FIDEURAM
INTESA SANPAOLO PRIVATE BANKING

Integrated Annual Report 2020

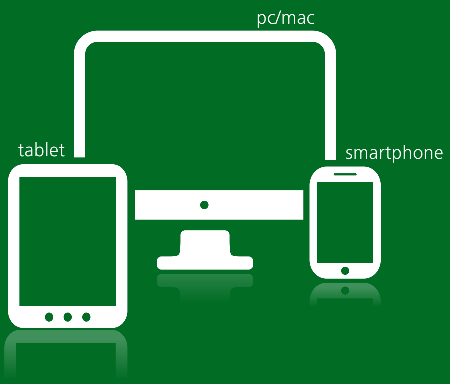
Bank of INTESA SANPAOLO

Mission
of Fideuram - Intesa Sanpaolo Private Banking

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

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

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



Customers

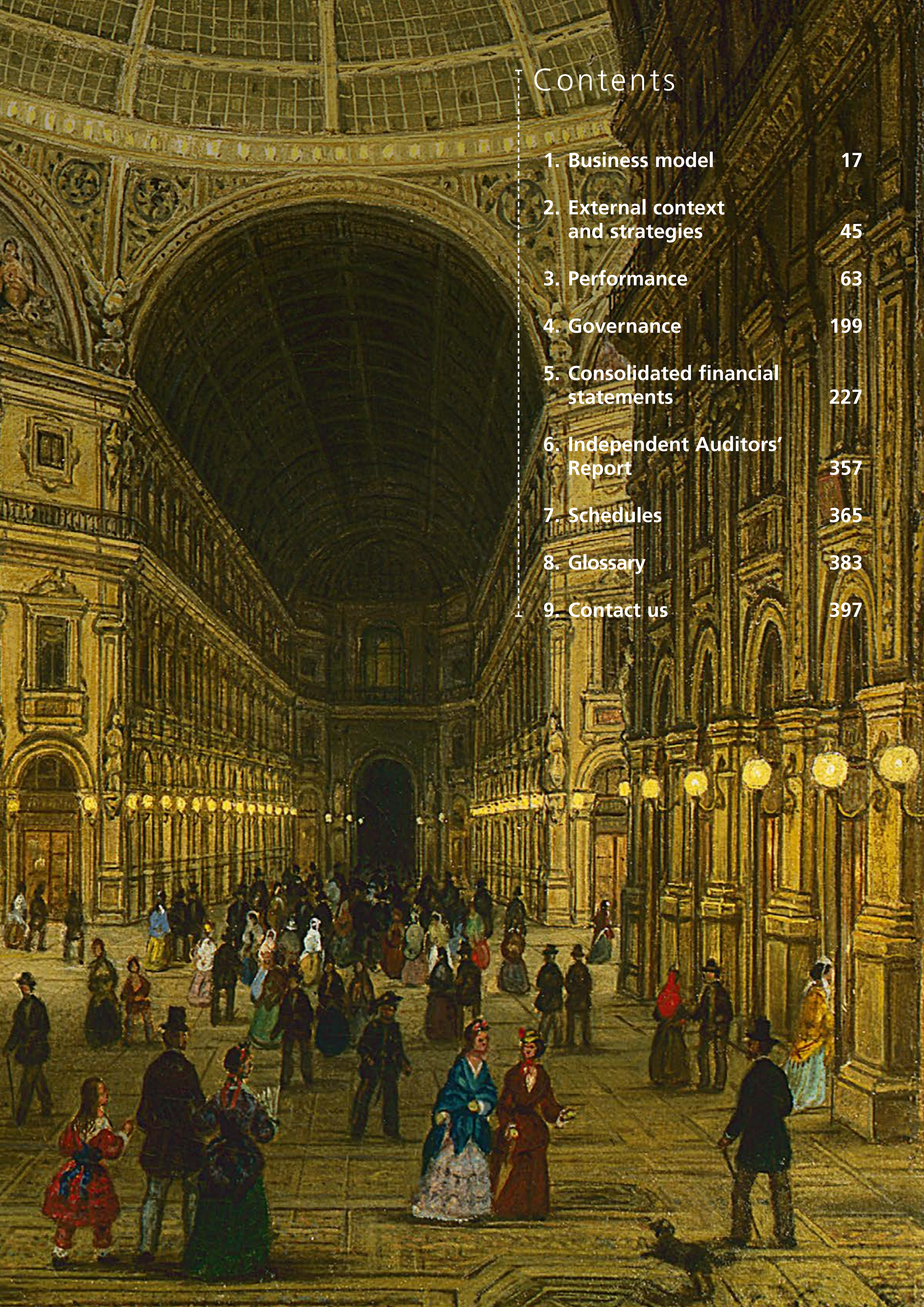
Shareholders

Colleagues

Suppliers

Community

Environment



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About this Report

> **The Integrated Report starts with our business model and reveals our Group's strategic focus, highlighting the components that influence the creation of value.**

In line with recent international reporting developments, the Fideuram Group has published an Integrated Annual Report addressed to all stakeholders since 2013.
The typical financial information of a traditional annual report and non-financial information are presented in integrated form by taking a comprehensive view in a single document, using capital analysis to illustrate how the business model, strategies, and financial, social, environmental and governance performance influence the value creation process over the medium and long term.

The report has been prepared in accordance with the International <IR> Framework published by the International Integrated Reporting Council (IIRC) in 2013. To measure and monitor performance, it reports on a set of indicators selected from the GRI Standards 2016 with the in accordance Core option. Integrated reporting is a journey on which perfection is gradually achieved as reporting processes for the production of the supporting information are fully developed. In line with this philosophy, our Group has continued its actions to improve the quality of its reporting through involving internal and external stakeholders in the choice of relevant aspects to report on. Our Personal Financial Advisers and customers appreciate its contents and support this corporate communication tool as an essential means for guaranteeing transparency and quality information and training.

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

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

GUIDE TO READING THE INTEGRATED ANNUAL REPORT

The document begins with an introductory section presenting a summary of the Group's identity and the main key indicators that highlight the performance of capital over a period of five years. This is followed by Chairman's Statement and the Managing Director's Statement.

The first chapter **Business model** shows how the Group creates value and describes the key factors and stakeholders involved in this process.

The second chapter **External context and strategies** outlines the economic environment in which the Group operates with an overview of its positioning in the reference market and presents the strategic objectives and main lines of action that contribute towards creating sustainable value over time.

The third chapter **Performance** represents the extent to which the capital invested in the production process contributes to the creation of value. Qualitative reporting is accompanied by the use of quantitative indicators that facilitate the analysis of the interdependencies between the various capitals.

The fourth chapter **Governance** describes the body of rules and organisational structures that enable effective management of the Group with a particular focus on the internal control system.

The fifth chapter **Consolidated financial statements** contains the financial statements and the notes to the consolidated financial statements.

Our identity

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

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

1984 Fideuram distributed the first Italian mutual funds.

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

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

2007 Delisting of the Fideuram stock.

WHO WE ARE

With over €257bn in client assets, Fideuram is the biggest Italian private bank (and one of the biggest in Europe).

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

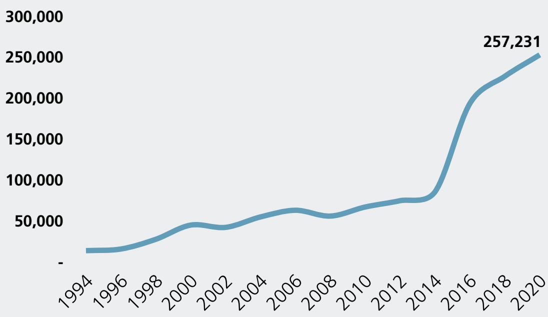
WHAT WE OFFER OUR CUSTOMERS

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

- fee-paying advanced advisory services;
- excellent in-house products;
- rounding out its offering with products of major global investment firms.

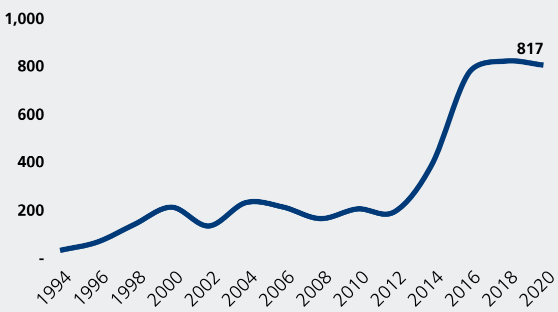
Client assets

(€m)



Net profit

(€m)



2009 Fideuram launched fee-paying advanced advisory services.

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

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

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

2019 Establishment of Intesa Sanpaolo Private Bank (Suisse) Morval, the new company leading the international development of the Group.

2020 Fideuram launched a strategic partnership between Intesa Sanpaolo Private Bank (Suisse) Morval and REYL & Cie.

WHERE WE ARE

The Group has a strong local presence throughout Italy, with 230 Bank Branches and 321 Personal Financial Adviser Offices. The Group also operates abroad with five bank branches.

With 3 Private Banking Centres and 10 hubs, the Fideuram and Intesa Sanpaolo Private Banking networks are organised to assist High Net Worth Individuals.

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

HOW WE SEE THE FUTURE

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

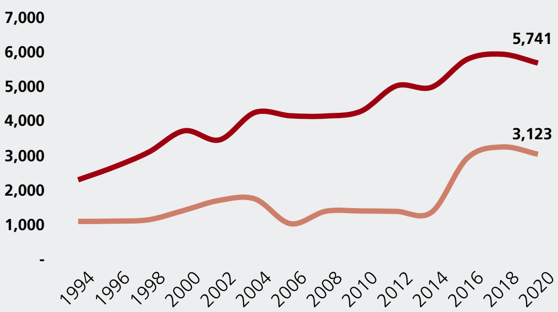
We will support the **foreign growth** and **international expansion** of the Group.

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

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

Personal Financial Advisers and Employees

(No.)

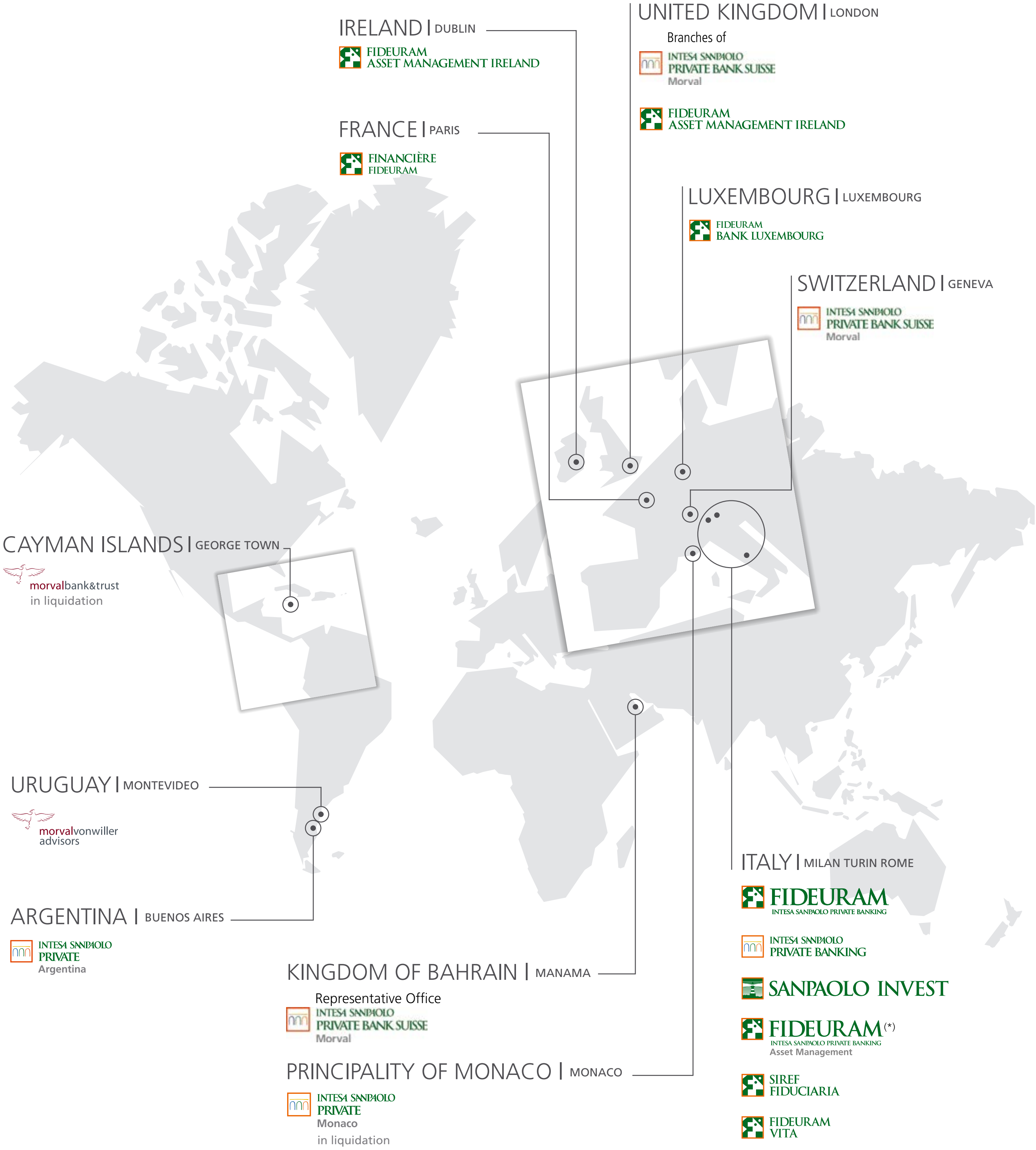


■ Personal Financial Advisers ■ Employees

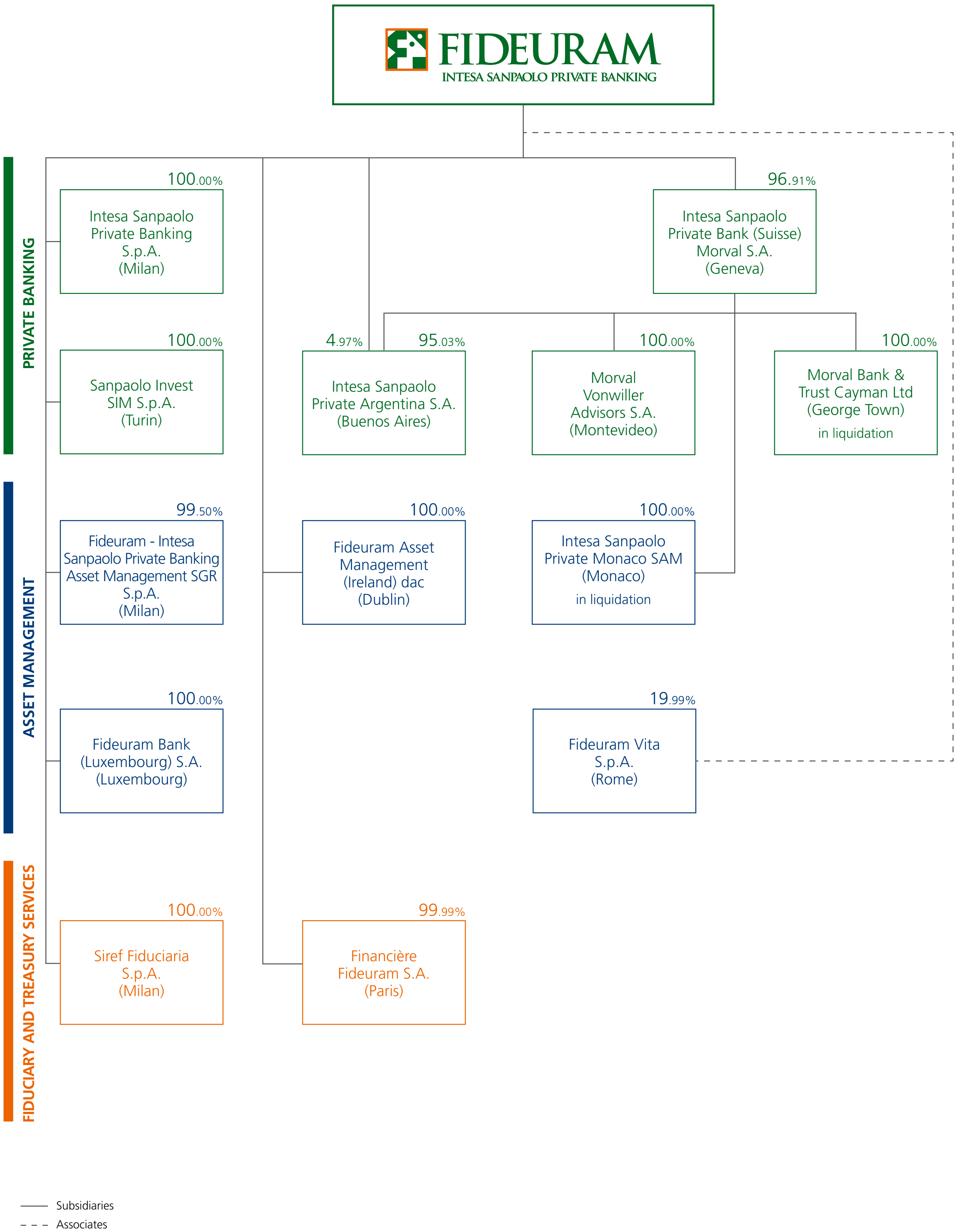
Our awards

Group structure

The Fideuram - Intesa Sanpaolo Private Banking Group operates in eleven countries and consists of the Parent Company **Fideuram - Intesa Sanpaolo Private Banking** ("Fideuram") and the following companies:



(*) Starting from 1 January 2021, Fideuram Investimenti SGR S.p.A. changed its name to Fideuram - Intesa Sanpaolo Private Banking Asset Management SGR S.p.A..

