income	819	371	86	1,276
Intermediation margin	**819**	**371**	**251**	**1,441**
Net operating expenses	(230)	(60)	(158)	(448)
Other	(19)	(8)	1	(26)
Gross income (loss)	**570**	**303**	**94**	**967**
Average Client Assets	**101,820**	**53,075**	**71,090**	**225,985**
Client Assets	**104,778**	**54,645**	**76,453**	**235,876**
Key indicators				
Cost / Income Ratio	28%	16%	62%	31%
Annualised gross income (loss) / Average Client Assets	0.7%	0.8%	0.2%	0.6%
Annualised net fee and commission income / Average Client Assets	1.1%	0.9%	0.2%	0.8%

MANAGED FINANCIAL ASSETS SEGMENT

The Managed Financial Assets Segment covers the Group's discretionary account and mutual fund business, which totalled €104.8bn at 30 September 2019 (45% of total client assets), up €2.6bn on 30 September 2018. Total net inflows into the segment were a negative €89m, down €2.1bn from the corresponding period in the previous financial year. Gross income (loss) totalled €570m, down €53m on the figure for the corresponding period in the previous year, mainly due to the decreased net fee and commission income, attributable to the change in asset allocation of customer assets. 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 0.7%.

Managed financial assets

(€m)

	9 MONTHS 2019	9 MONTHS 2018 (*)	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities at fair value	-	-	-
Net fee and commission income	819	858	-5
Intermediation margin	**819**	**858**	**-5**
Net operating expenses	(230)	(227)	1
Other	(19)	(8)	138
Gross income (loss)	**570**	**623**	**-9**
Average Client Assets	**101,820**	**102,351**	**-1**
Client Assets	**104,778**	**102,154**	**3**
Key indicators			
Cost / Income Ratio	28%	26%	
Annualised gross income (loss) / Average Client Assets	0.7%	0.8%	
Annualised net fee and commission income / Average Client Assets	1.1%	1.1%	

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

LIFE INSURANCE ASSETS SEGMENT

This segment covers the Group's life insurance and pension fund business, which totalled €54.6bn at 30 September 2019 (23% of total client assets), up €2.7bn from 30 September 2018, principally due to strong life insurance performance (+€2.5bn). Total net inflows in the segment came to €1.1bn, a decrease of €0.3bn compared with the corresponding period in the previous year. The contribution to gross income (loss) was €303m, down by €11m on the same period in 2018. 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%.

Life insurance assets

(€m)

	9 MONTHS 2019	9 MONTHS 2018 (*)	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities at fair value	-	-	-
Net fee and commission income	371	374	-1
Intermediation margin	**371**	**374**	**-1**
Net operating expenses	(60)	(56)	7
Other	(8)	(4)	100
Gross income (loss)	**303**	**314**	**-4**
Average Client Assets	**53,075**	**50,968**	**4**
Client Assets	**54,645**	**51,896**	**5**
Key indicators			
Cost / Income Ratio	16%	15%	
Annualised gross income (loss) / Average Client Assets	0.8%	0.8%	
Annualised net fee and commission income / Average Client Assets	0.9%	1.0%	

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

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 €76.5bn at 30 September 2019 (32% of total client assets), up €10.1bn compared with the figure at 30 September 2018. Total net inflows were positive at €6.3bn, having grown €1.8bn on the same period of the previous year.
The contribution of this segment to gross income (loss) was €94m. The €52m increase in gross income (loss) compared with the corresponding period in the previous financial year was mainly attributable to the increase in net fee and commission income for higher volumes of bonds and certificates placed in the period. The ratio of net fee and commission income to client assets and of gross income (loss) to client assets was 0.2%.

Banking Services

(€m)

	9 MONTHS 2019	9 MONTHS 2018 (*)	% CHANGE
Net interest income	132	116	14
Net profit (loss) on financial assets and liabilities at fair value	33	19	74
Net fee and commission income	86	37	132
Intermediation margin	**251**	**172**	**46**
Net operating expenses	(158)	(144)	10
Other	1	14	-93
Gross income (loss)	**94**	**42**	**124**
Average Client Assets	**71,090**	**64,952**	**9**
Client Assets	**76,453**	**66,375**	**15**
Key indicators			
Cost / Income Ratio	62%	81%	
Annualised gross income (loss) / Average Client Assets	0.2%	0.1%	
Annualised net fee and commission income / Average Client Assets	0.2%	0.1%	

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

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 the first nine months of 2019, reclassified in accordance with the instructions of the Italian Banking Association (Associazione Bancaria Italiana - ABI) following the guidelines of the Global Reporting Initiative (GRI). The Wealth created is the economic value generated in the period, which is for the most part distributed to the stakeholders with whom the Group has relations as part of its daily operations. The Value retained is the difference between the Wealth created and the Value distributed, and it is used for productive investments to enable economic growth and financial stability, as well as to ensure the creation of new wealth to the benefit of our stakeholders. The Wealth created by the global business of the Group totalled €2.1bn, up €51m on the total for the first nine months of 2018.

This wealth was distributed to stakeholders as follows:

- Colleagues (employees and Personal Financial Advisers) received 38.2% of the Wealth created, amounting to a total of €820m. This included the remuneration paid to employees and the amounts set aside for and paid to the Personal Financial Adviser Networks.
- Our shareholder received 29.8% of the Wealth created, in the form of the proposed dividend pay-out totalling €640m.
- The government, public authorities, institutions and the community received €438m, principally in the form of direct and indirect taxes, amounting to 20.4% of the Wealth created.
- Suppliers received 7.9% of the Wealth created, totalling €170m paid for goods and services.
- The remainder, €79m, 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.

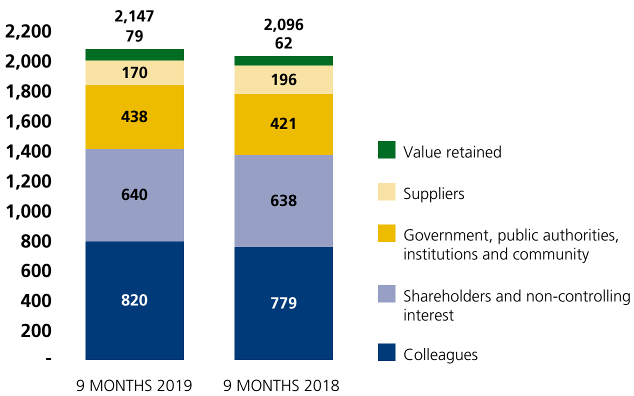
Economic value added

(€m)

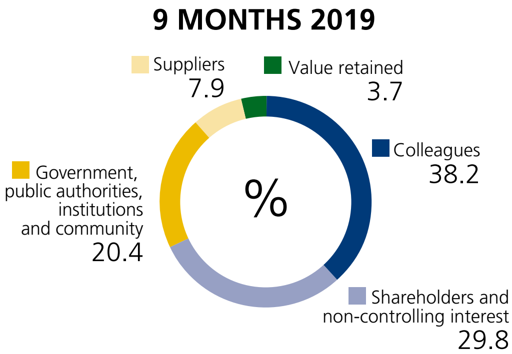
	9 MONTHS 2019	9 MONTHS 2018	CHANGE	
			AMOUNT	%
Wealth created	**2,147**	**2,096**	**51**	**2**
Value distributed	**(2,068)**	**(2,034)**	**(34)**	**2**
Colleagues	(820)	(779)	(41)	5
Shareholders and non-controlling interest	(640)	(638)	(2)	-
Government, public authorities, institutions and community	(438)	(421)	(17)	4
Suppliers	(170)	(196)	26	-13
Value retained	**79**	**62**	**17**	**27**

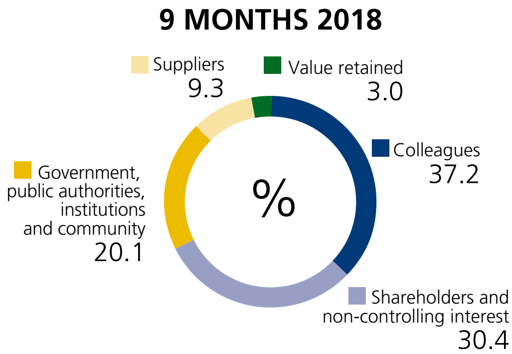
Wealth created

(€m)



Distribution of wealth created





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.

Financial assets totalled €18.6bn, up €1.7bn (+10%) compared to the figure at the beginning of the year.