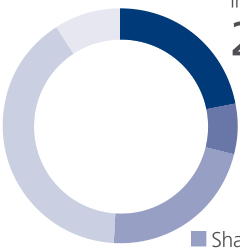

FIDEURAM
INTESA SANPAOLO PRIVATE BANKING
PRIVATE BANKING
ASSET MANAGEMENT
FIDUCIARY AND TREASURY SERVICES
100.00%
Intesa Sanpaolo Private Banking S.p.A. (Milan)
100.00%
Sanpaolo Invest SIM S.p.A. (Turin)
96.91%
Intesa Sanpaolo Private Bank (Suisse) Morval S.A. (Geneva)
4.97%
95.03%
Intesa Sanpaolo Private Argentina S.A. (Buenos Aires)
100.00%
Morval Vonwiller Advisors S.A. (Montevideo)
100.00%
Morval Bank & Trust Cayman Ltd (George Town) in liquidation
99.50%
Fideuram - Intesa Sanpaolo Private Banking Asset Management SGR S.p.A. (Milan)
100.00%
Fideuram Asset Management (Ireland) dac (Dublin)
100.00%
Intesa Sanpaolo Private Monaco SAM (Monaco) in liquidation
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

Highlights

Financial Capital

WEALTH CREATED

€2.9 bn



RETURN ON EQUITY 27%

COST/INCOME RATIO 31%

SHAREHOLDERS' EQUITY €3.1 bn

NET PROFIT €817 m

NET FEE AND COMMISSION INCOME €1.7 bn

of which recurring €1.6 bn

TOTAL NET INFLOWS

€11.7 bn

of which Net inflows into managed assets €5.8 bn

CLIENT ASSETS

€257.2 bn

of which managed client assets €174.6 bn

Productive Capital

NO. OF BANK BRANCHES

235

outside Italy 5

NO. OF PERSONAL FINANCIAL ADVISER OFFICES

321

Intellectual Capital

INVESTMENTS IN INFORMATION SYSTEMS

€50 m annually

NO. OF PROJECTS

80

Human Capital

NO. OF PERSONAL FINANCIAL ADVISERS

5,741

NO. OF EMPLOYEES

3,123

NO. OF CUSTOMERS PER PERSONAL FINANCIAL ADVISER

Fideuram Network
169:1

Sanpaolo Invest Network
132:1

Intesa Sanpaolo Private Banking Network
43:1

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

CLIENT ASSETS PER PERSONAL FINANCIAL ADVISER

€45 m

NET INFLOWS PER PERSONAL FINANCIAL ADVISER

€2 m

TRAINING (HRS)

Personal Financial Advisers
394,090 hours

Employees
134,243 hours

AVERAGE LENGTH OF SERVICE

Personal Financial Advisers
16 years

Employees
19 years

Relational Capital

NO. OF CUSTOMERS

Fideuram
606,012

Sanpaolo Invest
160,809

Intesa Sanpaolo Private Banking
38,327 households

Intesa Sanpaolo Private Bank (Suisse) Morval
1,751

Siref Fiduciaria
1,844 mandates

AVERAGE LENGTH OF CUSTOMER RELATIONSHIP

Fideuram and Sanpaolo Invest
13 years

Intesa Sanpaolo Private Banking
14 years

CLIENT RETENTION RATE 96%

NEW CLIENT RATE 7%

NET PROMOTER SCORE (NPS) 49

CUSTOMER SATISFACTION INDEX (CSI) 8.5

CUSTOMER SEGMENTATION

HNWI
Client assets €75 bn

Private Banking customers
Client assets €118.9 bn

Affluent customers
Client assets €46.8 bn

Mass Market customers
Client assets €16.5 bn

Key Performance Indicators (*)

	2020	2019	2018	2017	2016
CLIENT FINANCIAL ASSETS					
Net inflows into managed assets (€m)	5,818	4,605	3,591	11,626	2,887
Total net inflows (€m)	11,659	10,926	10,189	12,248	8,454
Client assets (€m)	257,231	242,715	213,069	216,550	200,465
OPERATING STRUCTURE					
Personal Financial Advisers (No.)	5,741	5,834	5,995	5,990	5,887
Staff (No.)	3,123	3,179	3,335	3,233	3,116
- women (No.)	1,409	1,422	1,481	1,430	1,374
- outside Italy (No.)	307	310	314	269	249
Personal Financial Advisers' Offices (No.)	235	235	228	229	231
Bank Branches (No.)	321	321	326	323	324
CONSOLIDATED FINANCIAL RESULTS					
Consolidated net profit (€m)	817	906	834	871	786
Group shareholders' equity (€m)	3,147	2,960	2,804	2,816	1,981
Basic consolidated net earnings per share (€)	0.545	0.604	0.556	0.581	0.524
Dividends per share (€)	0.434	0.433	0.540	0.525	0.476
Total assets (€m)	52,027	47,767	41,032	39,201	34,672
Wealth created (€m)	2,918	2,906	2,775	2,766	2,537
Value distributed (€m)	2,641	2,572	2,713	2,617	2,410
PROFITABILITY INDICATORS					
Return on Equity (%)	27	31	30	36	41
Return on Assets (%)	2	2	2	2	2
Cost / Income Ratio (%)	31	31	32	30	30
Payroll costs / Operating margin	18	18	19	17	16
Net profit / Average client assets (%)	0.3	0.4	0.4	0.4	0.4
E.V.A. (€m)	704	791	735	788	716
NON-FINANCIAL INDICATORS					
Customer requests (no.)	2,637	2,260	1,874	1,358	1,221
Personal Financial Adviser training (hrs.)	394,090	447,338	470,731	329,928	386,819
Employees on open-ended contracts (%)	98.8	99.4	98.8	98.5	98.9
Women in management positions (% out of the total number of senior managers)	11	10	9	11	11
Staff turnover (%)	10	15	15	10	10
Employees training (hrs.)	134,243	142,832	131,862	82,641	122,995
Donations (€m)	1.2	0.5	0.2	0.6	0.3
Operating margin / Number of employees (€m)	0.6	0.6	0.6	0.6	0.6
Client assets / Number of Personal Financial Advisers (€m)	45	42	36	36	34
Net Promoter Score (NPS) (no.)	49	47	-	-	-
Customer Satisfaction Index (CSI) (no.)	8.5	8.5	-	-	-
Paper consumption per employee (kg)	39	53	60	63	70
Direct and indirect emissions (scope1 and scope2) (tCO_2)	2,483	2,833	3,960	3,376	-

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

(*) The figures for 2017 have been restated on a like-for-like basis to take the first-time adoption of IFRS 9 into account. The figures for 2018 have been restated on a like-for-like basis to take the first-time adoption of IFRS 16 into account.

Contents

Introduction

Economic scenario

The steady, global spread of the Covid-19 epidemic in the first half of the year, which was followed by a second wave after the summer, devastated world economic performance and led to the introduction of restrictive measures, the interruption of production activities and severe consumer anxiety in nearly all countries. The combination of these factors significantly affected the economic activity causing a recession in the first and second quarters, followed by a significant bounce back and then a further slowdown in the autumn quarter.

In a vertically integrated international economy, the repercussions among countries and industrial sectors further amplified the effects of the crisis. The productive organisation of the Italian economy, which is based on small and medium enterprises, has proven to be especially fragile in this context. Important sectors like tourism, manufacturing, and restaurant services will find it very difficult to recover quickly. The peculiar nature of the current crisis stems from the combination of a supply shock (with a consequent reduction in production and investments) and a sharp increase in uncertainty that is paralysing demand (with a consequent reduction in consumer spending and growth in precautionary saving). When the economic system is falling into paralysis, gripped by contracting supply and demand, it is vitally important to guarantee greater liquidity for banks so that they can make loans to efficient enterprises. The recovery of economic activity depends directly on the ways in which the measures adopted by governments and other authorities determine the allocation of losses among the various participants in the economy (businesses, banks, households, governments and central banks) and on the distribution of those losses over time. National governments have implemented various measures to mitigate the impact of the economic crisis on businesses, households and banks. Several measures call for shifting private sector losses directly to the State, through transfers to households and businesses, expansion of the beneficiaries of the government lay-off benefits fund and increase in unemployment benefits. Other measures, such as the issuance of public loan guarantees and moratoria on tax and loan payments, do not alleviate the losses incurred by certain sectors but aim to facilitate the provision of liquidity on favourable terms by the financial system, thereby deferring the losses.

Fiscal measures adopted to combat the economic effects of the pandemic were reflected in an increase in the aggregate public sector deficit of more than 8 percentage points. These measures included postponements of tax payments, provision of guarantees for bank loans, subsidies to households, strengthening of social security mechanisms and, in some countries, subsidies for businesses that suffered reductions in turnover in 2020. The European Union also launched a number of financial support measures: a credit line of the ESM (European Stability Mechanism) called PCS (Pandemic Crisis Support), which can reach up to 2% of GDP of each member state; a fund (SURE) for the refinancing of employment support programmes; a guarantee fund for loans disbursed by the European Investment Bank. Also an agreement was reached to launch a new plan for recovery, Next Generation EU, which from 2021 will finance reforms and projects consistent with the Union's priorities for action through transfers or subsidised loans.

The European Central Bank supported the tax efforts through an exceptional expansion of the asset purchase programmes, including the launching of a specific temporary programme (PEPP, Pandemic Emergency Purchase Programme), the easing of conditions on long-term refinancing programmes, an extension of the range of eligible assets as collateral and transitory relaxing of supervisory standards. These latest measures were introduced in order to avoid a pro-cyclic restriction of bank credit. The quantitative limit of the PEPP, initially amounting to €750 billion, was subsequently raised to €1,350 billion in June and €1,850 billion in December; its expiration, originally scheduled for the end of 2020, has been extended until March 2022. The increase in excess liquidity has kept the €STR interest rate (euro short-term rate) under the official rate on deposits with the Eurosystem (-0.50%), while swap rates fell significantly compared to December 2019 (-21 basis points on the two-year maturity and -29 basis points on five-year maturity).

The Italian economy suffered a sharp contraction in 2020 estimated to be at about 9 percentage points. The bounce back in the third quarter partially annulled the contraction in the first half but the level of GDP was still 5% lower than a year earlier. In addition, the second wave of the pandemic necessitated the introduction of new restrictive measures in November, with a negative impact on GDP in the fourth quarter. In November, employment was lower than pre-crisis levels by 280 thousand.

The need to counteract the negative economic and social effects of the pandemic and the measures for restricting infections meant that the state sector's borrowing requirements in 2020 reached €159 billion, with an increase of €117 billion compared to 2019. The corresponding increase in public debt was not reflected in pressure on risk premiums, since it found indirect but almost complete coverage in the increase in the Eurosystem's portfolio of Italian government bonds.

In this scenario, the mutual fund industry was characterised in the first quarter of 2020 by strong outflows, which increased sharply in March, following the collapse in stock prices triggered by the negative consequences of the pandemic on the global economy. However, in subsequent quarters, robust inflows were channelled into mutual funds, particularly into the equity and bond sub-fund, allowing industry to end the year positively. Even discretionary accounts were quite resilient. In contrast, life insurance showed a drop in total new premiums compared to 2019 due to the sharp contraction of the policy premiums in classes I and V, while the decline was more moderate in unit-linked policies in line with the pace of flows into mutual funds. For non-managed assets, there was also a reduction in 2020 of the debt securities that families hold in custody at banks. The continuation of the trend reflected the continued decline in bank bonds in the portfolios of retail customers. In contrast, from April onwards there was an increase in debt securities held by non-financial companies which, although relatively small in size, appeared consistent with the influx of cash that occurred in an aggregate manner on the sector's current accounts.

Business continuity

The Group has undertaken all necessary measures to deal effectively with the public health emergency ever since it began, ensuring the business continuity of its processes and services. Fideuram has participated in the Emergency Unit of Intesa Sanpaolo and activated its own Crisis Management Operations Unit, which has gradually implemented measures, protocols and precautions in complete compliance with orders issued by the Authorities. Through the intranet site, all colleagues have been kept constantly informed about the orders issued by the Authorities and consequent internal decisions taken to guarantee the protection of employees and customers, communications with stakeholders and business continuity.

Employee safety has been pursued through the provision of personal protection equipment, restrictions on travel, extension of flexible work and increases in the spaces between people. Social distancing is prescribed for indoor premises, offices and branches, with frequent cleaning cycles being ensured in compliance with instructions issued by the Ministry of Health. Those colleagues who have tested positive to the virus are constantly monitored over the course of their illness, and any colleagues who came into contact with the positive individuals must avoid coming to work. Access to the affected premises is prohibited and they are decontaminated before they may be used again. Teleworking, which was already an established practice at the Group, has been extended to almost all employees of the central departments since the emergency began. Measures to upgrade the security of teleworking have been implemented at the same time, increasing the level of protection to improve management of secure access to the corporate network. Specific measures, designed to allow working away from Group offices, were drawn up for critical Finance, Treasury, Investment Management and Operations activities. Specific measures were drawn up for the branches to ensure containment of infection risks and thereby avoid the closure of operational sites and interruption of service. Customer access is allowed for just one person at a time on appointment. A special section has been set up on the corporate intranet to handle internal communications, with messages being sent to all employees to provide them with updates and operational instructions at critical times. Punctual messages were also sent to suppliers, customers, and media, with the authorities, public institutions and industry associations being kept constantly up to date. Specific messages to customers were issued in response to the growing menace of online fraudsters exploiting the current emergency situation. Those messages provide practical advice on how to avoid falling victim to cyber attacks.

Supporting initiatives

In response to the difficulties faced by numerous customers, concrete financial support measures have been provided since the beginning of the public health emergency, either directly or through the services offered by Intesa Sanpaolo. Specifically:

- arrangements were made with Intesa Sanpaolo so that our customers can obtain the business loans prescribed by the Liquidity Decree;
- specific commercial offers were created for both private customers and business customers, designed to satisfy their liquidity requirements tied to the emergency period;
- three-month suspension of payments on outstanding medium-long term loan instalments on customer request were allowed either for the amount of principal alone or for the entire instalment, and this can be extended for another three or six months according to the duration of the emergency.