Financial assets

(€m)

	30.9.2019	1.1.2019	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through profit or loss	347	294	53	18
Financial assets measured at fair value through other comprehensive income	3,616	3,294	322	10
Debt securities measured at amortised cost	14,641	13,299	1,342	10
Hedging derivatives	12	-	12	n.s.
Total	**18,616**	**16,887**	**1,729**	**10**

n.s.: not significant

This trend is mainly attributable to the increase in debt securities measured at amortised cost (+€1.3bn) for the purchase of Intesa Sanpaolo bonds and, to a lesser extent, the increase in financial assets measured at fair value through other comprehensive income (+€322m).

Financial liabilities

(€m)

	30.9.2019	1.1.2019	CHANGE	
			AMOUNT	%
Financial liabilities held for trading	42	28	14	50
Hedging derivatives	1,094	808	286	35
Total	**1,136**	**836**	**300**	**36**

Financial liabilities totalled €1.1bn, consisting entirely of derivatives. This item was up €300m (+36%) 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)

	30.9.2019	1.1.2019	CHANGE	
			AMOUNT	%
Due from Central Banks	78	339	(261)	-77
Current account	6,104	5,584	520	9
Term deposits	9,946	6,259	3,687	59
Other	116	119	(3)	-3
Total	**16,244**	**12,301**	**3,943**	**32**

Loans to banks totalled €16.2bn, up €3.9bn (+32%) on the figure at the beginning of the year. This change is mainly due to the sharp rise in investments in term deposits with Intesa Sanpaolo (+€3.7bn). 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)

	30.9.2019	1.1.2019	CHANGE	
			AMOUNT	%
Current accounts	319	882	(563)	-64
Term deposits	602	359	243	68
Repurchase agreements	1,999	2,101	(102)	-5
Debts for leases	20	43	(23)	-53
Other	90	24	66	n.s.
Total	**3,030**	**3,409**	**(379)**	**-11**

Due to banks totalled €3bn, down €379m from the beginning of the year mainly due to the decrease in inflows to current accounts (-€563m) and repurchase agreements (-€102m), only partly offset by the increased term deposits with Intesa Sanpaolo (+€243m). The Group continued to be a net lender on the interbank market, with net interbank deposits of €13.2bn (€16.2bn in deposits and €3bn in loans), €12.8bn of which (approximately 97% of the total) was held by companies in the Intesa Sanpaolo Group.

Loans to customers

(€m)

	30.9.2019	1.1.2019	CHANGE	
			AMOUNT	%
Current accounts	6,351	6,222	129	2
Repurchase agreements	762	726	36	5
Loans	856	815	41	5
Other	1,477	1,756	(279)	-16
Non-performing assets	19	12	7	58
Total	**9,465**	**9,531**	**(66)**	**-1**

Loans to customers totalled €9.5bn and mainly comprised short-term loans (repayable within 12 months or revocable loans without a specified term). The change of €66m from the beginning of the year is attributable to the decrease in other loans (-€279m), mainly due to the reduction in interest income paid as security for the repurchase agreement activity, partly offset by the growth in current account overdrafts (+€129m), mortgages (+€41m) and loans under repurchase agreements with institutional customers (+€36m). Net problem loans totalled €19m at the end of September 2019, up €7m on the figure at the beginning of 2019. In detail: doubtful loans totalled €1m, down €1m on the figure at the beginning of 2019. Unlikely to pay loans totalled €17m, up €10m from 1 January 2019, while past due or overdue loans amounted to €1m, down €2m from the beginning of the year.

Due to customers

(€m)

	30.9.2019	1.1.2019	CHANGE	
			AMOUNT	%
Current accounts	34,840	30,210	4,630	15
Term deposits	2,475	1,795	680	38
Repurchase agreements	262	46	216	n.s.
Debts for leases	284	224	60	27
Other	122	79	43	54
Total	**37,983**	**32,354**	**5,629**	**17**

Due to customers totalled €38bn, up €5.6bn (+17%) compared with the figure at the beginning of 2019, essentially due to the growth in customer current account deposits (+€4.6bn), term deposits (+€680m) and repurchase agreements (+€216m).

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	2,368	374	2,742
United States	-	267	267
Spain	-	216	216
Ireland	-	67	67
Belgium	-	55	55
Finland	-	30	30
Luxembourg	-	20	20
France	-	11	11
United Kingdom	-	9	9
Austria	-	1	1
Total	**2,368**	**1,050**	**3,418**

(*) 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)

	30.9.2019	1.1.2019	CHANGE	
			AMOUNT	%
Owned real estate	68	69	(1)	-1
Rights of use of leased assets	307	267	40	15
Other property and equipment	13	14	(1)	-7
Property and equipment	**388**	**350**	**38**	**11**
Goodwill	140	140	-	-
Other intangible assets	85	86	(1)	-1
Intangible assets	**225**	**226**	**(1)**	**-**
Total property and equipment and intangible assets	**613**	**576**	**37**	**6**

Property and equipment and intangible assets, totalling €613m, recorded an increase of €37m 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 €31m, 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 intangible assets for €34m, to be amortised in the income statement for 15 years based on the estimated life cycle of the acquired client assets.

The **provisions for risks and charges** at 30 September 2019 were up €11m on the figure at the beginning of 2019, as shown below:

Provisions for risks and charges

(€m)

	30.9.2019	1.1.2019	CHANGE	
			AMOUNT	%
Litigation, securities in default and complaints	75	88	(13)	-15
Personnel expenses	92	103	(11)	-11
Personal Financial Advisers' termination indemnities	254	232	22	9
Network Loyalty Schemes	53	40	13	33
Other	5	5	-	-
Total	**479**	**468**	**11**	**2**

The provisions for litigation, securities in default and complaints fell from the net amount at the beginning of the year (-€13m) due to use during the year. The provisions for personnel expenses fell by €11m, mainly due to the payment of variable components of remuneration. The increase of €22m in the provisions for the termination of Personal Financial Adviser agency agreements was attributable to accruals for the period. The increase of €13m in provisions for Network Loyalty Schemes was mostly due to the increase in the fair value of insurance policies made to cover the Personal Financial Advisers.

Shareholders' equity

Group shareholders' equity including net profit for the period totalled €2.7bn at 30 September 2019, having changed as follows:

Group shareholders' equity

(€m)

Shareholders' equity at 31 December 2018	**2,804**
Dividend distribution	(810)
Change in valuation reserves	50
Other changes	15
Net profit of the period	659
Shareholders' equity at 30 September 2019	**2,718**

The €50m 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 during the period. At the end of September 2019, the valuation reserve for financial assets measured at fair value through other comprehensive income roughly equalled a positive €19m (-€28m at the end of 2018).
The Group did not hold any treasury shares at 30 September 2019.

Fideuram S.p.A.'s own funds and main capital ratios at 30 September 2019 are shown below.

Fideuram S.p.A. Capital Ratios

(€m)

	30.9.2019	**31.12.2018**
CET1	1,032	991
Tier 1	1,032	991
Own funds	1,032	991
Total risk-weighted assets	5,853	5,672
CET1 Ratio	**17.6%**	**17.5%**
Tier 1 Ratio	**17.6%**	**17.5%**
Total Capital Ratio	**17.6%**	**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 30 September 2019, the Common Equity Tier 1 Ratio was estimated to be 19.7% (20.1% at 31 December 2018).

Risk management and control

CREDIT RISK

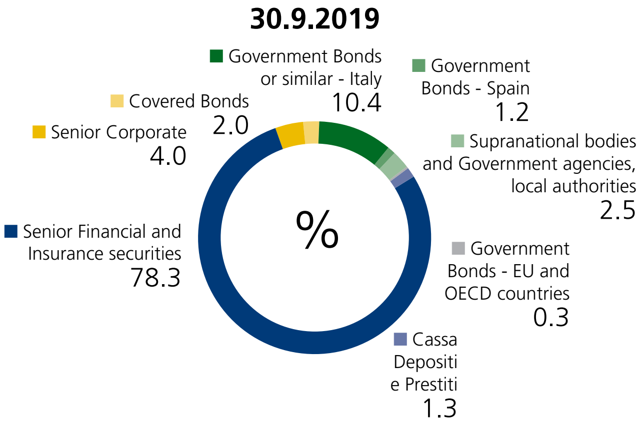
The Fideuram Group's lending activities support its core business of providing investment services to private customers. Loans and advances to customers principally consist of repayable-upon-demand current account overdrafts to counterparties who also receive investment services. Loans are mainly granted 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.

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.

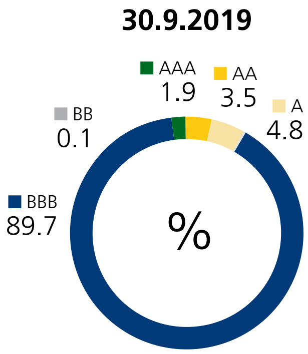
The Group's credit strategies are directed towards the efficient selection of individual borrowers. Irrespective of any collateral, the granting of any loan is always subject to an appropriate analysis of the applicant's creditworthiness and their current and prospective ability to generate adequate 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.
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 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.

At 30 September 2019, the Group portfolio was broken down as follows by product type and rating.

Analysis by product type



Analysis by rating



The potential impairment of 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.

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).

Loans to customers: credit quality

(€m)

	30.9.2019		1.1.2019		CHANGE
	NET EXPOSURE	%	NET EXPOSURE	%	NET EXPOSURE
Doubtful loans	1	-	2	-	(1)
Unlikely to pay	17	-	7	-	10
Past due or overdue loans	1	-	3	-	(2)
Non-performing assets	**19**	**-**	**12**	**-**	**7**
Performing loans	9,446	78	9,519	79	(73)
Debt instruments	2,600	22	2,535	21	65
Loans to customers	**12,065**	**100**	**12,066**	**100**	**(1)**

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 sell 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.
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 asset and liability items are calculated in a wholly suitable manner for providing an appropriate representation of expected cash flows.

MARKET 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 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, an investment portfolio and a service portfolio. The liquidity portfolio has a prudent minimum limit of assets deemed eligible with the Central Bank, with financial characteristics that limit their risk to ensure immediate liquidity. The size of the investment portfolio depends on the structure of the Group's inflows, investments and shareholders' equity. The service portfolio serves mainly for the investment of surplus liquidity realised through trading Intesa Sanpaolo Group issues on the primary and secondary market.

The 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.

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 Intesa Sanpaolo.

Assets and liabilities measured at fair value on a recurring basis: analysis by fair value level

(€m)

	30.9.2019			1.1.2019		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets measured at fair value through profit or loss	21	326	-	16	278	-
Financial assets measured at fair value through other comprehensive income	3,599	17	-	3,269	25	-
Hedging derivatives	-	12	-	-	-	-
Property and equipment	-	-	69	-	-	70
Total	**3,620**	**355**	**69**	**3,285**	**303**	**70**
Financial liabilities held for trading	-	42	-	-	28	-
Hedging derivatives	-	1,094	-	-	808	-
Total	**-**	**1,136**	**-**	**-**	**836**	**-**

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.

In addition, starting from June 2018, 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 September 2019, the overall size of the existing eight hedges was about €272m in original notional value (€265m when the residual notional value is considered).

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.

Finally, in February 2019 a new type of hedge was 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). In general, the cash flows subject to this hedge may be associated to a particular asset/liability, such as payments of future interest variables on a payable/receivable or a future transaction deemed highly probable. 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.

The banking book comprises long-term investment securities and interest rate hedging derivatives, short and medium/long-term loans, and customer demand loans, deposits and current accounts at financial institutions, mainly within the Group.
The banking book totalled €44bn at 30 September 2019.

Banking book

(€m)

	30.9.2019	1.1.2019	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through other comprehensive income	3,616	3,294	322	10
Debt securities classified as loans to banks	12,041	10,764	1,277	12
Debt securities classified as loans to customers	2,600	2,535	65	3
Hedging derivatives	12	-	12	n.s.
Total securities and derivatives	**18,269**	**16,593**	**1,676**	**10**
Loans to banks	16,244	12,301	3,943	32
Loans to customers	9,465	9,531	(66)	-1
Total loans	**25,709**	**21,832**	**3,877**	**18**
Total banking book	**43,978**	**38,425**	**5,553**	**14**

n.s.: not significant

The market risk of this book mainly regards the management of investments in securities. The Group's exposure to interest rate risk is, moreover, also influenced by other typical banking balance sheet items (customer deposits and loans). The financial risk of the banking book is measured using the following methods:

- the Value at Risk (VaR) only for the portfolio of securities measured at fair value through other comprehensive income;
- Sensitivity analysis for the entire banking book.

The Value at Risk is the maximum potential amount that the portfolio could lose over the next working day with a confidence interval of 99%, and is calculated using the same method adopted by Intesa Sanpaolo (volatility of the individual risk factors and the historical correlations observed between them).

The VaR takes interest rates, credit spread and volatility into account. At the end of September 2019, the one-day spot VaR was €2.82m. The figure was slightly higher than in June due to the new purchases made in the third quarter.

The Fideuram Group's total exposure to interest rate risk is monitored using Asset Liability Management (ALM) techniques to determine the shift sensitivity of fair value and net interest income.
The shift sensitivity, which measures the change in fair value of the banking book resulting from a 100bps upward parallel movement in the interest rate curve, is calculated taking into account the risk generated by customer demand deposits and other assets and liabilities of the banking book sensitive to shifts in the interest rate curve. For a parallel upward movement in the rate curve by 100bps, the sensitivity value of the fair value at 30 September 2019 was a negative -€10.9m. Likewise, even the interest margin sensitivity was negative -€116.1m in the event of a -50bps shock. Both risk indicators fall within the management limits assigned to the Group based on internal policies.

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 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) in partial use with the standardised approach (TSA) and basic indicator approach (BIA) to meet its supervisory requirements.

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.

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.
Fideuram - Intesa Sanpaolo Private Banking, in accordance with the framework of Intesa Sanpaolo, is responsible for identifying, assessing, managing and mitigating risks. It has clearly identified internal units coordinated by Operational Risk Management which are responsible for the Operational Risk Management processes (collection and structured recording of information on operational loss events, scenario analyses and the evaluation of risks associated with the operating context).

Fideuram has developed a system of governance for the operational risk management process which assigns responsibility as follows:

- the Board of Directors is responsible for the development and strategic supervision of the risk management policies, and for ensuring the smooth operation, efficiency and effectiveness of the operational risk management and control system over time, while also deciding on matters regarding compliance with the criteria for determining the bank's capital requirement;
- the Audit Coordination Committee is responsible for monitoring the adequacy of the operational risk management and control system, and for ascertaining its compliance with the related regulatory requirements;
- the Managing Director is responsible for ensuring the suitability and effectiveness over time of the risk management and control systems, and of the procedures used by the Bank to determine the capital requirement;
- the Internal Audit Department is responsible for periodically auditing the operational risk management system, and for reporting on it to the Company Bodies;
- the Operational Risk Committee is a consultative body that is responsible for analysing the reports on the operational risk profile of the Bank and for proposing any actions required to prevent and mitigate operational risk;
- the Decentralised Operational Risk Management (ORM) Unit, which reports to the Chief Risk Officer of Fideuram, is responsible for organising and maintaining the set of activities provided for by the operational risk management system.

At Division level, costs for compensation and provisions of €14m were recorded, while releases of surplus provisions on previous positions amount to about €16m. The releases refer, for about €9m, to the favourable outcome of a judgement before the Court of Cassation on tax disputes regarding the deductibility of the Fideuram loyalty schemes. The remaining €7m is attributable instead to releases of provisions for litigation and disputes.

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.

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 30 September 2019, these provisions totalled €75m. 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 for which a negative outcome is considered either remote or not quantifiable are not included in the risk provision. At 30 September 2019, the number and value of pending proceedings were not sufficient to have any potential significant impact on the business, assets or financial position of the Group.
The situation regarding legal and tax risk at 30 September 2019 had changed as follows with respect to the situation described in the consolidated financial statements at 31 December 2018.

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.

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 of the first nine months of 2019 includes the use in excess of about €9m of the provision for risks and charges which had been set aside to face 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 Perso-

nal 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 period.

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. As regards the year 2011, in June the Lombardy Regional Tax Court confirmed the decision in favour of the company already issued in the trial court proceedings, while the litigation over the 2012 and 2013 tax years was decided in favour of the company by the Provincial Tax Court. Since the tax office’s claim is groundless, also supported by the outcome of the dispute for the previous years, when favourable decisions had been made at the various levels of jurisdiction, no amount has been set aside in the provision for risks and charges.