At the end of December, customers had been provided with about €560m in new subsidised rate loans and ten requests for moratoria on loan instalments were accepted. These measures allowed our customers to manage their payments during the emergency and confirm the important financial and social role played by the Group.

Impacts on financial statements and the risk profile

In this perspective, European regulators have also taken action, by issuing a series of measures to ensure that financial intermediaries have sufficient flexibility to manage this crisis period. Financial institutions have been requested, inter alia, to avoid excessive pro-cyclical effects in the application of IFRS 9 – Financial Instruments. The documents published by Authorities and Standard Setters suggest that in light of the present uncertainty, currently used methods must not be applied mechanically when calculating the loss forecasts prescribed by IFRS 9. Instead, it is necessary to use an appropriate measuring stick that takes the extraordinary circumstances adequately into account. A series of documents intended to provide methodological support to banks were issued in sequence by various

European and national Supervisory Authorities as the emergency unfolded with the spreading epidemic. Subsequently, even the IASB (International Accounting Standards Board) expressed its opinions on the most important issues related to the impacts of Covid-19.

The documents issued by various regulators and standard setters focused primarily on the following topics:

- instructions relating to the classification of loans, issued by IASB, ECB and EBA, which provide guidelines for the treatment of moratoria;
- determination of Expected Credit Loss (ECL) according to IFRS 9 in a forward-looking perspective, in particular with reference to the use of future macroeconomic scenarios;
- transparency and market disclosures.

The exceptional characteristics of the present crisis, the uncertainty surrounding the duration of the public health emergency and the measures taken by Governments and the European Union render the application of accounting standards based on market values and prospective valuations extremely complex.
On the basis of the general overview as given above, the accounting items affecting our Group that are most impacted by the public health emergency concern the classification of loans in risk stages and the assessment of the value of goodwill and of intangible assets with a finite useful life. With reference to the last aspect, no critical factors emerged on the accounting of items in the financial statements.
Our Group responded immediately and broadly to mitigate the effects of the crisis. It immediately launched an intense series of communication activities with its customers, while continuing to plan new investment solutions designed to seize the opportunities offered by the relevant context. These measures made it possible to increase client assets also as a result of the outstanding results of net inflows (€11.7bn in total, of which €5.8bn for managed assets).

Our Group's stability remains based on a fivefold foundation:

- a business model which integrates production and distribution;
- sustainable revenue deriving mainly from recurring fees generated by a solid base of managed assets;
- appropriate staff distribution across our branches and networks, with a good balance between fixed and variable costs;
- a structured risk monitoring system on different control levels;
- effective management of legal and tax disputes with sufficient provisions set aside.

Consolidated shareholders' equity at the end of December 2020 was €3.1bn and the Common Equity Tier 1 ratio was 21.9%. Financial resources acquired as customer deposits totalled €41.4bn, up €2.4bn since the end of 2019. They mainly consist of current accounts and deposits that are highly stable over time. Liquidity from liabilities is mainly invested in a portfolio of securities with medium-to-long term maturities containing a substantial proportion of eligible securities. The Group's business model and the strategies adopted to put our future growth plans into effect leave us strongly placed to tackle the volatility of the financial markets without any impact on our business continuity.

Significant events in 2020

As part of the project for international development of the Private Banking Division, the following operations were performed:

- the liquidation of Morval Vonwiller Assets Management Co. Ltd and Southern Group Ltd;
- the merger of Morval SIM into Intesa Sanpaolo Private Banking;
- the preliminaries for the liquidation of Morval Bank & Trust Cayman Ltd and of Intesa Sanpaolo Private Monaco SAM;
- the completion of an agreement for the establishment of a strategic partnership with REYL & Cie SA, a Swiss bank that controls the banking group with the same name;
- the conclusion of an agreement for the sale by Fideuram Bank (Luxembourg) of the business unit relating to the business of depository bank and Fund Administration to State Street Bank.

Following the acquisition of UBI Banca by Intesa Sanpaolo, the following operations were launched:

- the assignment to Fideuram of the 100% stake in IW Bank, together with the business unit of UBI Banca consisting of the units dedicated to providing the service activities in favour of IW Bank;
- the assignment to Intesa Sanpaolo Private Banking of the business unit consisting of the "TOP Private Banking" divisional unit;
- the transfer of UBI Trustee to Fideuram Bank (Luxembourg).

The 2021 outlook

The start of the vaccination campaigns has improved the prospects for recovery in the second half of 2021. However the autumn and winter wave of the pandemic will negatively affect economic activity at least in the first part of the year. From a sector perspective, trade and services will continue to be more affected than manufacturing and the construction industry, but later they should also experience a faster recovery during the phase of relaxation of restrictive measures and the reduction in infections. Fiscal policies will still be geared to the support of the sectors adversely affected by the pandemic and mitigating the adverse impact on household incomes. No further easing of monetary policy is expected in the United States or in the Eurozone. Short-term interest rates will remain close to the recent lows.

In the European Union, the recovery will suffer, in the 1st quarter, from a downward trend in growth as a result of the second wave of pandemic infections and later from the effects of falls in employment and the disposal of production activities, due to the economic crisis in 2020. By contrast, the entire region will benefit, in addition to the positive effects of overcoming the health emergency, from the launch of the investment projects related to the European fiscal plan called Next Generation EU.

The economic outlook remains on all sides subject to prevailing downside risks associated with the possibility of new waves of Covid-19 infections, in particular where the latter were to interfere negatively with the effectiveness of the vaccination campaign plans currently underway.

With respect to the Italian banking system, the worsening of credit risk and the expected emergence of non-performing exposures will have an effect on the performance of loans in 2021. The prospects of mortgages are influenced by the scenario in the housing sector which weakened in 2020 and saw a worsening of operators' expectations both in the short and medium-long term. More generally, the development in household loans is affected by the reduction in available income, the fragile employment situation, uncertainty and the consequent precautionary saving that curb decisions on spending. On the other hand, interest rates remain very low, and no particular restrictions have been imposed on household loans by banks.

The increase in customer deposits will continue, especially for demand deposits, albeit with a slowdown compared to the strong dynamics in 2020. Customer preference for liquidity, risk aversion and market yields that remain low will continue to feed current account balances. Use of the broad refinancing facilities offered by the ECB will make it possible to limit medium-long term funding needs, so much so that the stock of bonds is expected to decline throughout 2021. The broad inflow of funds into current accounts and the substantial contribution made by TLTRO III, both in terms of negative interest rates and enormous volumes, will make it possible to contain the cost of inflows. Marginal adjustments to current account rates are possible, although the imposition of negative rates is ruled out. Consequently, loan rates will remain very low, notwithstanding the foreseeable worsening in credit risk.

Chairman’s Statement

Paolo Molesini
Chairman

"Our business model, based on relationships and consultancy, remains able to meet the needs of all private customer segments."

The year 2020 was a dramatic year, especially for families directly affected by the epidemic to whom we offer our first thoughts. A difficult year for everyone, for the health emergency restrictions that changed our every day lives, the uncertainty that has affected the economic and social scenario and consequently the financial markets.

Even in this situation, Fideuram - Intesa Sanpaolo Private Banking has attained extraordinary results, in the numbers achieved in terms of client assets and net inflows. Extraordinary operations have come to fruition, with the acceptance of the private component of UBI (Top Private and IW Bank) and the partnership abroad with REYL.

Our business model, based on relationships and advisory services, is able to satisfy all of the private customer segments. Our commitment to raise the level of service has been relentless. The focus on the relationship of trust between customer and personal financial adviser has proved successful in this period of uncertainty. This proximity was also made possible thanks to investment in training and on electronic communication channels, which have gone hand-in-hand with the traditional ones.

Being part of the Intesa Sanpaolo Group is another of our strengths. The economic and financial fundamentals confirm the solid foundations of our Group, a European leader, attentive to issues of sustainability and the welfare of Italy, with initiatives in support of the healthcare, social and cultural systems.

This attention was seen in concrete facts; it allowed us to work well while protecting the health of our people and ensuring business continuity for our customers. Professionalism, listening skills and credibility have allowed our Personal Financial Advisers to understand the needs and deal with the emotions of our customers and turn them into appropriate investment solutions, ensuring sound governance in the investment processes for sustainable value growth.

We have thus increased our wealth in terms of credibility, recognised by our customers and the market, the result of the work and great efforts of all the people who work in Fideuram, Fideuram Asset Management, Intesa Sanpaolo Private Banking, Sanpaolo Invest, Siref Fiduciaria and the companies of the foreign Division.

Our market share and the level of assets that we manage gives us enormous responsibility, and we are proud of the role we play in protecting a significant portion of the wealth of Italian families. These assets are not just financial or real estate, but represent the security and future of many families, the opportunity for them to make their dreams come true.

Therefore, I thank each one of my colleagues who have contributed with balanced thinking, enormous passion and professionalism to overcoming the many challenges we have faced in this difficult year.

Managing Director's Statement

2020 was an unprecedented year. The Covid-19 pandemic unexpectedly launched us into a global tragedy with devastating effects on health and the global economy. We had to deal with situations that none of us had anticipated and we managed them, as indeed did all the Intesa Sanpaolo Group, always giving highest priority to the health and safety of our employees, customers, private financial advisers and the community.

We have upgraded the technology and modified processes to enable our employees to work from home as much as possible, organising the work in the branches so as to guarantee continuity of service for our customers in the safest conditions for everyone.

Each person in our company dealt with this situation with generosity and resilience, showing personal and professional responsibilities in all circumstances.

Each of these people deserves and receives merit for the extraordinary results obtained in such a complex environment: the total of client assets exceeded 257 billion euro, an increase of 14.5 billion (+ 6%) compared to 31 December 2019, reaching the highest level ever recorded in the history of the Group.

These are important results that show that our service model, which is centred on professional advisory services and the creation of long-standing relationships of trust between our customers and personal financial advisers, is resilient and capable, even in a year marked by social and economic uncertainty due to the health emergency, of ensuring ongoing growth in sustainable value over time, generating discipline and culture in the investment processes.

In full compliance with the restrictions due to the pandemic, even in the past year we continued to invest in recruitment and training courses aimed at improving our skills, professionalism and ability for innovation so as to be able to be one step ahead of the financial and wealth protection needs of our customers and their families at all times.

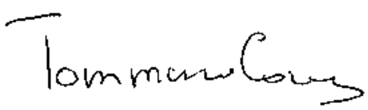
We consolidated our already rich and varied range of products, with an ever-growing focus on environmentally sustainable, social and governance criteria. We strengthened the segmentation of dedicated services, digital platforms and consolidated our range of products for High Net Worth Individual customers.

Our ability to build personal relationships with customers over time, the innovation in digital technologies and the ongoing commitment of our employees and personal financial advisers who make up our networks, have made it possible to continuously provide information and support to our customers, assisting them in the operational and strategic management of their portfolios over these months and consolidating our leadership in the markets.

In such a demanding situation, the acquisition of the majority stake in REYL & Cie SA and the arrival of colleagues from UBI Top Private and IW Bank will contribute towards the further growth in the value of our company and the Intesa Sanpaolo Group.

I would like to give my biggest thanks to our Personal Financial Advisers, managers and all employees for having guaranteed closeness to our customers. My heartfelt thanks also because I personally felt that same closeness in my first year in office inevitably marked by a situation of such great complexity: thanks for being by my side with generous commitment and great loyalty from the first day I took office; together we have achieved results that exceeded our expectations.

I also extend special thanks to the Intesa Sanpaolo Group, for the support given to all stakeholders and to our country. This support has helped us not to lose hope, the desire to contribute to a better future and, above all, our humanity.



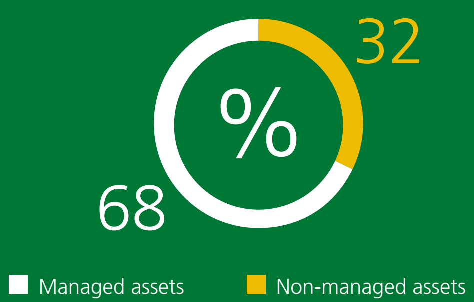
Tommaso Corcos
Chief Executive Officer and
General Manager

"2020 was an unprecedented year. Each person in our company dealt with this situation with generosity and resilience."

€2.9 bn wealth created
in 2020 (up €12m on 2019)

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

Client assets 2020:



1. Business model

1.1 Business model

Fideuram - Intesa Sanpaolo Private Banking is the number one private bank in Italy and among the largest in Europe with client assets totalling more than €257bn.

Since 2015, it has directed the business of the Intesa Sanpaolo Group Private Banking Division, which brings together the companies providing the Group's financial advisory, asset management and fiduciary services.

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

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

The Group's positioning is principally focused on the Private Banking and High Net Worth Individuals segments. Our products and services are provided by over 5,700 highly qualified professionals in four separate Networks (Fideuram, Intesa Sanpaolo Private Banking, Sanpaolo Invest, and Intesa Sanpaolo Private Bank (Suisse) Morval) with their own brand identities, service models, and customer profiles.

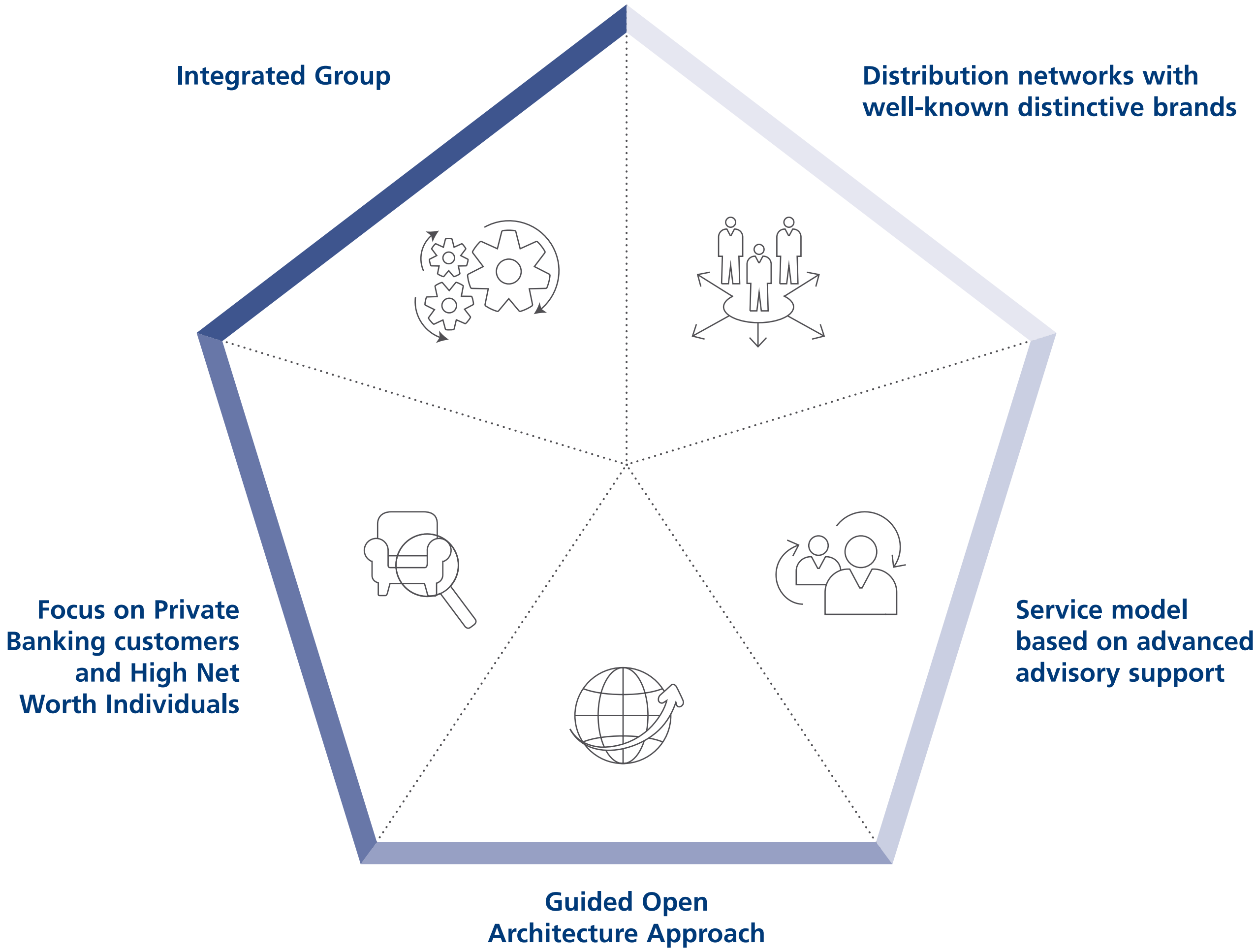
The Group's service model is centred on professional advisory services and the creation of long-standing relationships of trust between our customers and Personal Financial Advisers. The Group benefits from a strong and stable retail customer base, which can rely on a dedicated service model and tailored product offering. Our advisory services are offered as "Basic Advisory Services", which we provide for all customers free of charge in line with the requirements of the MiFID 2 directive, and as three "Advanced Advisory Services" (SEI, VIEW and Private Advisory), which are paid services designed specifically for customers with greater financial assets and provided on the basis of a contract.

The investment solutions proposed by our Personal Financial Advisers are largely 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..

1.2 Key factors in the value creation process

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



An **Integrated Group** of companies based inside and outside Italy, with product companies that enable both prompt responses to changes in the market, exploiting the related opportunities, and the maintenance of management margins. This model of integration is based on a strategy of specialisation that allocates each Group company its own professional expertise. Through direct interaction with the Personal Financial Adviser Networks, the product companies are kept constantly updated on any changes in customer needs and are able to create the most appropriate investment solutions. This is also accomplished through the Group Investment Centre, whose aim is to establish a unified market view that uses different types of asset allocation approaches according to customer profile, risk appetite and distribution network.

Distribution networks with well-known distinctive brands: a model centred on the professional relationships between our Personal Financial Advisers and Customers, underpinned by the strength of the Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking brands and their consolidated longstanding reputation on the Italian market. The latter are key to attracting new customers and top professionals in the sector with a complete offering of products and services, bank branches and leading-edge expertise. Moreover, with the acquisition of the Morval Vonwiller Group, the Group has undertaken an expansion of its sales networks on international markets. A bricks and mortar presence, with 235 bank branches and 321 Personal Financial Advisers' offices, enables us to offer our customers a complete service that secures their loyalty and strengthens the Group's role as a one-stop-shop provider of banking products and services.

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

- *Basic Advisory Services*: provided free of charge to all customers and consisting in personalised advisory services regarding the customer's investments, paying careful attention to risk management and the suitability of their overall portfolio.
- *Advanced Advisory Services*: paid services provided on the basis of a dedicated contract:
  - *SEI Advanced Advisory Service*: this service identifies the customer's individual requirements classified by area of need, analyses their overall position and risk/return profile, and identifies appropriate investment strategies and solutions for each individual area of need, monitoring them over time.
  - *Private Banking Advanced Advisory Service*: a personalised advisory service with high added value for customers who want to be actively involved in their asset allocation choices with the assistance of their Personal Financial Adviser and the support of one of our Financial Advisory Unit specialists.
  - *VIEW (Value Investment Evolution Wealth) Advanced Advisory Service*: an advisory service that takes all of a customer's assets into consideration and supports the Personal Financial Advisers in their work of identifying each customer's specific requirements, classified by area of need, including with the assistance of guideline customer "archetype" profiles. The "View" service enables the customer and their Personal Financial Adviser to identify investment strategies and solutions for each individual area of need in accordance with their risk/return profile and to monitor their wealth from a global standpoint over time.

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

- Tax, legal and succession advisory services for asset planning.
- Fiduciary services, supported by Siref Fiduciaria.
- Advisory support to assist entrepreneurs manage the liquidity generated during significant business transitions, such as Mergers & Acquisitions or Initial Public Offerings.
- Art Advisory services provided with the support of external consultants.
- Real Estate Advisory services to support customers' real estate management needs both regarding disposable property and property of potential interest. The needs analysis is conducted internally or with the support of external consultants, including international consultants, for valuation and agency services.

A **Guided Open Architecture Approach**: a model that offers third-party products alongside our Group products to complement them, satisfying even the most sophisticated needs through partnerships with world-leading investment companies.

A clear f**ocus on Private Banking customers and High Net Worth Individuals**, segments that account for approximately 75% of the Group's client assets and which have high growth prospects in the Italian and foreign markets. The related client assets are, moreover, substantially above the threshold necessary to obtain significant economies of scale and ensure the creation of value in a manner that is sustainable over time.
The process to upgrade the Private Wealth Management unit continued in 2020, in view of developing and serving the Private Banking and High Net Worth Individuals segments of the Fideuram and Sanpaolo Invest Networks, through a pro-active approach and dedicated business model. The Private Wealth Management unit supports the Personal Financial Advisers in assessing the needs of Private Banking customers through a dedicated service model and an array of special products and services targeted principally at business owner and professional households, who tend to demand solutions that protect value in its various forms, while also being highly articulate about their varied and complex requirements.

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

- Private Advisory Unit, which develops the array of financial services dedicated to Private Banking customers, by coordinating with the delegated structures and specialised Group units, creating solutions to develop and protect the customer's financial assets;
- Wealth Solution Competence Centre, which provides value added services for non-financial assets (e.g. household wealth protection analyses, corporate finance and M&A deals, art assets and luxury goods management, property management, philanthropy, etc.) by using the Group's specialised companies or competent, select external providers for the realisation of deals and projects.
- Development Service and Monitoring, which develops the products and services offered and the model as a whole, inter alia in coordination with the impacted units of the Bank. Additionally, it monitors the distribution of services offered by Private Wealth Management to the Networks, analyses market trends in the Wealth Management sector, develops commercial projects targeting Private Banking customers, manages the partnership with the external providers of specialised services in the Wealth Management field.

- Private Wealth Management and Network Relations Coordination, which supports the network for access to banking services dedicated to Private Banking customers. It provides a dedicated lending desk, facilitating the exchange of information, with Central Departments or Group companies specialising in access to credit, as necessary.

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

Moreover, the Group enhances its provision for High Net Worth Individual customers through an Intesa Sanpaolo Private Banking Department that supports the Personal Financial Adviser Network with dedicated products and strategies. The Department is made up of the following units:

- Client Business Development, responsible for developing the support provided to existing customers and for acquiring new ones, including through the establishment of a network of relationships with private sector operators and external professionals, and through offering ordinary and extraordinary financial services and lending services to business customers.
- Competence Centre, offering specialist advisory support providing wealth advisory, philanthropy advisory, art advisory, and real estate advisory services.
- Investment Solutions and Service Model, responsible for monitoring the dedicated service model and finding customised solutions for asset allocation and advisory on client assets through analysis of their specific needs. Moreover, the team works as a generator of ideas for new products and services in response to market developments.
- Development of International Solutions, with the purpose of developing the international offering of products and services on the Italian Network and studying customised solutions with international content.

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

THE CREATION OF VALUE

REGULATIONS

EXTERNAL CONTEXT

Mission

Business values

Governance

Performance

INPUT CAPITAL

MAIN STRATEGIES

1. DEDICATED SERVICE MODELS
The networks' service models are specialised according to the different needs of the Personal Financial Advisers and customers

2. ADVISERS FACTORY
Expanded recruiting and upgraded training courses to create the "Future Personal Financial Advisers"

3. UPGRADING OF PRODUCTS AND SERVICES OFFERED
Expansion of products offered and development of Advanced Advisory Service

4. GROWTH OF FOREIGN OPERATIONS
Development of presence abroad and recruiting of Personal Financial Advisers having international experience and customers

5. DIGITAL CHAMPION
Development of a digital platform to facilitate the acquisition of new customers

All strategic initiatives are characterised by a strong **focus on ESG and CSR themes**

INPUT VALUES

Financial capital
- Client assets: €257.2bn
  of which Managed Assets: €174.6bn
- Financial solidity CET1 21.9%

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

Intellectual capital
- Investments in information systems €50m
- Projects no. 80

Human capital
- Personal Financial Advisers no. 5,741
- Employees no. 3,123
- Personal Financial Adviser training hours no. 394,090 and Employee training hours no. 134,243

Relational capital
- Client retention rate 96%
- New client rate 7%
- Net Promoter Score 49
- Customer Satisfaction Index 8.5

CONSUMER BEHAVIOUR

EXTERNAL CONTEXT

FINANCIAL MARKETS

TECHNOLOGICAL DEVELOPMENT

BUSINESS MODEL

DEDICATED BANK

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

PERSONAL FINANCIAL ADVISERS AND CUSTOMERS

DISTINCTIVE FACTORS

STRENGTHS

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

OUTCOME

OUTPUT

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

CLIMATE CHANGE

DEMOGRAPHIC CHANGES

1.3 Stakeholders

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

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

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

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

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

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

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

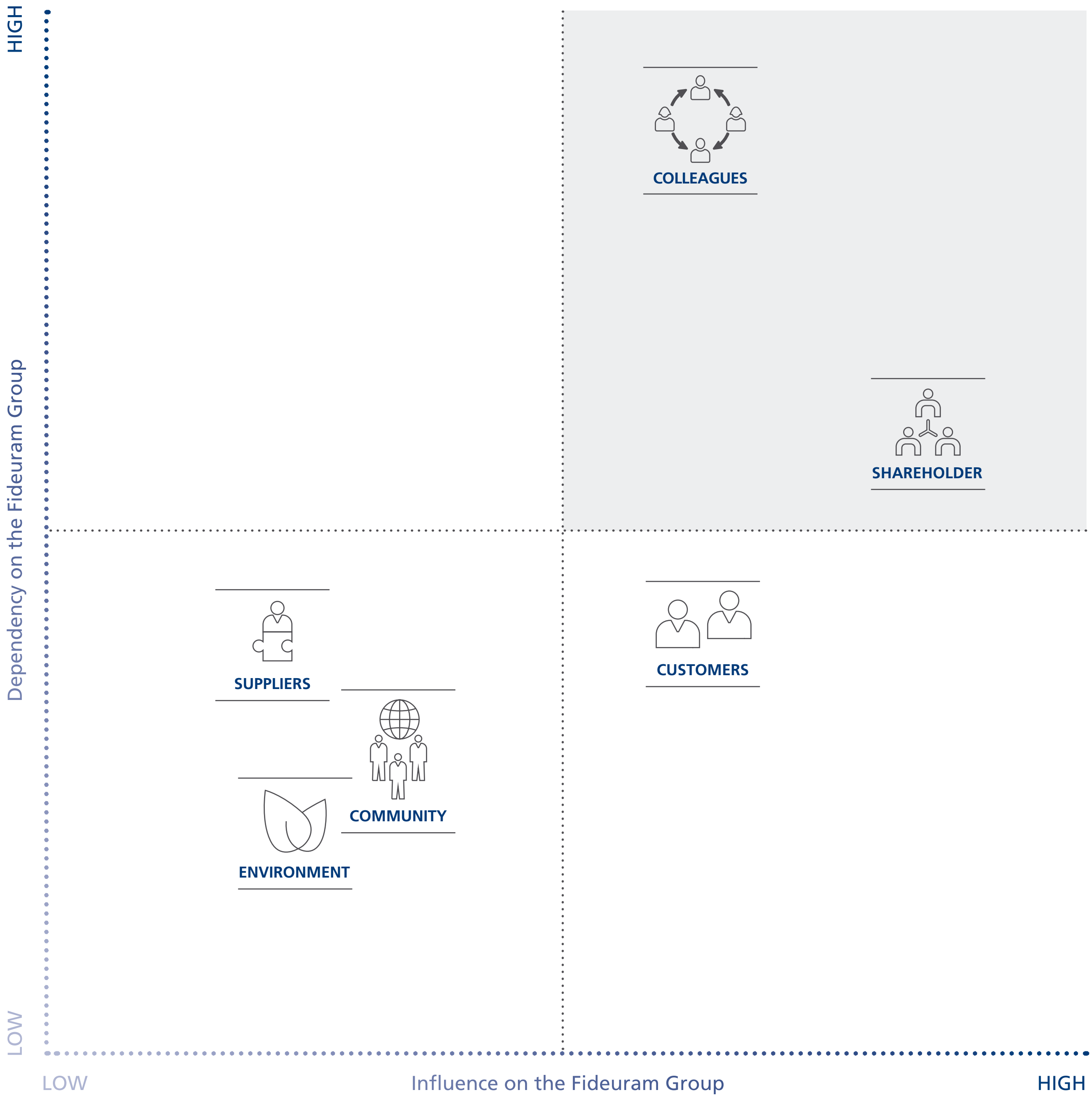
Effective stakeholder engagement has numerous benefits for the development of the Group's strategy:

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

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

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

STAKEHOLDER MATRIX



The Fideuram Group’s principal stakeholders are mapped below:

STAKEHOLDER MAP

		2020	2019
CUSTOMERS			
High Net Worth Individuals Private Banking customers Affluent customers Mass Market customers	Fideuram customers (No.)	606,012	584,283
	Sanpaolo Invest customers (No.)	160,809	155,773
	Intesa Sanpaolo Private Banking customers (No. of households)	38,327	37,672
	Siref Fiduciaria customers (No. fiduciary mandates)	1,844	1,975
	Intesa Sanpaolo Private Bank (Suisse) Morval customer (No.)	1,751	1,775
	Client assets (€m)	257,231	242,715
	Average length of customer relationship Fideuram and Sanpaolo Invest Networks (years)	13	13
	Average length of customer relationship Intesa Sanpaolo Private Banking Network (years)	14	13
SHAREHOLDER			
Intesa Sanpaolo S.p.A.	Fideuram ordinary shares (No.)	1,500,000,000	1,500,000,000
	Par value (€)	no-par shares	no-par shares
	Shareholders' equity (€m)	3,147	2,960
	Consolidated pay-out (%)	79.69	71.73
	Separate pay-out (%)	135.32	76.36
	Counterparty rating (S&P Global Ratings)	BBB/Stable	BBB/Negative
COLLEAGUES			
Employees	Employees: men (No.)	1,714	1,757
	Employees: women (No.)	1,409	1,422
	Graduate employees (%)	52	51
	Turnover (%)	10	15
	Average training hours per employee (No.)	43	45
Personal Financial Advisers	Personal Financial Advisers (No.)	5,741	5,834
	Client Assets per Personal Financial Adviser (€m)	45	42
	Average training hours per Personal Financial Adviser (No.)	69	77
SUPPLIERS			
	IT services (€m)	37	36
	Building management (€m)	14	16
	Third-party services (€m)	98	95
	Professional and insurance costs (€m)	22	21
	Advertising and promotional costs (€m)	6	7
	Other expenses (€m)	27	28
COMMUNITY			
Leading investment companies Non-profit organisations Public institutions Local Media	Charitable and other donations (€m)	1.2	0.5
	Current taxes (€m)	344	368
	Indirect taxes and levies (€m)	265	251
	Expenses regarding the banking system (€m)	32	24
ENVIRONMENT			
Environmental organisations Future generations	Paper consumption per employee (kg)	39	53
	Direct and indirect GHG emissions (scope1 and scope2) (tCO_2)	2,483	2,833

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

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

DISTRIBUTION OF WEALTH CREATED

	% 2018	% 2019	% 2020
The value created for our **CUSTOMERS** is reflected in the returns obtained through the subscription of financial products offered by the Group			
The value created by the Group is distributed to the **SHAREHOLDER** as dividend income.	29	22	22
The value created by the Group is distributed to the **COLLEAGUES** through: • *Fee and commission expense;* • *Personnel expenses;* • *Provisions for the termination of agency agreements and for the Personal Financial Adviser network loyalty schemes.*	38	37	40
The value created for the **SUPPLIERS** is distributed through Administrative expenses.	9	7	7
The Group distributes the value created for the **COMMUNITY** and the **ENVIRONMENT** through: • *Fee and commission expense* • *Administrative expenses (donations)* • *Direct and indirect taxes and levies* • *Expenses for the resolution fund and deposit guarantee scheme*	22	22	22
VALUE RETAINED This is the value remaining in the Group, mainly in the form of provisions, depreciation and amortisation, deferred tax assets and liabilities.	2	12	9

1.4 Business segments

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

MANAGED FINANCIAL ASSETS SEGMENT, which extends from mutual funds to SICAVs, speculative funds, alternative funds and individual discretionary accounts.