Human capital

DISTRIBUTION NETWORKS

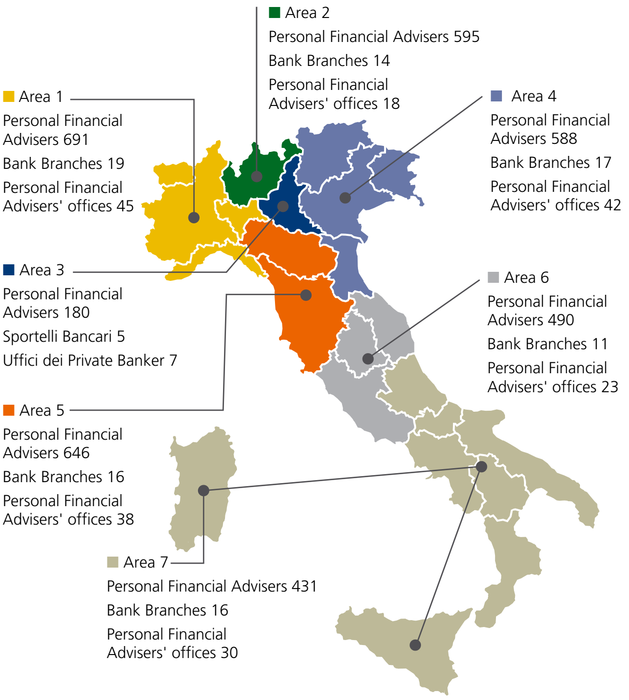
At 30 September 2019, the Group's distribution networks (Fideuram, Sanpaolo Invest, Intesa Sanpaolo Private Banking and Intesa Sanpaolo Private Bank (Suisse) Morval Networks) totalled 5,902 Personal Financial Advisers compared with 5,995 at the beginning of 2019.

Personal Financial Advisers

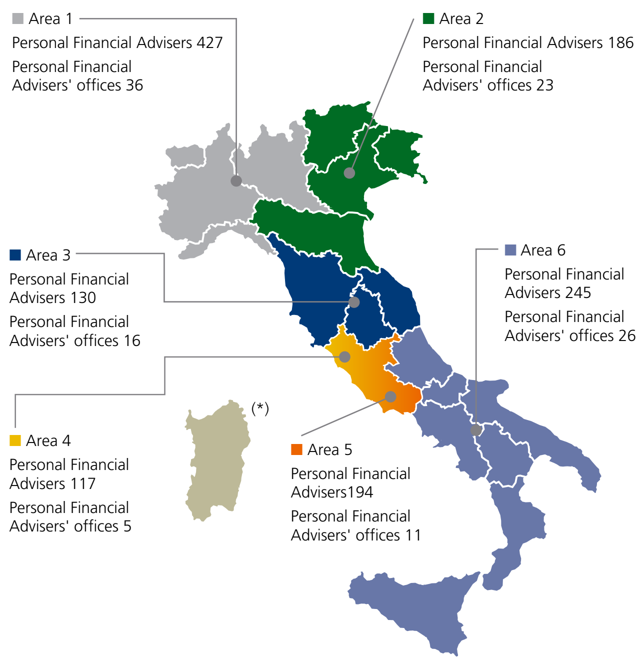
(number)

	BEGINNING OF PERIOD 1.1.2019	IN	OUT	NET	END OF PERIOD 30.9.2019
Fideuram Network	3,662	121	162	(41)	3,621
Sanpaolo Invest Network	1,344	39	84	(45)	1,299
Intesa Sanpaolo Private Banking Network	927	37	47	(10)	917
Intesa Sanpaolo Private Bank (Suisse) Morval Network	62	7	4	(3)	65
Total	**5,995**	**204**	**297**	**(93)**	**5,902**

Fideuram Network: 7 areas

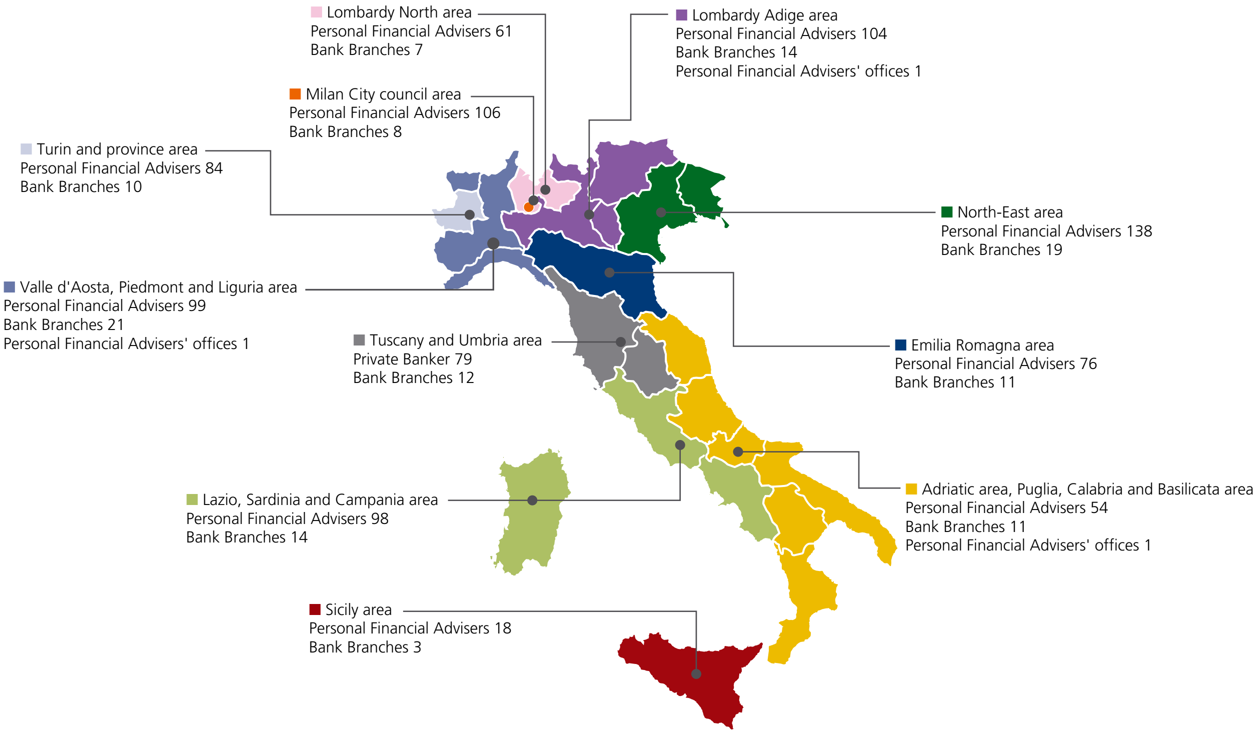


Sanpaolo Invest Network: 6 areas



(*) In January 2019, the Personal Financial Advisers and the Sardinia Offices of the Sanpaolo Invest Network were assigned to Area 7 of the Fideuram Network.

Intesa Sanpaolo Private Banking Network: 11 areas



The Fideuram and Sanpaolo Invest Networks' recruitment programmes brought in 160 new professionals in the first nine months of 2019 (compared with 152 new Personal Financial Advisers recruited in the corresponding period of 2018) and 226 over the past 12 months, compared with 254 new employees in the previous twelve-month period. During the first nine months of the year, 246 Personal Financial Advisers left the Group, but only 24% of them moved to competitor networks.

Fideuram Personal Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
Nine months					
1.1.2019 - 30.9.2019	3,662	121	162	(41)	3,621
1.1.2018 - 30.9.2018	3,635	110	81	29	3,664
Twelve-month period					
1.10.2018 - 30.9.2019	3,664	176	219	(43)	3,621
1.10.2017 - 30.9.2018	3,606	180	122	58	3,664

Sanpaolo Invest Personal Financial

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
Nine months					
1.1.2019 - 30.9.2019	1,344	39	84	(45)	1,299
1.1.2018 - 30.9.2018	1,428	42	76	(34)	1,394
Twelve-month period					
1.10.2018 - 30.9.2019	1,394	50	145	(95)	1,299
1.10.2017 - 30.9.2018	1,423	74	103	(29)	1,394

The Intesa Sanpaolo Private Banking Network currently numbers 871 Personal Financial Advisers who are salaried employees registered in Italy's Unified Register of Financial Advisers and 46 freelance professionals on agency contracts.

Intesa Sanpaolo Private Banking Personal Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
Nine months					
1.1.2019 - 30.9.2019	927	37	47	(10)	917
1.1.2018 - 30.9.2018	880	83	31	52	932
Twelve-month period					
1.10.2018 - 30.9.2019	932	42	57	(15)	917
1.10.2017 - 30.9.2018	879	89	36	53	932

The Intesa Sanpaolo Private Bank (Suisse) Morval Network is composed of 65 Personal Financial Advisers.

Intesa Sanpaolo Private Bank (Suisse) Morval Personal Financial Advisers (*)

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
Nine months					
1.1.2019 - 30.9.2019	62	7	4	3	65
1.1.2018 - 30.9.2018	47	24	4	20	67
Twelve-month period					
1.10.2018 - 30.9.2019	67	8	10	(2)	65
1.10.2017 - 30.9.2018	46	25	4	21	67

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

The recruitment programmes were conducted with the greatest rigour and professionalism by management 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 Fideuram Group. The training and work of these top professionals are guided by the principles of ethics and transparency which differentiate the Group and aim, among 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.

Moreover, we continued to see steady growth in the Personal Financial Advisers who have joined our Team Fideuram project, conceived to promote collaboration between Personal Financial Advisers with a view to developing and providing enhanced support for their customers. At the end of September 2019, 1,268 Personal Financial Advisers had joined together in teams, collectively managing a total of around €12bn assets for about 99 thousand customers.

EMPLOYEES

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 and atypical staff, came to 3,187 at 30 September 2019, compared with 3,335 at 31 December 2018.
Direct employees totalled 3,228.

Employees

(number)

	30.9.2019	31.12.2018	30.9.2018
Private Banking	**2,851**	**2,997**	**3,010**
Fideuram - Intesa Sanpaolo Private Banking	1,257	1,356	1,365
Intesa Sanpaolo Private Banking	1,401	1,426	1,427
Sanpaolo Invest SIM	16	46	48
Intesa Sanpaolo Private Bank (Suisse) Morval (*)	148	139	140
Morval Bank & Trust Cayman	11	10	10
Intesa Sanpaolo Private Argentina	5	5	5
Morval Vonwiller Advisors	13	15	15
Asset Management	**252**	**249**	**250**
Fideuram Asset Management (Ireland)	64	63	63
Fideuram Bank (Luxembourg)	65	66	67
Fideuram Investimenti SGR	106	103	103
Morval Gestion SAM	3	3	3
Morval SIM	14	14	14
Fiduciary and treasury services	**84**	**89**	**91**
Financière Fideuram	4	4	4
Siref Fiduciaria (**)	80	85	87
Totale	**3,187**	**3,335**	**3,351**

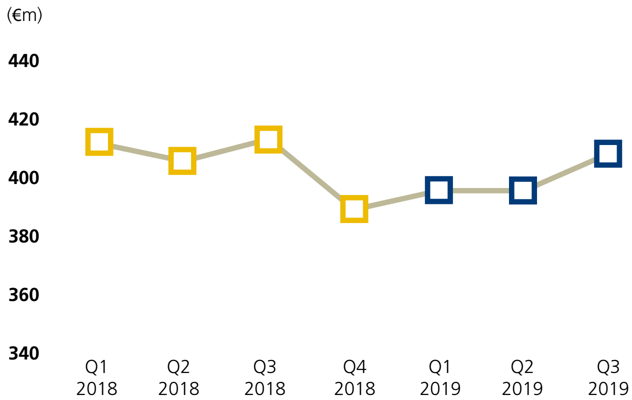
(*) Restated, to consider the merger of the three Swiss companies of the Group.
(**) Restated, to consider the merger of FI.GE. Fiduciaria into Siref Fiduciaria effective starting from 1 January 2019.

Events after 30 September 2019 and outlook

There were no significant events after the reporting period requiring any changes to be made to the consolidated financial statements at 30 September 2019.

Managed assets, totalling a record level of €159.4bn at the end of September 2019, were considerably higher than the average figure for last year (€152.3bn) and support the growth in net recurring fees. Furthermore, the investments continue to develop the Private Banking Division abroad.
The managed asset inflow development policies, cost control, and constant focus on risk management could, in the absence of any significant corrections in the financial markets during the last part of the year, enable our Group to end the current year with growth in net profit compared with 2018.

Quarterly net recurring fees



The Board of Directors
Milan, 4 November 2019

Accounting policies

BASIS OF PREPARATION

The Consolidated Interim Report at 30 September 2019 has been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission.

The accounting and financial reporting standards adopted to prepare this Report comply with those adopted for the Consolidated Financial Statements as at 31 December 2018 (to which consequently reference is made for more details) except for the standard that governs accounting for leases, which was changed due to the mandatory application, starting on 1 January 2019, of the new IFRS 16, replacing 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 in the Legal Form of a Lease". 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 gratuitous loan agreements, which previously were not associated with finance lease, fall within the scope of the new standard. The new accounting model introduced by IFRS 16 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, the new IFRS 16 requires that these expenses be recognised as amortisation of the right of use and as the interest expenses on the payable. Pursuant to the requirements of IFRS 16 and the clarifications of IFRIC, software is excluded from the scope of application of IFRS 16, and is thus recognised, in continuation with the past, in accordance with IAS 38 and its requirements. For the lessee, the application of IFRS 16 from 1 January 2019 causes – 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). The types of lease falling in the scope of application of the new standard particularly concern arrangements related to real estate, cars and hardware. Real estate lease contracts represent the most important area to be affected.

The main general choices made 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 IFRS 16 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 are not comparable as regards the valuation of the rights of use and the corresponding lease payable.
- 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 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 amounting to €5k.
- The Group has decided not to separate the service components from the lease components, and consequently to recognise the entire contract as a lease contract since the service components are deemed insignificant.

The adjustment to the opening financial statements after first-time adoption of IFRS 16 by using the modified retrospective approach caused an approximately €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.

The Consolidated Interim Report comprises the Balance Sheet, Income Statement, Statement of Comprehensive Income and Statement of Changes in Shareholders' Equity, accompanied by explanatory notes on the Group's performance. The financial statements are published in the format mandated in the 6th update to Bank of Italy Circular 262/2005, in force from 1 January 2019. These Financial Statements use the euro as their presentation currency, and all the figures herein are stated in millions of euro unless specified otherwise.
The income statement for the first nine months of 2019 is compared with the income statement for the corresponding period in 2018, while the balance sheet at 30 September 2019 is compared with the balance sheet at 31 December 2018. The balance sheet and income statement as at and

for the period ended 30 September 2019 referred to in the explanatory notes have been reclassified to facilitate comparison of the figures for different periods and to enable a clearer and more immediate understanding of the Group's financial position and results. These statements were prepared using appropriate groupings of the items in the official financial statements. An analysis comparing the financial and transaction data for the first nine months of 2019 with the corresponding data 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 transaction and financial data presented in the balance sheet and income statement have been restated, where necessary and if material, in the notes to the financial statements 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 previous periods. Detailed information on the restatements and reclassifications is presented in specific reconciliation statements provided in the schedules accompanying these financial statements.
The Consolidated Interim Report is not subject to an audit by the Independent Auditors.

SCOPE AND METHODS OF CONSOLIDATION

The companies included in the line-by-line consolidation of Fideuram at 30 September 2019 are listed below.

The Consolidated Interim Report includes Fideuram and its direct and indirect subsidiaries and the companies over which it exercises significant influence.
The subsidiaries were consolidated line-by-line, except for Morval SIM S.p.A., Southern Group Ltd, Morval Vonwiller Advisors S.A., Morval Gestion SAM and Intesa Sanpaolo Private Argentina S.A. which, due to their limited significance (less than €10m in total assets carried on the books), are consolidated with the equity method, in accordance with Group accounting policies. Fideuram Vita S.p.A., in which Fideuram holds a 19.99% equity interest, is consolidated using the equity method.
The financial statements used for the consolidation were those at 30 September 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 are translated to euro applying the period-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 of the Fideuram Group recorded the following changes effective from 1 January 2019:

- the exit of Intesa Sanpaolo Private Bank (Suisse) S.A., Morval Vonwiller Holding S.A. and Banque Morval S.A. following the merger of the Swiss companies of the Group which led to the establishment of Intesa Sanpaolo Private Bank (Suisse) Morval S.A.;
- 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 S.A..

Equity investments at 30 September 2019

COMPANY NAME	REGISTERED OFFICE	ASSOCIATE COMPANY	% OWNED
Sanpaolo Invest SIM S.p.A.	Turin	Fideuram	100.000%
Intesa Sanpaolo Private Banking S.p.A.	Milan	Fideuram	100.000%
Fideuram Investimenti SGR S.p.A.	Milan	Fideuram	99.500%
Siref Fiduciaria S.p.A.	Milan	Fideuram	100.000%
Fideuram Asset Management (Ireland) dac	Dublin	Fideuram	100.000%
Fideuram Bank (Luxembourg) S.A.	Luxembourg	Fideuram	100.000%
Financière Fideuram S.A.	Paris	Fideuram	99.999%
Intesa Sanpaolo Private Bank (Suisse) Morval S.A.	Geneva	Fideuram	96.212%
Intesa Sanpaolo Private Argentina S.A.	Buenos Aires	Intesa Sanpaolo Private Bank (Suisse) Morval	95.003%
		Fideuram	4.997%
Morval SIM S.p.A.	Turin	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000%
Morval Gestion SAM	Montecarlo	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000%
Morval Vonwiller Assets Management Co. Ltd	Tortola	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000%
Southern Group Ltd	George Town	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000%
Morval Vonwiller Advisors S.A.	Montevideo	Southern Group	100.000%
Morval Bank & Trust Cayman Ltd	George Town	Morval Vonwiller Assets Management	100.000%

MAIN FINANCIAL STATEMENT ITEMS

The main changes introduced by the application of the new financial reporting standard IFRS 16 "Leases" as from 1 January 2019 are described below. The reader should refer to the notes to the consolidated financial statements at 31 December 2018 for a description of the other items.