LIFE INSURANCE ASSETS SEGMENT, which covers unit-linked and traditional managed insurance asset products, as well as pension and protection products.

BANKING SERVICES SEGMENT, which covers the Group's banking and financial services.

MANAGED FINANCIAL ASSETS SEGMENT

The Group offers its customers:

MUTUAL FUNDS

The Group's mutual fund products are developed following an open architecture approach. They comply both with the UCITS Directive (mutual funds and SICAVs) and AIFM Directive (alternative investment funds - AIF), whether Group products or offered by third-party asset managers, and whether based inside or outside Italy.

The range covers the following different types of funds:

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

Each of these different types of funds offers a choice of asset classes (equity, fixed-income, money market and balanced products), investment policies and portfolio structuring. Examples of the latter include ethical funds, funds distinguished by their special focus on Socially Responsible Investments (SRI), capital-protected funds, and target maturity funds.

Further information on pages 87-93

DISCRETIONARY ACCOUNTS

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

MANAGEMENT STYLES

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

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

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

TYPES OF FINANCIAL INSTRUMENTS

Multimanager Asset Management Funds
Mainly invest in mutual funds and SICAVs offered both by the Group and third-party fund managers and in ETFs.

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

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

Through Fideuram/Sanpaolo Invest OMNIA and Fideuram Folios, Fideuram and Sanpaolo Invest have access to a wide range of investment lines of Fideuram Asset Management SGR offering different management styles, geographical areas and investment instruments that can be combined following a diversified approach to investment type and risk. OMNIA asset management also offers solutions that provide increasing levels of customisation in relation to the amount which may be invested and can extend to the construction of "dedicated" lines for Private Banking customers, supported by a specialist team.

Intesa Sanpaolo Private Banking offers a wide spectrum of investment lines organised by customer type, management style and investment risk. Customers of high standing who wish to receive constant updates on the investment choices made are served by the "Linee Private" (Private Banking Lines) managed by Intesa Sanpaolo Private Banking, which offer a highly-personalised service in terms of management style and underlying assets, and the "Linee di gestione di Eurizon Capital" (Eurizon Capital Management Lines) managed by Eurizon Capital using a specialist team dedicated to High Net Worth Individuals. The "Linee Mix" (Mixed Lines) and the "Linee Pure" (Pure Lines), which round out the service offering, enable customers to combine balanced solutions with solutions dedicated to specific categories of financial assets, in accordance with their investment profile.

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

ESG PRODUCTS

The range of offered managed asset products includes products in compliance with ESG criteria and a responsible investment approach, aspects that are attracting more and more investor interest.

These solutions, which fall in the categories described above, are realized through investment processes designed to guide the selection of investments in accordance with sustainability principles, which are broken down into three areas of interest:

- **Environmental** concerning environmental protection, inter alia through control of the direct and indirect impacts that economic activities can have, for example in terms of greenhouse gas emissions, energy efficiency and water resource management.
- **Social** referring to social values, i.e. upholding human rights, worker rights and conditions, diversity, minors, and everything pertaining to the sphere of respect for human dignity.
- **Governance** pertaining to the rules of conduct in the management of an entity, which may be a company, an institution, a local community or other. In particular, by applying the concept to companies, governance refers to the ways in which companies are managed and controlled and thus, for example, to the composition of the Board of Directors, shareholder relations, manager remuneration policy and legal compliance.

The catalogue currently offers both mutual funds, operated in-house and by the biggest international investment firms, and asset management lines developed in accordance with ESG criteria. In particular, different customised management lines oriented towards investment in financial instruments that incorporate environmental, social and good governance criteria have been developed in addition to the Ego High Conviction lines for the Omnia discretionary account of Fideuram, while the Mix Sustainable discretionary account is offered for Intesa Sanpaolo Private Banking. This is an individual discretionary account line with a sustainable focus that, by combining fundamental analysis with specific sustainability assessments, pursues financial targets on equal standing with social and environmental results.

LIFE INSURANCE ASSETS SEGMENT

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

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

INSURANCE PRODUCTS – TRADITIONAL

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

INSURANCE PRODUCTS – UNIT LINKED

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

Products in this category include the "Fideuram Vita Insieme" family of policies offered by Fideuram and Sanpaolo Invest, and the "ISPL Selezione Private" and "ISPL Prospettiva 2.0" policies offered by Intesa Sanpaolo Private Banking. These are flexible solutions combining investment opportunities and insurance coverage. The "Fideuram Vita Insieme" family of products offers different versions tailored to different customer segments, with the highest level of personalisation being offered by "Fideuram Vita Insieme Private", the version offered to Private Banking customers.

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

PENSION AND PROTECTION PRODUCTS

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

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

BANKING SERVICES SEGMENT

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

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

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

CURRENT ACCOUNTS

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

CREDIT SERVICES

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

NON-MANAGED ASSETS

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

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

TOP CLASS PARTNERS

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

1.5 The commitment to sustainable development

THE SUSTAINABILITY CONTEXT

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

UNITED NATIONS GLOBAL COMPACT

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

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

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

The Ten Principles that the members of the Global Compact promise to uphold in the operation of their own activities are listed in the following table:

Human rights	Labour	Environment	Anti-corruption
PRINCIPLE 1 Support and respect the protection of internationally proclaimed human rights in one's respective spheres of influence. **PRINCIPLE 2** Do not be complicit in human rights abuses, either directly or indirectly.	**PRINCIPLE 3** Uphold the freedom of association and the effective recognition of the right to collective bargaining. **PRINCIPLE 4** Eliminate all forms of forced and compulsory labour. **PRINCIPLE 5** Abolish child labour. **PRINCIPLE 6** Eliminate discrimination in respect of employment and occupation.	**PRINCIPLE 7** Support a precautionary approach to environmental challenges. **PRINCIPLE 8** Undertake initiatives to promote greater environmental responsibility. **PRINCIPLE 9** Encourage the development and diffusion of environmentally friendly technologies.	**PRINCIPLE 10** Work against corruption in all its forms, including extortion and bribery.

PRINCIPLES FOR RESPONSIBLE INVESTMENT – PRI

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

Principles for Responsible Investment

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

The Principles have been endorsed by over 3,000 signatories, including institutional investors, asset management companies, and service providers.

SUSTAINABLE DEVELOPMENT GOALS – SDGS

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

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

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

PARIS CLIMATE AGREEMENT

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

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

On 19 January 2021, the Global Compact announced its new Strategic Plan 2021-2023, which aims to accelerate accomplishment of the targets set by the United Nations (SDGs) and the Paris Climate Agreement. The focus of the new plan is to invite all enterprises that have adopted the programme to prove their own progress in corporate sustainability and responsible business practices and to concentrate on achievement of five selected Sustainable Development Goals (SDG 5 - Gender equality, SDG 8 - Decent work and economic growth, SDG 13 - Climate action, SDG 16 - Peace, justice and strong institutions and SDG 17 - Partnership for the goals).

EUROPEAN UNION ACTION PLAN ON SUSTAINABLE FINANCE

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

- direct capital flows towards sustainable investments;
- efficiently manage the financial risks that derive from climate change, consumption of resources, environmental degradation and social inequalities;
- improve transparency and encourage a long-term approach for economic and financial activities.

The 10 points of the EU Action Plan on Sustainable Finance

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

In three years, European institutions have proceeded at a brisk pace, both in regulatory terms and technical terms, thanks to the work of the Technical Expert Group on Sustainable Finance (TEG), a group of experts engaged to elaborate guidelines and proposals on the measures contained in the Action Plan. In particular, the commitment of European institutions has concentrated on: taxonomy (rules to establish which economic activities can be defined as sustainable); disclosure on environmental, social and governance issues; Green Bond Standard; climate benchmarks; directive on the disclosure of non-financial and diversity information, introduction of sustainability in advisory and corporate governance activity.

EU ACTION PLAN – PROGRESS REPORT

Taxonomy

Regulation (EU) 2020/852 on the taxonomy of eco-sustainable activities, approved in June 2020, defines the objectives and principal criteria for considering an economic activity as environmentally sustainable.

The taxonomy identifies six environmental and climate objectives:
1. climate change mitigation;
2. climate change adaptation;
3. the sustainable use and protection of water and marine resources;
4. the transition to a circular economy, referring also to the reduction and recycling of waste;
5. pollution prevention and control;
6. the protection and restoration of biodiversity and ecosystems.

To be eco-sustainable, an activity must fulfil the following criteria:
- contribute positively to at least one of the six environmental objectives;
- not produce negative impacts on any other objective;
- be operated in compliance with minimum social protections (e.g. those contained in the OECD Guidelines and United Nations documents).

ESG Disclosure

Regulation (EU) 2019/2088 (SFDR - Sustainable Financial Disclosure) was issued in November 2019. It indicates which financial operators have to make the disclosure based on the taxonomy and for what products. The regulation requires financial advisers and institutional investors to disclose whether and how the products that they sell on European Union markets include responses to sustainability issues.
The regulation explains that financial institutions are required to disclose information on how they integrate ESG risks and how they consider the negative impacts of their own investment policies on the environment and social issues. The disclosure on sustainability risks and the sustainability objectives of products will have to be included in the pre-contract documents, periodic reports, and on the website. The regulation, which will enter into force on 10 March 2021, also explains what is meant by “sustainable investment” in environmental and social terms (Art. 2, paragraph 17).

Green Bond

The EU Green Bond Standard (GBS) is a system of criteria agreed at the European level for the issuance of green bonds. According to the proposals elaborated by the Technical Expert Group on Sustainable Finance (TEG) set up by the European Commission to support it in implementing the Action Plan, the adoption of the standard is voluntary. The framework of criteria is compatible with the other standards currently applied on international markets, like the Green Bond Principles of the International Capital Market Association (ICMA) and the taxonomy. The Commission is currently considering how to implement the proposals made by the TEG, including through legislative action.

Climate Benchmarks

Regulation (EU) 2019/2089 has introduced the climate transition benchmarks, which select securities so that portfolios follow a trajectory towards reducing carbon emissions and the benchmarks aligned with the objectives of the Paris Climate Agreement, which make it possible to construct portfolios compatible with a target global average temperature rise of no more than 1.5°C.

Non-financial reporting for undertakings

The reform process also affected Directive 2014/9575 as regards disclosure of non-financial reporting (NFR), which currently applies to listed companies, banks and insurance companies. On the basis of a series of recommendations elaborated by the TEG and feedback received from the market, in June 2019 the Commission introduced guidelines for companies on how to transmit information about climate change to investors. That information is not binding and represent a supplement to the guidelines that already accompanied the NFR.

Sustainability, advisory services and fiduciary duty

In June 2020, the European Commission published six drafts of amendments to various directives with the aim of introducing sustainability issues in consulting services and in the concept of fiduciary duty that binds the investor to act in the beneficiaries’ best interest. In particular, the amendments to the MiFID 2 and IDD Directives on the distribution of financial and insurance products require that advisors consider client preferences on sustainability issues when they evaluate the characteristics of the products to be proposed. The amendments to the UCITS and AIFM Directives (on mutual funds and on alternative investment funds, respectively) require that asset managers consider sustainability risks when evaluating investments choices.

Corporate Governance

In the EU Green Deal Report, the European Commission proposed that intervention, even regulatory action, be considered to add the ESG criteria in corporate governance. At the end of July 2020, the Commission published a report on the state of the art of the degree of integration of sustainability in corporate governance, with special reference to the issue of adoption of a long-term time horizon by undertakings and to propose an initial analysis on possible action by EU institutions.

CLIMATE ACTION SUMMIT

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

Principles for Responsible Banking

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

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

EUROPEAN GREEN DEAL

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

The green agenda will be the heart of the European Union growth strategy. The European Commission affirmed this at the end of May by presenting the Next Generation EU. This plan – better known as the Recovery Fund – aims to mobilise €750bn and to expand the budget for implementation of the policies deemed necessary to limit the economic and social impact of the Covid-19 health crisis and to launch recovery. On the basis of the framework drawn up by the Commission, one of the principal guidelines for identifying sectors and activities crucial to recovery is the EU Green Deal. By integrating the EU Green Deal in the economic recovery plan, European institutions have decided not to postpone their environmental and climate targets but rather to leverage them to create new jobs and render the economy more resilient and competitive over the long term. Finance is crucial to making this plan work, and the aim of the EU is to ensure that capital flows are directed towards projects, organisations, and sectors in line with the environmental ambitions of the European Union. At least 30% of Next Generation EU and of the 2021-2027 budget will have to be spent to realise the climate targets adopted with the Paris Climate Agreement and the Agenda 2030 of the United Nations. The European Council approved the proposal by the Commission, specifying that all EU expenditure will be bound by the principle of "do no harm": it may not finance activities or projects that negatively impact the climate and environment. As for the private sector, the European Commission announcement specifies that investments may be guided by the taxonomy of eco-compatible activities, the classification of economic sectors and the technical criteria that define which activities can be considered sustainable in environmental terms.

To achieve the targets of the EU Green Deal, the financial sector will have to undergo a profound transformation. The new strategy will focus on three areas:

- encourage sustainable investments by introducing a new framework of more efficient structures and instruments;
- provide financial operators, undertakings and citizens with more opportunities to adopt sustainable solutions;
- improve the understanding and management of climate-related and environmental risks by financial firms.

PRUDENTIAL MEASURES IN THE EUROPEAN SYSTEM OF FINANCIAL SUPERVISION

The transition to a low-carbon economy carries risks and opportunities for the economic system and financial institutions, while the physical damage caused by climate change may have a significant impact on the real economy and the financial sector. So, their impact, and the likelihood that they will manifest themselves through financial transmission channels, have made climate-related risks a priority on the agendas of leading Central Banks, Regulatory Authorities and Supervisory Authorities, which are responsible for monitoring and maintaining financial stability. Specifically with regard to the credit sector, the European Banking Authority (EBA) has been charged with determining how to integrate environmental, social and governance risks in the three pillars of prudential supervision. On these bases, the EBA has published a sustainable finance action plan in which it addresses fundamental policy messages to credit institutions on the strategy and management plan for the risks, disclosures, scenario analyses and stress tests faced in the integration of climate-related risks.

The European Central Bank is also closely watching the developments that will have an impact on entities in the eurozone and, in that regard, published the "Guide on climate-related and environmental risks" on 27 November 2020, in which the ECB sets out its own view in regard to the safe and prudent management of climate and environmental risks in the scope of the current prudential framework, describing its expectations as to how institutions should account for those risks (as determining factors for previously defined categories of prudential risks) in the formulation and implementation of business strategies and risk governance and management systems. The guide also illustrates how, according to the ECB, institutions should enhance their own transparency by strengthening their disclosures on climate and environmental issues. That guide also contains detailed directions on the integration of climate-related and environmental risks in the management of credit, operational, market and liquidity risks, and in the Internal Capital Adequacy Assessment Process (ICAAP), including the quantification of risks through sector analyses and stress tests.