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.

The rights of use acquired under the lease and relating to the use of an item of property and equipment 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 in the balance sheet a liability as well as an asset consisting of the right to use the asset in question.

After initial recognition, property and equipment are measured at cost, deducting depreciation and any impairment, with the exception of property used in operations and valuable art assets, which are measured according to the value recalculation method.

For property and equipment subject to measurement according to the revaluation method:

- if the book value of the asset is increased after its value is recalculated, the increase has to be recognised in the statement of comprehensive income and accumulated in shareholders' equity under valuation reserves. Instead, when a revaluation of the same asset that was previously recognised in the income statement is reversed, income has to be recognised;
- if the book value of an asset is reduced after its value is recalculated, the reduction has to be recognised in the statement of comprehensive income as an excess revaluation to the extent that there are any net amounts credited in the revaluation reserve referring to that asset; otherwise that reduction has to be recognised in the income statement.

The depreciable value is distributed systematically over the useful life of the asset on a straight-line basis with the exception of for the following:

- land, which has an indefinite useful life and is not, therefore, depreciable. The value of land is, moreover, also accounted for separately from the value of buildings, even when they are purchased together. This splitting of the value of land and the value of buildings is performed on the basis of a survey by independent experts solely for buildings held on a "ground-to-roof" basis;
- works of art, since their useful life cannot be estimated and their value is not normally likely to decline over time.

The useful life of property and equipment subject to depreciation is verified periodically. If the initial estimates require adjustment, the related depreciation rates are also changed.
In addition, at every reporting date, the bank also evaluates whether there is any evidence of an asset having been impaired. In such cases the book value and recoverable value of the asset are compared. Any adjustments required are recorded in the income statement. Should the reasons for the impairment cease to apply, a reversal is recognised that cannot, however, exceed the value the asset would have had, net of any depreciation calculated, had there not been any previous impairment.
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.

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. Debts recognised by the bank in the capacity of lessee within the scope of leases are also included. These liabilities are initially recognised in the balance sheet at fair value, which is usually the amount collected, increased by any transaction costs directly attributable to the individual borrowing transaction.
The debts, with the exception of on-demand and short-term items which continue to be recognised at collection value, are subsequently measured at amortised cost using the effective interest rate method, with the related effect being recognised in the income statement among interest expense. Debts for leases are revalued when there is a lease modification (i.e. a change in the scope of the contract), which is not considered as a separate contract. Financial liabilities are derecognised when they mature or are settled.

Consolidated financial statements

Consolidated balance sheet

(€m)

	30.9.2019	31.12.2018
ASSETS		
10. Cash and cash equivalents	328	310
20. Financial assets measured at fair value through profit or loss	347	294
a) financial assets held for trading	45	27
b) financial assets measured at fair value	-	-
c) other financial assets mandatorily measured at fair value	302	267
30. Financial assets measured at fair value through other comprehensive income	3,616	3,294
40. Financial assets measured at amortised cost	40,350	35,131
a) loans and advances to banks	28,285	23,065
b) loans and advances to customers	12,065	12,066
50. Hedging derivatives	12	-
60. Adjustments to financial assets subject to macro-hedging (+/-)	23	1
70. Equity investments	166	151
80. Reinsurers' share of technical reserves	-	-
90. Property and equipment	388	83
100. Intangible assets	225	226
of which: goodwill	140	140
110. Tax assets	170	198
a) current	33	42
b) deferred	137	156
120. Non-current assets held for sale and discontinued operations	-	12
130. Other assets	1,245	1,065
TOTAL ASSETS	**46,870**	**40,765**

Chairman of the
Board of Directors
Paolo Maria Vittorio Grandi

Managing Director
Paolo Molesini

Manager responsible for the
accounts preparation of the companys
Paolo Maria Vittorio Grandi

Consolidated balance sheet

(€m)

	30.9.2019	31.12.2018
LIABILITIES AND SHAREHOLDERS' EQUITY		
10. Financial liabilities measured at amortised cost	41,013	35,496
a) due to banks	3,030	3,366
b) due to customers	37,983	32,130
c) debt on issue	-	-
20. Financial liabilities held for trading	42	28
30. Financial liabilities measured at fair value	-	-
40. Hedging derivatives	1,094	808
50. Adjustments to financial liabilities subject to macro-hedging (+/-)	-	-
60. Tax liabilities	119	82
a) current	56	10
b) deferred	63	72
70. Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80. Other liabilities	1,354	1,031
90. Provision for employment termination indemnities	51	48
100. Provisions for risks and charges:	479	468
a) commitments and guarantees	1	1
b) pensions and other commitments	20	14
c) other provisions for risks and charges	458	453
110. Technical reserves	-	-
120. Valuation reserves	38	(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 period (+/-)	659	834
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**46,870**	**40,765**

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Paolo Bacciga

Consolidated income statement

(€m)

	9 MONTHS 2019	9 MONTHS 2018
10. Interest income and similar income	193	180
of which: interest income calculated with the effective interest method	*258*	*244*
20. Interest expense and similar expense	(61)	(62)
30. Net interest income	**132**	**118**
40. Fee and commission income	1,854	1,844
50. Fee and commission expense	(578)	(579)
60. Net fee and commission income	**1,276**	**1,265**
70. Dividends and similar income	-	-
80. Net profit (loss) on trading activities	10	6
90. Net profit (loss) on hedging derivatives	(1)	-
100. Profit (loss) on sale or repurchase of:	20	23
a) financial assets measured at amortised cost	-	11
b) financial assets measured at fair value through other comprehensive income	20	12
c) financial liabilities	-	-
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	21	-
a) financial assets and liabilities measured at fair value	-	-
b) other financial assets mandatorily measured at fair value	21	-
120. Total net interest and trading income	**1,458**	**1,412**
130. Net impairment for credit risk related to:	-	(2)
a) financial assets measured at amortised cost	-	(2)
b) financial assets measured at fair value through other comprehensive income	-	-
140. Gains/losses on contractual changes without cancellation	-	-
150. Operating income	**1,458**	**1,410**
160. Net insurance premiums	-	-
170. Other income/expense from insurance activities	-	-
180. Operating income from financing and insurance activities	**1,458**	**1,410**
190. Administrative expenses:	(628)	(632)
a) personnel expenses	(268)	(255)
b) other administrative expenses	(360)	(377)
200. Net provisions for risks and charges	(42)	(11)
a) commitments and guarantees	-	-
b) other net provisions	(42)	(11)
210. Depreciation of property and equipment	(36)	(3)
220. Amortisation of intangible assets	(15)	(11)
230. Other income/expense	184	178
240. Operating expenses	**(537)**	**(479)**
250. Profit (loss) on equity investments	4	6
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	**925**	**937**
300. Income taxes for the year on continuing operations	(266)	(280)
310. Profit (loss) after tax from continuing operations	**659**	**657**
320. Profit (loss) after tax from discontinued operations	-	-
330. Net profit (Loss) for the period	**659**	**657**
340. Net profit (loss) for the period attributable to non-controlling interests	-	-
350. Parent company interest in net profit (loss) for the period	**659**	**657**

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Paolo Bacciga

Consolidated statement of comprehensive income

(€m)

	9 MONTHS 2019	9 MONTHS 2018
10. Net profit (Loss) for the period	**659**	**657**
Other comprehensive income after tax not transferred to the income statement	**(7)**	**-**
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	(7)	-
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	**57**	**(54)**
100. Hedging of net investments in foreign operations	-	-
110. Exchange rate differences	(1)	-
120. Cash flow hedges	6	4
130. Hedging instruments (undesignated elements)	-	3
140. Financial assets (other than equity instruments) measured at fair value through other comprehensive income	46	(56)
150. Non-current assets held for sale and discontinued operations	-	-
160. Valuation reserves related to investments carried at equity	6	(5)
170. Total other comprehensive income after tax	**50**	**(54)**
180. Total comprehensive income	**709**	**603**
190. Total comprehensive income attributable to non-controlling interests	-	-
200. Total comprehensive income attributable to parent company	709	603