REPORTING STANDARDS

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

(Peter Drucker, Economist)

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

Integrated Reporting Framework
The International Integrated Reporting Council (IIRC) is an international body that published a benchmark framework for the integrated report in 2013, which was updated in December 2020.
An integrated report is a summary communication tool addressed to all stakeholders, which presents the ways in which an organisation creates value over the short, medium and long term through description of the business model, strategy, governance and external context and performance.
The new framework was published in January 2021, and it will be applied beginning on 1 January 2022.

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

In September 2020, the five principal international institutions that create the standards for financial and non-financial reports – CDP, the Climate Disclosure Standards Board (CDSB), the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) – published a joint document that illustrates the essential elements for producing a complete corporate reporting system. The document, entitled "Joint Statement: Working Together Towards Comprehensive Corporate Reporting", proposes a joint vision on how sustainability standards can be integrated with international financial reporting standards and serve as the basis for a consistent and complete corporate reporting system. Conditions are now ripe to proceed towards an integrated reporting system that makes it possible to direct investments towards more sustainable firms.

In November 2020, the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) announced their intention to merge in a unified organisation, the Value Reporting Foundation, which will provide investors and companies with a comprehensive framework for corporate reporting through the entire range of drivers of business value and standards to guide the performance of global sustainability. The merger, which will begin in the middle of 2021, will carry on the work of CDP, CDSB, GRI, IIRC and SASB in the "Statement of Intent to Work Together Towards Comprehensive Corporate Reporting", and responds directly to the requests of global firms and investors for the simplification and harmonisation of corporate reporting on ESG issues. This step was also desired by regulators and stakeholders in view of greater clarity and transparency of the data and criteria used.

OUR COMMITMENT

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

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

Our Group has been committed for years to reporting on the factors on which the value creation process and sustainable growth are based. Fideuram has reported its ESG activities and results since 2005, first with the social responsibility report and, beginning in 2013, with its Integrated Annual Report, prepared in accordance with the standards of the Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC).

The integration of environmental, social and governance factors in the business model is deemed to be of fundamental importance, in the conviction that these elements not only encourage sustainable economic and social development, but can also contribute positively to the financial results of client portfolios, while reducing their risks at the same time.
Starting from this premise and with the aim of placing sustainability at the centre of all products and services offered to customers, the Group has commenced work to integrate ESG strategies in the advisory model, in accordance with the instructions received from Intesa Sanpaolo. Different streams of activities on ESG themes (actions on systems and processes, training, preparation for compliance with new regulations concerning sustainability, community support projects, human resources policies, and operational actions to reduce the environmental footprint) have been undertaken both at the Group level and the product factories level.

Governance of ESG themes
The Sustainability Manager of the Private Banking Division was appointed in the context of the broader scope of activities of the ESG Control Unit set up by Intesa Sanpaolo in October 2020. Among other duties, the Sustainability Manager will perform comprehensive and integrated supervision of the ESG initiatives in the Division and act as liaison between the initiatives of the Division and those of the Control Unit.
A "Sustainability (ESG)" session was set up in the Division Management Committee. It meets at least once quarterly with the purpose of collaborating on the identification of sustainability issues, the determination of strategic projects in that area, while also evaluating its financial feasibility and impact on the image of the Division. Its assigned functions include the coordination and integration of Division activities with the sustainability initiatives of Intesa Sanpaolo and the Control Unit, and policymaking on the consistency of technological development with the principles of the Group Code of Ethics.
To ensure proper management of these issues even at the product factory level at Fideuram Asset Management SGR, a new unit reporting directly to the Managing Director/General Manager of the company was set up. That unit is named "ESG & Strategic Activism" and is dedicated, among other things, to integration of the ESG metrics in the financial analysis of the products managed by the product factories, evaluation of the sustainability aspects of the products distributed and managed by third parties, the management of products focused on sustainability, and protection of the corporate governance activities and engagement with issuers.

ESG integration in the investment process

In view of implementing the integration of ESG criteria in the product families, the application for management of ESG issues made by the provider MSCI was purchased and made available to the management teams.

The Sustainable and Responsible Investment Policies were adopted in 2020, with the aim of outlining an approach focused on the integration of environmental, social and governance factors and preference for sustainable and responsible investments. The Commitment Policies aimed at describing the action to be taken to stimulate a dialogue with issuers and favour a long-term commitment in the companies in which they invest were also adopted. Moreover, the internal documents referring to exercise of the rights of participation and voting in relation to the securities held by the managed funds were revised to reflect the provisions of the Commitment Policies. Fideuram Asset Management SGR has also adopted the "Italian Stewardship Principles for the exercise of management and voting rights at listed companies" sponsored by Assogestioni.

Moreover, analytical activities on the compliance changes necessitated by regulatory developments in sustainable finance were launched for the asset management companies of the Group. Inter alia, these changes are closely connected with the ever-greater integration of ESG factors in the investment and risk management processes.

Dissemination of the ESG culture

Over the last few years, the ESG investment approach has moved from being a niche issue to the mainstream and represents a factor of the distinction and quality of the Asset Management industry. Likewise, comprehension of the ESG investment logic in the Financial Advisory Service is fundamental to presenting its merits to customers.

A Webinar was held in collaboration with the Università Cattolica of Milan in 2020, followed by another distance learning course, dedicated to all Personal Financial Advisers in the Fideuram and Sanpaolo Invest Networks, designed to render the ESG issues, their measures (flow, client assets, trends) and principal screening criteria (exclusion, positives, negatives, best in class, thematic investment) clear and comprehensible. In partnership with several outsourcers, three online courses were realised in the Academy project that are available to all Personal Financial Advisers on our digital platform. These are dedicated to the sustainable practices of the companies and the influences that they have on the construction of portfolios, to asset management in the construction of investment portfolios and, finally, to the social role of the Personal Financial Adviser in terms of his or her ability to guide customers to making sustainable choices.

Finally, to guarantee ever-wider dissemination of the ESG culture in the company, all colleagues were informed, through news on the Division portal, about the events in which they could participate to learn more about sustainable development.

Since March 2021, **Fideuram Asset Management SGR** and **Fideuram Asset Management (Ireland)** have adopted the Principles for Responsible Investment (UN PRI).

Fideuram and Sanpaolo Invest - Trento Office

The Group's contribution to Sustainable Development Goals

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

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

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

Product

17 Sustainable Development Goals (SDGs)

	FONDITALIA ETHICAL INVESTMENTS	FONDITALIA MILLENNIALS EQUITY	GP - OMNIA EGO PERSONAL	GP - OMNIA EGO SUSTAINABLE	GP - ISPB MIX SUSTAINABLE	FIDEURAM VITA INSIEME PRIVATE	FID. VITA ORIZZONTE RESPONSABILE
CLIENT ASSETS AT 31.12.2020 (€m) TOTAL 867.7	74.2	633.4	30.3	50.6	53.4	10.8	15.0
CLIENT ASSETS AT 31.12.2019 (€m) TOTAL 301.2	57.6	167.2	11.2	17.9	40.7	5.5	1.1
1 NO POVERTY							
2 ZERO HUNGER							
3 GOOD HEALTH AND WELL-BEING	●		●	●	●	●	●
4 QUALITY EDUCATION							
5 GENDER EQUALITY	●	●	●	●	●	●	●
6 CLEAN WATER AND SANITATION	●	●	●	●	●	●	●
7 AFFORDABLE AND CLEAN ENERGY	●	●	●	●	●	●	●
8 DECENT WORK AND ECONOMIC GROWTH	●		●	●	●	●	●
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	●						
10 REDUCED INEQUALITIES			●	●	●	●	●
11 SUSTAINABLE CITIES AND COMMUNITIES	●	●	●	●	●	●	●
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	●		●	●	●	●	●
13 CLIMATE ACTION	●	●	●	●	●	●	●
14 LIFE BELOW WATER							
15 LIFE ON LAND							
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	●		●	●	●	●	●
17 PARTNERSHIPS FOR THE GOALS					●		

Further information on pages 189-191

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

CAPITAL	MATERIAL TOPICS	RELEVANCE FOR OUR STAKEHOLDERS: CUSTOMERS	SHAREHOLDER	COLLEAGUES	SUPPLIERS	COMMUNITY	ENVIRONMENT	Our contribution to the SDGs (SUSTAINABLE DEVELOPMENT GOALS)
Financial Capital	- Maintenance of Group solidity and profitability	●	●	●	●	●	●	8 DECENT WORK AND ECONOMIC GROWTH
Productive Capital	- Consolidation of the Sales Network - Accessibility of services for customers with physical disabilities	●	●	●				10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES
Intellectual Capital	- Transparent management of customer portfolios - Digitalisation - Improving communication channels dedicated to customers - Adequacy and innovation of financial products on offer - Developing consulting services - New tools available to customers	●		●			●	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Human Capital	- Training and development of Personal Financial Advisers - Employee training - Incentive systems and career paths			●				3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES
Relational Capital	- Reinforcement of customer retention measures - Effective management of reports and complaints - Financial education and promotion of a culture for responsible investment management - Development and distribution of sustainable (ESG) investments	●	●	●	●			2 ZERO HUNGER 3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Natural Capital	- Climate change		●			●	●	13 CLIMATE ACTION 15 LIFE ON LAND

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

Intesa Sanpaolo has adopted the Global Compact, the Equator Principles and the Principles for Responsible Banking of the United Nations Environment Programme – Finance Initiative (UNEP-FI). Moreover, Intesa Sanpaolo is included in numerous sustainability indices, including the Dow Jones Sustainability Indices, S&P ESG Indices, the FTS4Good Index Series, the MSCI ESG Indexes, Low Carbon and Climate Indices, the index of the 100 most sustainable companies in the world, managed by Corporate Knights, Euronext Vigeo Eiris Indices, and the thematic 2021 Bloomberg Gender – Equality Index dedicated to gender equality.

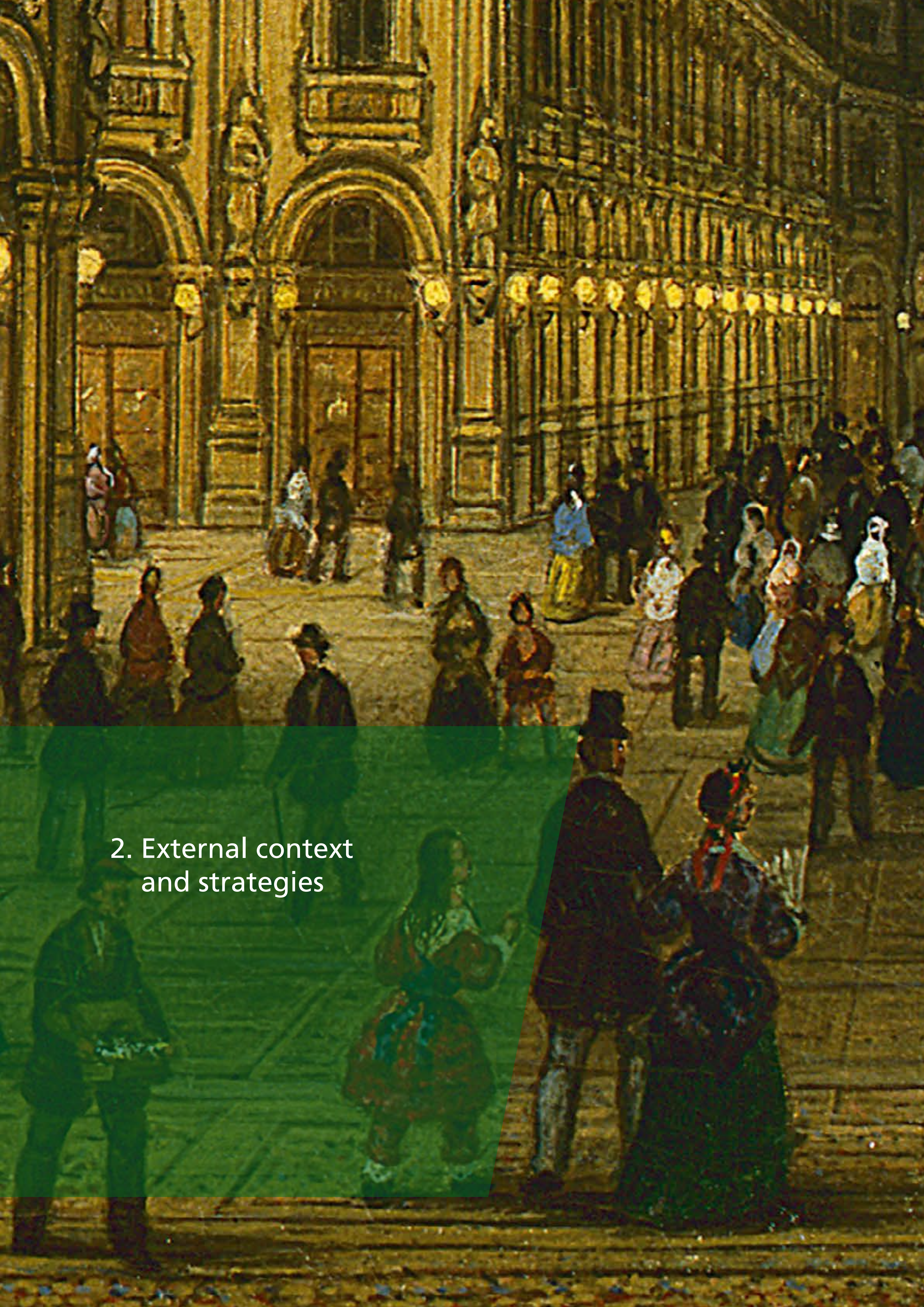
The **MSCI ACWI index** (in dollars) stood at **646.27** at the end of 2020 (565.24 at the end of 2019)

Source: Bloomberg

Drivers of the managed assets market 2021-2023:

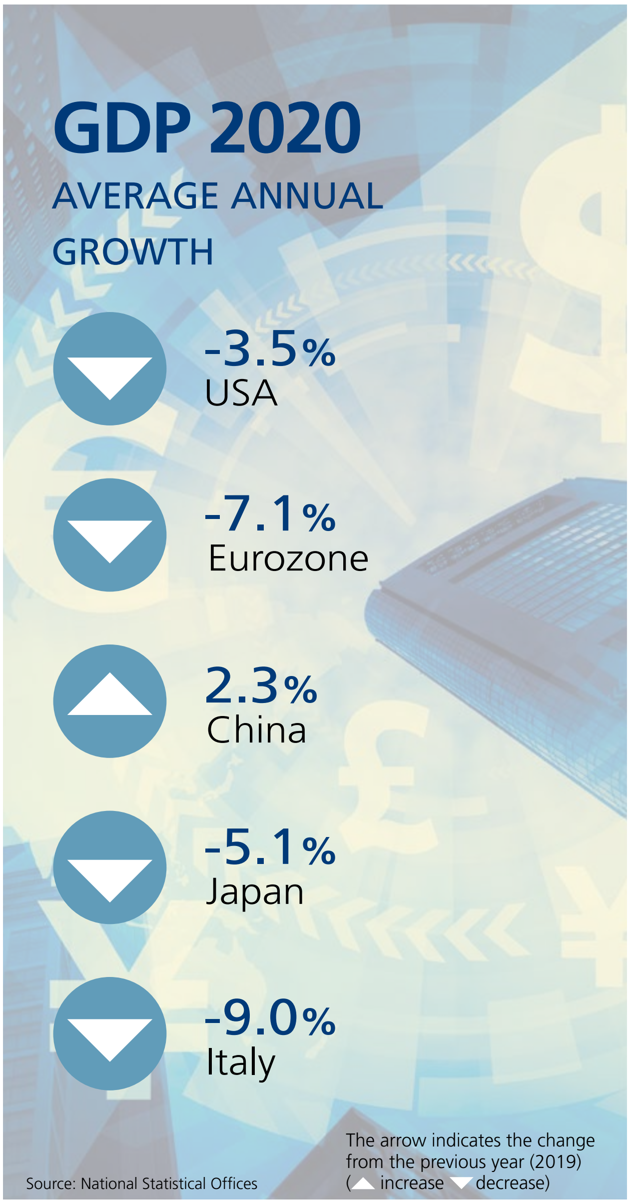
- **Preference for liquidity** due to low opportunity cost and the uncertain situation
- **Reallocation of portfolios** in favour of the managed asset and insurance components
- **Reduced impact** of debt securities and **bank securities in the portfolios**

2. External context and strategies



2.1 Economic scenario

The spread of the Covid-19 epidemic had a very severe impact on global economic activity during 2020. The economic policy response to the pandemic was, however, swift and effective, both in monetary and fiscal terms.
Global growth prospects were quite favourable at the beginning of 2020, mainly due to the relaxation in trade tensions between the United States and China that had dominated most of 2019. However, the spread of the epidemic, whose first epicentre was in the Chinese city of Wuhan, completely changed the economic scenario. In order to contain the spread of the virus, the Chinese authorities imposed drastic measures in the second half of January, to reduce mobility in Hubei Province together with severe restrictions in the rest of the country as well. While triggering a sharp drop in economic activity, these measures proved to be considerably effective in containing the spread of the epidemic in China. Until mid-February, the number of infections outside China and the Far East was extremely modest, but the situation changed drastically with the spread of the virus in Italy in the second half of February. In March, in response to the rapid spread of the epidemic, lockdowns were adopted by nearly all governments in advanced countries and many emerging economies. The impact of the public health crisis and restrictive measures triggered an unprecedented falloff in demand and production during March and April, with the significant exception of China, where containment of the epidemic already allowed a strong recovery in March.



With the gradual relaxation of restrictive measures starting in the second half of April, consumption and production rebounded markedly in May and June, but not enough to prevent an unprecedented reduction in GDP during the first half of the year in all major economies around the world (with the partial exception of China). The recovery in economic activity in advanced economies continued with remarkable vigour over the summer but the sharp rise in infections in the final part of the year again had a significant impact on the progress of economic activity in the fourth quarter, particularly in Europe where governments were forced to adopt new restrictive measures, though less heavy than those decided in the spring.
The economic policy response to the rapid economic downturn provoked by the public health emergency was swift and effective, above all in the United States. In fact, the Federal Reserve cut its lending rates to zero in the first half of March (with a 150 basis point reduction) and approved an unprecedented securities purchase programme. Moreover, for the first time ever the Fed decided to purchase corporate bonds and to directly finance businesses, also reintroducing many of the tools previously used in the 2008-2009 crisis. On the fiscal side, Congress approved a relief package of over $2tr at the end of March which was subsequently expanded with a further $900bn at the end of the year, aimed at supporting households and small businesses. In the Eurozone, the European Central Bank launched an extraordinary programme in mid-March to purchase bonds, which was then expanded during the year. On the fiscal side, all the governments of leading European countries allocated enormous funds in support of employment and provided guarantees on bank loans to businesses. However, the most important development was the Recovery Fund proposed by the European Commission and then approved in July. This programme has funds totalling €750bn (including €390bn in subsidies) which will be given in particular to those countries hardest hit by the pandemic.
On the political front the attention of the markets was focused on the outcome of the US elections as tensions between

the US and China, which had dominated in 2019, had at least partially cooled down. The election of Biden did not come as a surprise whereas the expectation of a clear majority for the Democrats in Congress did not become a reality.

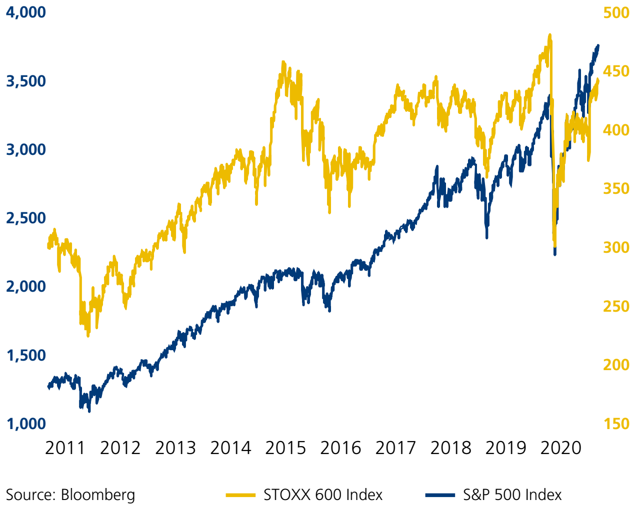
In the **USA**, after a start to the year featuring a decidedly favourable economic situation, the spread of coronavirus and the implementation of restrictive measures from the middle of March to contain the pandemic triggered a sudden and violent falloff in economic activity, reflected especially in an enormous number of job losses (about 22 million between March and April). Activities were resumed quite quickly, although the pandemic had not yet been brought under control. A significant recovery in employment levels, consumption and industrial production took place in May and June, but it was not enough to prevent a very large drop in GDP in the second quarter. The recovery in economic activity continued in the summer, despite a still precarious public health situation, and GDP growth in the third quarter was particularly robust. The recovery in employment and consumer spending was facilitated by the rapid fiscal policy response. Congress had already approved a wide-ranging package by the end of March, aimed mainly at supporting household income and preserving employment in small businesses. In terms of monetary policy, the Fed took swift and decisive action including some innovative ideas with its decision to buy corporate and municipal bonds for the first time ever and to provide loans directly to businesses. At the end of August, the Fed also officially adopted a new approach to managing monetary policy ("Flexible Average Inflation Targeting"), which means that the inflation target of 2% has to be reached on average over the course of the business cycle, thereby establishing the possibility that prolonged periods during which the target is missed be followed by periods when inflation moderately exceeds the target. The implementation of this strategy was reflected in the commitment by the Fed to keep interest rates at zero for much longer. The economy continued to recover in the fourth quarter as well, albeit at a much more humble pace than in summer, due to the negative impact of the epidemic spreading at a faster rate at the end of the year. Moreover, a new fiscal support package, which had been expected by the markets for early summer, was only approved by Congress in late December.

Also in the **Euro Area**, 2020 was marked by the effects of the pandemic that hit in two waves in spring and in autumn. The year got off to a good start with the trade agreement between the United States and China and the Brexit agreement between the United Kingdom and the European Union, which had laid the basis for a cyclical recovery. However, the Covid-19 epidemic struck in Italy first of all during February and then also the rest of the Eurozone, forcing the adoption of drastic measures of social distancing to stop the spread of infections, which had led to the closure of all non-essential productive activities in March and April. Such measures had never been experienced before in peacetime and were made necessary by the gravity of the public health situation but with enormous costs in economic terms. In fact, the fall in GDP during the second quarter had never been so extensive since the end of the Second World War. However, the public health measures that were introduced proved effective and at the end of April, the restrictions were gradually relaxed, allowing a vigorous recovery in the third quarter. As early as September, however, a sharp increase in the spread of the virus was recorded, which forced governments to impose new lockdowns. These were more targeted and limited but still led to a negative impact on GDP in the fourth quarter, though much less pronounced than in spring. The contraction in economic activity resulted in downward pressure on prices, which returned inflation into negative territory from August onwards, while core inflation fell to an all-time low since the creation of the single currency. The intervention from the fiscal and monetary authorities was significant. Beginning in March, national governments prepared considerable measures to support the income of households and businesses, the labour market and also extensive guarantees for bank loans. The European Central Bank also acted substantially: the Quantitative Easing program was enhanced and an emergency purchase plan was started (the PEPP, conducted with more flexible procedures than traditional Quantitative Easing), which was approved in March and further increased both in June and December. New long-term, subsidised loans were also launched to provide banks with liquidity. At a European institutional level, a massive support fund for those states most affected by the pandemic was also approved. This programme, called Next Generation EU, is included in the new seven-year 2021-2027 European budget with €750bn, more than half in the form of subsidies. The year ended with the last-minute achievement of a laborious agreement between the United Kingdom and the European Union to regulate the official start of Brexit from January 2021.

Asia was the first region where the Coronavirus spread and the first to suffer in terms of reduced economic growth as a result of the containment measures taken. The authorities moved immediately to implement fiscal and monetary policies geared to supporting growth. In China, where the epidemic originated, GDP recorded an unprecedented contraction in the first quarter because of the restrictive policies adopted from the end of January. The success of the measures, which led relatively quickly to a total reduction in new infections, and the support from monetary and fiscal policy enabled a rapid recovery of economic activity from as early as the second quarter. Consumer recovery, however, was rather more gradual and started in the third quarter as a result of improvements on the employment front. Inflation peaked in January and then progressively slowed during the year due mainly to the deceleration in the dynamics of food prices. Economic activity in Japan, already impacted by the VAT increase at the end of 2019, suffered a significant contraction in the second quarter as a result of the measures taken to contain the spread of the epidemic. The immediate response by the Bank of Japan, which in mid-March adopted new expansionary measures to guarantee loans to businesses, and by the government, which approved a wide-ranging fiscal package, allowed a recovery in economic activity during the third quarter. In late August, health problems unexpectedly forced Prime Minister Abe to resign, but the appointment of Suga as his successor was a sign of continuity, also from the point of view of economic policy.

The rapid and impressive response to the epidemic from the government's monetary and fiscal policy allowed the US stock market to recover fairly quickly from the lows reached in late March, thanks to the thrust from the technology industry and the progress on the vaccine front. The S&P500 index ended the year, therefore, with a largely favourable result (+16.2%). A remarkably positive performance was also recorded in emerging stock markets (+15.8% for the MSCI dollar index), while the increase in the Japanese market was more modest (+4.8% for the Topix index). Despite a remarkable recovery from the lows in March, the European equity market had still not managed, at the end of 2020, to return to levels seen at the beginning of the year (with a decline for the Stoxx-600 index of -4% and a slightly higher fall for the FTSE-MIB index). In the initial phase of the pandemic in March, there was a significant, but relatively short, increase in volatility in the bond market which was quickly corrected, however, by intervention from the central banks (Fed in particular). After the sharp fall at the beginning of the year in yields on ten-year government bonds, they remained at historically depressed levels in the US but with a moderate upward trend that took them above 1% in early 2021. Yields on the ten-year Bund, on the other hand, maintained their largely negative position and ended the year at about 30 basis points below the level at the start of the period. After a brusque enlargement in the initial phase of the crisis, the spread between BTP and Bund reduced appreciably during the year, recording a decrease of almost 50 basis points compared to the end of 2019.

Stock market performance



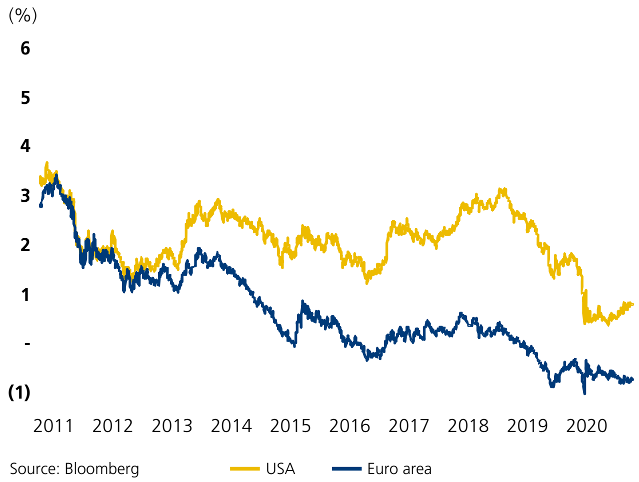
Source: Bloomberg

10-year Bund and BTP yields

Source: Bloomberg

Bond market performance

(10-year government bond yields)



Source: Bloomberg

Historic market returns 2011-2020

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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Oil	Financial Euro sub	USA shares	USA shares	ITALY shares	Oil	EM shares	USA Monetary	USA shares	GOLD
Global Inflation Linked	Euro HY	EUROPE shares	USA Government Bonds	USA shares	USA shares	ITALY shares	USA Government Bonds	ITALY shares	Convertible
USA Government Bonds	Pac formerly Japan shares	ITALY shares	Global Inflation Linked	USA Government Bonds	EM shares	GOLD	Germany Government Bonds	Oil	USA shares
GOLD	Italy Government Bonds	Convertible	Italy Government Bonds	USA Monetary	Commodities	EUROPE shares	Euro Government Bonds	EUROPE shares	EM shares
Germany Government Bonds	GLOBAL HY Euro hdg	Euro HY	USA Monetary	EUROPE shares	GLOBAL HY Euro hdg	Pac formerly Japan shares	USA shares	EM shares	Global Inflation Linked
EM external debt hdg	EUROPE shares	Financial Euro sub	Pac formerly Japan shares	Global Inflation Linked	EM local debt	EM external debt hdg	Global Government Euro hdg	Pac formerly Japan shares	Italy Government Bonds
Global Government Bonds Euro hdg	EM external debt hdg	Italy Government Bonds	EMU Government Bonds	Italy Government Bonds	Pac formerly Japan shares	Financial Euro sub	EMU Monetary	GOLD	Global Corp Hdg Eur
USA shares	EM shares	GLOBAL HY Euro hdg	EM shares	Convertible	Euro HY	USA shares	Euro Corporate Bonds	EM local debt	Euro Government Bonds
Global Corporate Bonds Euro hdg	EM local debt	Global Hedge Fund EUR	Germany Government Bonds	Pac formerly Japan shares	EM external debt hdg	Euro HY	Italy Government Bonds	EM external debt hdg	Global Government Euro hdg
USA Monetary	USA shares	EU Corporate Bonds	Financial Euro sub	EMU Government Bonds	GOLD	GLOBAL HY Euro hdg	Euro Inflation Linked	Euro HY	GLOBAL HY Euro hdg
EMU Government Bonds	EU Corporate Bonds	EMU Government Bonds	Global Government Bonds Euro hdg	Financial Euro sub	Global Inflation Linked	Oil	EM local debt	GLOBAL HY Euro hdg	EM external debt hdg
GLOBAL HY Euro hdg	ITALY shares	Pac formerly Japan shares	EU Corporate Bonds	Global Government Bonds Euro hdg	Financial Euro sub	Convertible	GOLD	Italy Government Bonds	Global Hedge Fund EUR
EU Corporate Bonds	Convertible	EMU Monetary	Global Corporate Bonds Euro hdg	Euro Inflation Linked	EU Corporate Bonds	Global Corporate Bonds Euro hdg	Global Inflation Linked	Euro subordinated financials	EM local debt
EMU Monetary	Euro Inflation Linked	Global Government Bonds Euro hdg	EUROPE shares	Euro HY	Global Corporate Bonds Euro hdg	Global Hedge Fund EUR	Euro subordinated financials	Convertible	Euro Inflation Linked
EM local debt	EMU Government Bonds	Global Corporate Bonds Euro hdg	EM local debt	EM external debt hdg	USA Government Bonds	EU Corporate Bonds	Global Corporate Bonds Euro hdg	Global Corporate Bonds Euro hdg	Germany Government Bonds
Euro Inflation Linked	Global Corporate Bonds Euro hdg	Germany Government Bonds	EM external debt hdg	Germany Government Bonds	Germany Government Bonds	Euro Inflation Linked	Euro HY	USA Government Bonds	Euro subordinated financials
Euro HY	GOLD	Euro Inflation Linked	Euro HY	EMU Monetary	Euro Inflation Linked	EM local debt	Global HY Euro hdg	Commodity	Euro HY
Convertible	Global Inflation Linked	USA Monetary	Euro Inflation Linked	EU Corporate Bonds	USA Monetary	Italy Government Bonds	Convertible	Euro Government Bonds	Euro Corporate Bonds
Italy Government Bonds	Germany Government Bonds	Oil	Convertible	Global Corporate Bonds Euro hdg	EUROPE shares	Global Government Bonds Euro hdg	Pac formerly Japan shares	Euro Inflation Linked	EMU Monetary
EUROPE shares	Global Government Bonds Euro hdg	EM external debt hdg	ITALY shares	GLOBAL HY Euro hdg	EMU Government Bonds	EMU Government Bonds	EM external debt hdg	Euro Corporate Bonds	USA Government Bonds
Financial Euro sub	Global Hedge Fund EUR	EM shares	GLOBAL HY Euro hdg	Global Hedge Fund EUR	Global Government Bonds Euro hdg	EMU Monetary	Commodities	Global Inflation Linked	Pac formerly Japan shares
Global Hedge Fund EUR	Oil	USA Government Bonds	EMU Monetary	EM shares	Italy Government Bonds	Germany Government Bonds	EM shares	Global Government Euro hdg	EUROPE shares
Pac formerly Japan shares	EMU Monetary	Global Inflation Linked	Global Hedge Fund EUR	EM local debt	Global Hedge Fund EUR	Global Inflation Linked	Europe shares	USA Monetary	ITALY shares
Commodities	USA Government Bonds	EM local debt	GOLD	GOLD	Convertible	USA Government Bonds	Global Hedge Fund EUR	Global Hedge Fund EUR	USA Monetary
EM shares	USA Monetary	Commodities	Commodities	Commodities	EMU Monetary	USA Monetary	ITALY shares	Germany Government Bonds	Commodities
ITALY shares	Commodities	GOLD	Oil	Oil	ITALY shares	Commodities	Oil	EMU Monetary	Oil

> 3%   0% / 3%   -3% / 0%   < -3%

The information, opinions and data contained in this table do not in any way constitute research, recommendation, investment advice, investment advisory or any other form of advice and are subject to change.