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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 PERIOD									SHAREHOLDERS' EQUITY AT 30.9.2019	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY AT 30.9.2019	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS AT 30.9.2019
							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 NINE MONTHS 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**	**-**	**15**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,515**	**1,515**	**-**
- from net income	1,399	-	1,399	24	-	5	-	-	-	-	-	-	-	-	1,428	1,428	-
- other	77	-	77	-	-	10	-	-	-	-	-	-	-	-	87	87	-
Valuation reserves	**(12)**	**-**	**(12)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**50**	**38**	**38**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the period	**834**	**-**	**834**	**(24)**	**(810)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**659**	**659**	**659**	**-**
Shareholders' equity	**2,804**	**-**	**2,804**	**-**	**(810)**	**15**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**709**	**2,718**	**2,718**	**-**
Equity attributable to owners of the parent company	**2,804**	**-**	**2,804**	**-**	**(810)**	**15**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**709**	**2,718**		
Equity attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		

Chairman of the Board of Directors
Paolo Maria Vittorio Grandi

Managing Director
Paolo Molesini

Manager responsible for the accounts preparation of the company
Paolo Bacciga

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		VARIAZIONI DEL PERIODO								TOTAL COMPREHENSIVE INCOME NINE MONTHS 2018	SHAREHOLDERS' EQUITY AT 30.9.2018	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY AT 30.9.2018	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS AT 30.9.2018
							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				
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**	**-**	**21**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,493**	**1,493**	**-**
- from net income	1,401	(81)	1,320	83	-	16	-	-	-	-	-	-	-	-	1,419	1,419	-
- other	69	-	69	-	-	5	-	-	-	-	-	-	-	-	74	74	-
Valuation reserves	**(69)**	**119**	**50**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(54)**	**(4)**	**(4)**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the period	**871**	**-**	**871**	**(83)**	**(788)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**657**	**657**	**657**	**-**
Shareholders' equity	**2,778**	**38**	**2,816**	**-**	**(788)**	**21**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**603**	**2,652**	**2,652**	**-**
Equity attributable to owners of the parent company	**2,778**	**38**	**2,816**	**-**	**(788)**	**21**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**603**	**2,652**		
Equity attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		

Chairman of the
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Paolo Maria Vittorio Grandi

Managing Director
Paolo Molesini

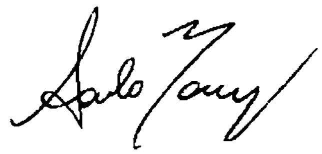
Manager responsible for the
accounts preparation of the companys
Paolo Bacciga

Certification by the Manager responsible for the preparation of the company accounts

The Manager responsible for the preparation of the company accounts, Paolo Bacciga, hereby certifies in accordance with article 154 bis, sub-paragraph 2, of the Italian Finance Consolidation Act that the accounting information contained in this Consolidated Interim Report at 30 September 2019 corresponds to the accounting documents, records and books.

Milan, 4 November 2019

Paolo Bacciga
Manager responsible for the preparation
of the company accounts



Schedules

Basis of preparation of the restated financial statements

The comparative analysis of the balance sheet and income statement data for the first nine months of 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 on 10 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 of the first nine months of 2018 has been restated to include both the impact of IFRS 16 and the contribution of the Morval Vonwiller Group for comparative purposes.

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 IFRS16	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**

	PUBLISHED BALANCE SHEET AT 31 DECEMBER 2018	EFFECT OF TRANSITION TO IFRS16	RESTATED BALANCE SHEET AT 1 JANUARY 2019
LIABILITIES AND SHAREHOLDERS' EQUITY			
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 period (+/-)	834	-	834
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**40,765**	**267**	**41,032**

Reconciliation of published consolidated income statement for the period ended 30 September 2018 and restated consolidated income statement for the period ended 30 September 2018

(€m)

	NINE MONTHS 2018 PUBLISHED	CHANGE IN SCOPE OF CONSOLIDATION (*)	EFFECT OF TRANSITION TO IFRS16	NINE MONTHS 2018 RESTATED
10. Interest income and similar income	180	-	-	180
of which: interest income calculated with the effective interest method	*244*	-	-	*244*
20. Interest expense and similar expense	(62)	-	(2)	(64)
30. Net interest income	**118**	**-**	**(2)**	**116**
40. Fee and commission income	1,844	6	-	1,850
50. Fee and commission expense	(579)	(1)	-	(580)
60. Net fee and commission income	**1,265**	**5**	**-**	**1,270**
70. Dividends and similar income	-	-	-	-
80. Net profit (loss) on trading activities	6	1	-	7
90. Net profit (loss) on hedging derivatives	-	-	-	-
100. Profit (loss) on sale or repurchase of:	23	-	-	23
a) financial assets measured at amortised cost	11	-	-	11
b) financial assets measured at fair value through other comprehensive income	12	-	-	12
c) financial liabilities	-	-	-	-
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	-	-	-	-
a) financial assets and liabilities measured at fair value	-	-	-	-
b) other financial assets mandatorily measured at fair value	-	-	-	-
120. Total net interest and trading income	**1,412**	**6**	**(2)**	**1,416**
130. Net impairment for credit risk related to:	(2)	-	-	(2)
a) financial assets measured at amortised cost	(2)	-	-	(2)
b) financial assets measured at fair value through other comprehensive income	-	-	-	-
140. Gains/losses on contractual changes without cancellation	-	-	-	-
150. Operating income	**1,410**	**6**	**(2)**	**1,414**
160. Net insurance premiums	-	-	-	-
170. Other income/expense from insurance activities	-	-	-	-
180. Operating income from financing and insurance activities	**1,410**	**6**	**(2)**	**1,414**
190. Administrative expenses:	(632)	(6)	29	(609)
a) personnel expenses	(255)	(4)	-	(259)
b) other administrative expenses	(377)	(2)	29	(350)
200. Net provisions for risks and charges:	(11)	-	-	(11)
a) commitments and guarantees	-	-	-	-
b) other net provisions	(11)	-	-	(11)
210. Depreciation of property and equipment	(3)	-	(27)	(30)
220. Amortisation of intangible assets	(11)	-	-	(11)
230. Other income/expense	178	-	-	178
240. Operating expenses	**(479)**	**(6)**	**2**	**(483)**
250. Profit (loss) on equity investments	6	-	-	6
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	**937**	**-**	**-**	**937**
300. Income taxes for the year on continuing operations	(280)	-	-	(280)
310. Profit (loss) after tax from continuing operations	**657**	**-**	**-**	**657**
320. Profit (loss) after tax from discontinued operations	-	-	-	-
330. Net profit (Loss) for the period	**657**	**-**	**-**	**657**
340. Net profit (loss) for the period attributable to non-controlling interests	-	-	-	-
350. Parent company interest in net profit (loss) for the period	**657**	**-**	**-**	**657**

(*) Figures for contribution by the Morval Vonwiller Group in the first three months of 2018.

Basis of preparation of the reclassified financial statements

The balance sheet and income statement as at and for the period ended 30 September 2019 have been reclassified to facilitate comparison of the figures for different periods and to enable a clearer and more immediate understanding of the financial position and results. 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 for credit risk 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 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	30.9.2019	1.1.2019
Financial assets measured at fair value through profit or loss		347	294
	Item 20. Financial assets measured at fair value through profit or loss	*347*	*294*
Financial assets measured at fair value through other comprehensive income		3,616	3,294
	Item 30. Financial assets measured at fair value through other comprehensive income	*3,616*	*3,294*
Debt securities measured at amortised cost		14,641	13,299
	Item 40. a) (partial) Financial assets measured at amortised cost – Loans to banks	*12,041*	*10,764*
	Item 40. b) (partial) Financial assets measured at amortised cost – Loans to customers	*2,600*	*2,535*
Loans to banks		16,244	12,301
	Item 40. a) (partial) Financial assets measured at amortised cost – Loans to banks	*16,244*	*12,301*
Loans to customers		9,465	9,531
	Item 40. b) (partial) Financial assets measured at amortised cost – Loans to customers	*9,465*	*9,531*
Hedging derivatives		12	-
	Item 50. Hedging derivatives	*12*	*-*
Equity investments		166	151
	Item 70. Equity investments	*166*	*151*
Property and equipment and intangible assets		613	576
	Item 90. Property and equipment	*388*	*350*
	Item 100. Intangible assets	*225*	*226*
Tax assets		170	198
	Item 110. Tax assets	*170*	*198*
Other assets		1,596	1,388
	Item 10. Cash and cash equivalents	*328*	*310*
	Item 60. Adjustments to financial assets subject to macro-hedging (+/-)	*23*	*1*
	Item 120. Non-current assets held for sale and discontinued operations	*-*	*12*
	Item 130. Other assets	*1,245*	*1,065*
Total assets	**Total assets**	**46,870**	**41,032**

RECLASSIFIED BALANCE SHEET ITEMS – LIABILITIES	CONSOLIDATED BALANCE SHEET ITEMS – LIABILITIES	30.9.2019	1.1.2019
Due to banks		3,030	3,409
	Item 10. a) Financial liabilities measured at amortised cost – due to banks	*3,030*	*3,409*
Due to customers		37,983	32,354
	Item 10. b) Financial liabilities measured at amortised cost – due to customers	*37,893*	*32,354*
Financial liabilities held for trading		42	28
	Item 20. Financial liabilities held for trading	*42*	*28*
Hedging derivatives		1,094	808
	Item 40. Hedging derivatives	*1,094*	*808*
Tax liabilities		119	82
	Item 60. Tax liabilities	*119*	*82*
Other liabilities		1,405	1,079
	Item 80. Other liabilities	*1,354*	*1,031*
	Item 90. Provision for employment termination indemnities	*51*	*48*
Provisions for risks and charges		479	468
	Item 100. Provisions for risks and charges	*479*	*468*
Share capital and reserves		2,059	1,970
	Items 120, 150, 160, 170 Equity attributable to owners of the parent company	*2,059*	*1,970*
Net Profit		659	834
	Item 200. Net profit (loss) for the period	*659*	*834*
Total liabilities	**Total liabilities and shareholders' equity**	**46,870**	**41,032**

Reconciliation of restated consolidated income statement and reclassified consolidated income statement

(€m)

RECLASSIFIED CONSOLIDATED INCOME STATEMENT ITEMS	CONSOLIDATED RESTATED INCOME STATEMENT ITEMS	9 MONTHS 2019	9 MONTHS 2018 RESTATED
Net interest income		132	116
	Item 30. Net interest income	*132*	*116*
Net profit (loss) on financial assets and liabilities at fair value		33	19
	Item 80. Net profit (loss) on trading activities	*10*	*7*
	Item 90. Net profit (loss) on hedging activities	*(1)*	*-*
	Item 100. b) Profit (loss) on sale or repurchase of financial assets measured at fair value through other comprehensive income	*20*	*12*
	Item 110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	*21*	*-*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*(17)*	*-*
Net fee and commission income		1,276	1,269
	Item 60. Net fee and commission income	*1,276*	*1,271*
	- Item 60. (partial) Soft commission	*(2)*	*(2)*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*5*	*-*
	- Item 190. b) (partial) Component of administrative expenses relating to fee and commission income	*(3)*	*-*
Intermediation margin		**1,441**	**1,404**
Profit on equity investments and other income (expense)		3	5
	Item 230. Other income/expense	*184*	*178*
	Item 250. Profit (loss) on equity investments	*4*	*6*
	- Item 230. (partial) Recovery of indirect taxes	*(185)*	*(179)*
Net operating income		**1,444**	**1,409**
Personnel expenses		(263)	(252)
	Item 190. a) Personnel expenses	*(268)*	*(259)*
	- Item 190. a) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*5*	*7*
Other administrative expenses		(143)	(141)
	Item 190. b) Other administrative expenses	*(360)*	*(350)*
	- Item 60. (partial) Soft commission	*2*	*2*
	- Item 190. b) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*5*	*9*
	- Item 190. b) (partial) Costs related to banking system	*22*	*18*
	- Item 190. b) (partial) Component of administrative expenses relating to fee and commission income	*3*	*-*
	- Item 190. b) (partial) Costs related to integration of Swiss hub	*-*	*1*
	- Item 230. (partial) Recovery of indirect taxes	*185*	*179*
Depreciation and amortisation		(42)	(34)
	Item 210. Depreciation of property and equipment	*(36)*	*(30)*
	Item 220. Amortisation of intangible assets	*(15)*	*(11)*
	- Item 220. (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*8*	*7*
	- Item 220. (partial) Amortisation of Client Assets recognised in intangible assets following PPA	*1*	*-*
Net operating expenses		**(448)**	**(427)**
Operating margin		**996**	**982**
Net impairment of loans		-	(1)
	Item 130. Net impairment for credit risk	*1*	*(2)*
	- tem 130. a) (partial) Net impairment/reversal of impairment for credit risk related to financial assets measured at amortised cost - Debt securities	*(1)*	*1*
Net provisions for risks and charges and net impairment of other assets		(38)	(12)
	Item 200. Net provisions for risks and charges	*(42)*	*(11)*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*12*	*-*
	- Item 130. a) (partial) Net impairment/reversal of impairment for credit risk related to financial assets measured at amortised cost - Debt securities	*1*	*(1)*
	- Item 200. (partial) Use in excess of Risk provision for tax dispute	*(9)*	*-*
Net non-recurring income (expenses)		9	10
	Item 100. a) Profit (loss) on sale or repurchase of financial assets measured at amortised cost	*-*	*10*
	- Item 200. (partial) Use in excess of Risk provision for tax dispute	*9*	*-*
Gross income (loss)		**967**	**979**
Income taxes for the period on continuing operations		(279)	(294)
	Item 300. Income taxes for the period on continuing operations	*(267)*	*(280)*
	- Item 300. (partial) Tax impact on costs related to integration of Intesa Sanpaolo Private Banking	*(5)*	*(8)*
	- Item 300. (partial) Tax impact on costs related to the banking system	*(7)*	*(6)*
Integration and voluntary redundancy expenses (net of tax)		(13)	(16)
	- Item 190. a) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*(5)*	*(7)*
	- Item 190. b) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*(5)*	*(9)*
	- Item 190. b) (partial) Costs related to integration of Swiss hub	*-*	*(1)*
	- Item 220. (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*(8)*	*(7)*
	- Item 300. (partial) Tax impact on costs related to integration of Intesa Sanpaolo Private Banking	*5*	*8*
Effects of purchase price allocation (net of tax)		(1)	-
	- Item 220. (partial) Amortisation of Client Assets recognised in intangible assets following PPA	*(1)*	*-*
Expenses regarding the banking system (net of tax)		(15)	(12)
	- Item 190. b) (partial) Costs related to banking system	*(22)*	*(18)*
	- Item 300. (partial) Tax impact on costs related to the banking system	*7*	*6*
Net profit	**Item 350. Parent company interest in net profit (loss) for the period**	**659**	**657**

Graphic Design and Development:

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www.mercuriogp.eu

English Language version:
ARKADIA TRANSLATIONS SRL

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GALLERIE D'ITALIA.
THREE MUSEUM VENUES: AN ITALIAN CULTURAL NETWORK.

Through the Gallerie d'Italia, Intesa Sanpaolo intends to share its artistic and architectural heritage with the public at large: 1,000 works of art displayed in historic palazzi in three cities creating a unique museum network.

Set in an architectural context of great value, Gallerie d'Italia - Piazza Scala in Milan displays a selection of two hundred nineteenth-century works of the Lombard school of painting, coming from the art collections of Fondazione Cariplo and Intesa Sanpaolo, along with a collection representative of twentieth-century Italian art.

Gallerie d'Italia - Palazzo Leoni Montanari in Vicenza exhibits works of eighteenth-century Veneto art and a collection of Attic and Magna Graecia pottery. Moreover, one of the most important collections of Russian icons in the West is safeguarded here.

Gallerie d'Italia - Palazzo Zevallos Stigliano in Naples houses *The Martyrdom of Saint Ursula*, Caravaggio's last documented painting, as well as a collection of over one hundred and twenty artworks representative of Neapolitan artistic output from the early seventeenth century to the beginning of the twentieth century.

Cover photo:

ANGELO INGANNI
(Brescia, 1807 - 1880)
Piazza della Scala under the snow, seen from the Gallery 1874
oil on canvas, 65,5 x 55,5 cm
Intesa Sanpaolo Collection
Gallerie d'Italia - Piazza Scala, Milan

Angelo Inganni's vedute are fine works offering a valuable insight into the urban transformations that Milan experienced during the 19th century. In *Piazza della Scala under the snow, seen from the Gallery*, the artist depicts Teatro alla Scala before the square it faces was opened, which involved the demolition of a housing block next to the Palazzo Marino, and subsequently led to the construction of the Galleria Vittorio Emanuele II and the erection of the Leonardo da Vinci monument.

Despite the structural balance of the work, the resulting image - created with free and vibrant brushstrokes with no concern for defined outlines - seems somewhat random, almost like a snapshot of the path running between the snowy square and the Galleria.

The work is part of the permanent collection at the **Gallerie d'Italia**, Intesa Sanpaolo's museum complex located in **Piazza Scala, Milan**. The exhibition dedicated principally to 19th century art opens with Neoclassical works and continues through to the turn of the 20th century, with a century's worth of Italian paintings depicting historical events, battles of the Risorgimento (the Italian Unification), vedute and landscapes, as well as genre paintings and masterpieces of Symbolism.

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