The data shown refers to the past. Past results do not constitute a reliable indicator of future results.

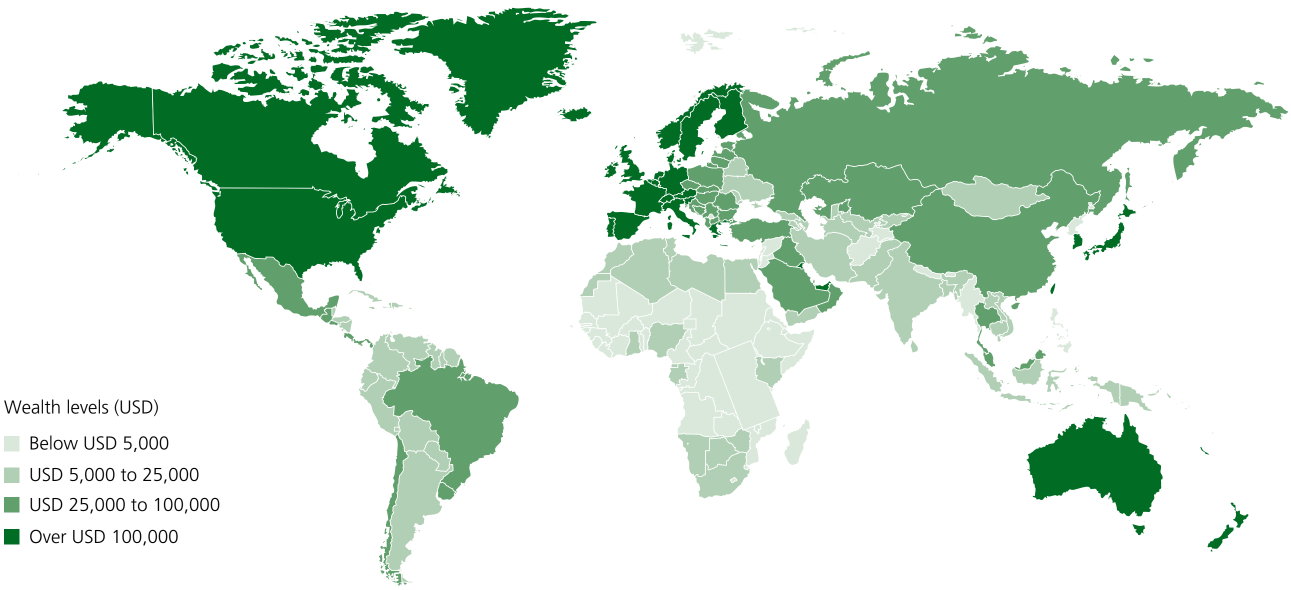
Source: Prepared by Fideuram Asset Management SGR S.p.A..

2.2 Market growth prospects

THE WORLD MARKET[1]

The spread of Covid-19 pandemic posed a series of unexpected and unprecedented challenges both from a health point of view and from an economic point of view. In 2020, thanks to the growth of global wealth recorded in 2019, the world economy found itself in a better position to absorb the losses arising from the healthcare emergency. In 2019, global wealth increased by $36,296bn, reaching $399,179bn with a growth rate of about 10%. Even the average assets per capita had increased, reaching an all-time high of $77,309bn (+8.5%). Every region of the world had registered positive changes, both in terms of global wealth and assets per capita, with Africa, China and North America leading the group. The solidity of the stock markets meant that financial assets registered most of these increases with $23,963bn for financial assets compared to $15,284bn for non-financial assets, partially offset by the increase in debts of $2,951bn.

World Wealth Map, 2019



Source: Original estimates by the authors.

In geographic terms and in the absence of the world pandemic, wealth would have grown in all regions of the world. It is estimated that in the first half of 2020 wealth would have increased in North America (+$3,472bn), in China (+$4,257bn), in Asia-Pacific Area (+$1,190bn), in Europe (+$651bn) and in India (+$164bn), whereas negative results would have been recorded only in Latin America (-$1,484bn) and in Africa (-$18bn).

1. The information presented in this part was taken from the "Global Wealth Report 2020" published by Credit Suisse in October 2020.

As the following chart shows, the pandemic wiped out any potential gains, except for China and India. The most affected region was Latin America, where currency devaluations exacerbated the fall in GDP, resulting in a loss of wealth of 12.8% compared to 2019.

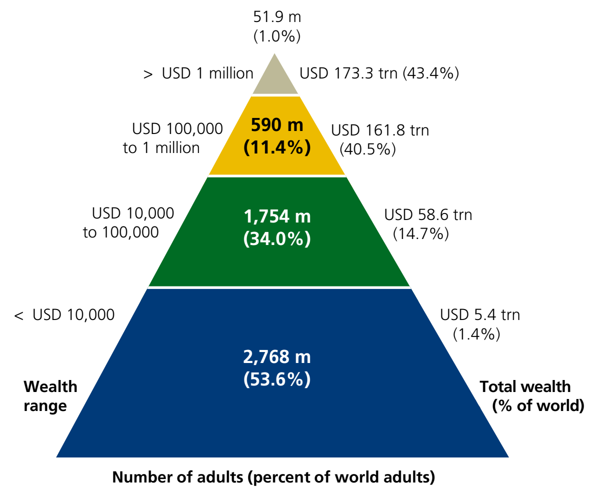
Change in household wealth by region, January–June 2020

	TOTAL WEALTH	CHANGE IN TOTAL WEALTH		WEALTH PER ADULT	CHANGE IN WEALTH PER ADULT	CHANGE IN FINANCIAL ASSETS		CHANGE IN NON-FINANCIAL ASSETS		CHANGE IN DEBTS	
	JUNE		JAN-JUNE	END-2019	JAN-JUNE		JAN-JUNE		JAN-JUNE		JAN-JUNE
	USD BN	USD BN	%	USD	%	USD BN	%	USD BN	%	USD BN	%
2019 expectation											
Africa	4,787	-18	-0.4	7,241	-2	-59	-3	21	1	-20	-4
Asia-Pacific	71,587	1,190	1.7	58,255	1	844	2	462	1	116	1
China	82,236	4,257	5.5	74,621	5	2,273	6	2,774	6	790	10
Europe	94,940	651	0.7	160,824	1	261	1	431	1	41	0
India	15,473	164	1.1	17,328	0	10	0	179	1	24	3
Latin America	10,933	-1,484	-12.0	24,620	-13	-825	-13	-873	-11	-215	-14
North America	127,456	3,472	2.8	457,092	2	2,962	3	799	2	289	2
World	407,412	8,234	2.1	78,376	1	5,465	2	3,794	2	1,025	2
2020 outcome											
Africa	4,683	-122	-2.5	7,083	-3.9	-73	-3.1	-76	-2.6	-26	-5.4
Asia-Pacific	70,270	-127	-0.2	57,184	-1.0	164	0.4	-55	-0.1	235	2.4
China	81,446	3,468	4.4	73,904	4.1	2,740	7.3	1,572	3.2	844	10.4
Europe	93,370	-919	-1.0	158,165	-1.0	-683	-1.4	-262	-0.4	-26	-0.2
India	15,555	246	1.6	17,419	0.7	153	4.3	122	1.0	30	3.1
Latin America	10,831	-1,586	-12.8	24,390	-13.4	-780	-12.5	-978	-12.7	-172	-11.3
North America	124,026	43	0.0	444,792	-0.4	-731	-0.7	802	2.0	28	0.2
World	400,180	1,002	0.3	76,984	-0.4	790	0.3	1,125	0.5	913	1.7

Source: Original estimates by the authors.

WEALTH CONCENTRATION

The global wealth pyramid end-2019



Source: Original estimates by the authors.

Although it is too early to fully assess the impact of the pandemic on global inequality in terms of wealth, some evidence is already emerging. Household wealth is distributed unevenly. Geographical imbalance is evident in the fact that, at the end of 2019, North America and Europe represented 55% of aggregate wealth, although they account for only 17% of global population.

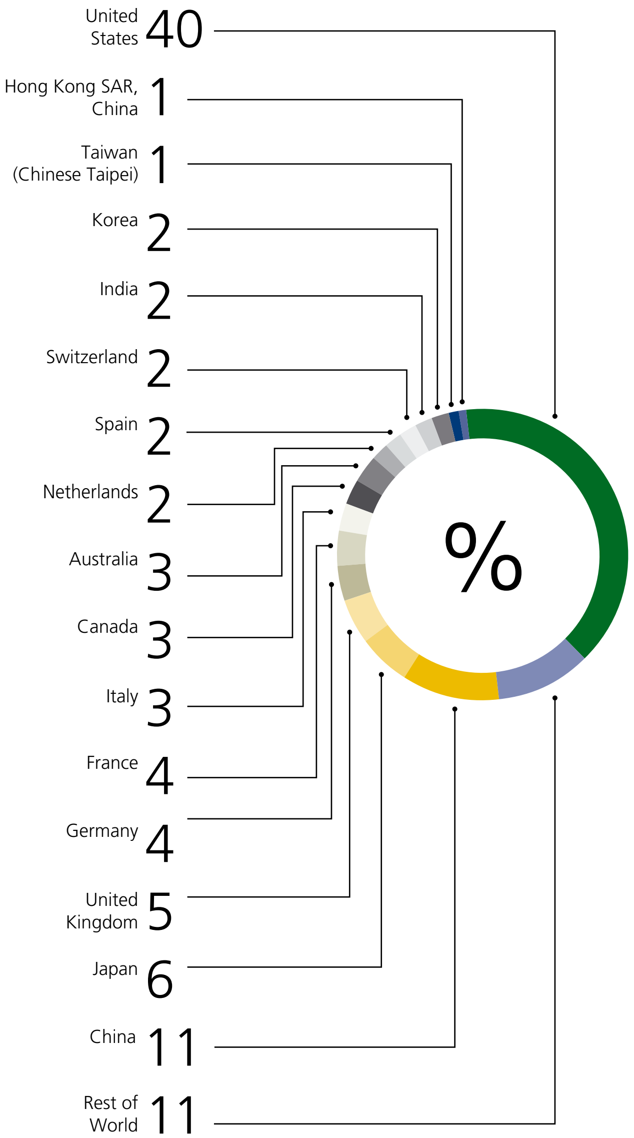
The differences in wealth between countries are increasingly more pronounced. In all countries, 1% of wealth holders, the richest people, are typically also holders of 25-40% of all wealth, and 10% of wealth holders usually hold 55-75%. At the end of 2019, the pyramid of wealth indicated that the millionaires in the world, about 1% of the population, accounted for 43.4% of total net assets. On the other hand about 54% of adults with wealth of less than \$10,000 account for less than 2% of global wealth.

The pandemic will have an important impact on the distribution of income, and the increase in income inequality among countries will also have an effect on loans and savings.
Although the data is available, the impact of shocks on income is still not clearly observable, given the welfare be-

nefits and employment policies implemented by high-income countries to stem the crisis. The effects on unemployment vary considerably from country to country. Between January and April 2020, the unemployment rates almost tripled in India reaching 24% and quadrupled in the US to 15%. In contrast, in the same period, unemployment ranged from 3.4% to 3.9% in Germany and from 5.3% to 6% in urban China. Available data shows that women and young people suffered heavily from the effects of the pandemic in terms of employment. For example, while the total number of persons employed in the United States decreased by 13% between February and May 2020, the fall in workers aged under 35 was 17.1%. Women workers suffered considerably, in part because of their high representation in companies and industries such as restaurants, hotels, personal services and retail which were severely affected by the pandemic.

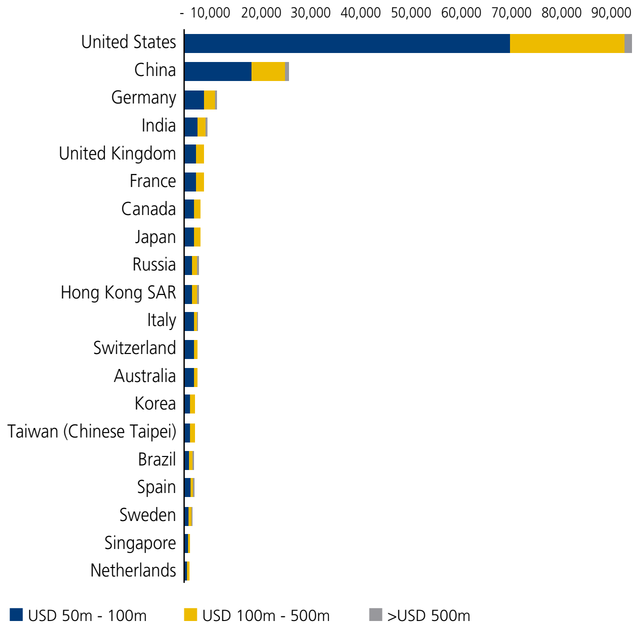
The number of millionaires soared in 2019 but changed very little during the first half of 2020. Some of the people who were downgraded in 2020 had only just passed the one million mark in 2019. In late 2019, the millionaires worldwide totalled 51.9 million, an increase of 5.7 million compared to the previous year. The United States account for about half of the total with 2.2 million new millionaires. During the first half of 2020 the number of millionaires fell by a total of 56 thousand, i.e. just 1% of the 5.7 million new millionaires added in 2019. Some countries saw an increase in their number of millionaires, while others observed a fall due to the decline in the equity markets during the pandemic but more likely as a result of currency depreciations.
China (+365 thousand) recorded the largest increases in millionaires in the first half of 2020, consolidating its second position after the United States.

Number of dollar millionaires (% of world total) by country, end-2019



Source: Original estimates by the authors.

HIGH NET WORTH INDIVIDUALS
Ultra-high net worth individuals end-2019, top 20 countries



Source: Original estimates by the authors.

At the apex of the pyramid of wealth at the beginning of 2020, there were 175,690 adults in the world in the ultra high net worth (UHNW) bracket with assets exceeding $50m. Of these 55,820 had assets of at least $100m and 4,410 had a higher wealth at $500m. North America dominates the list with 92,740 people (53% of the total), followed by Europe with 32,280 (18%) and Asia-Pacific with 20,240 (12%) excluding China and India.
The total number of UHNW adults increased by 16,759 (+11%) in 2019, but 122 people came out in the first half of 2020, with a net increase of 16,637 individuals. The United States accounted for 84% of this increase and China 25%. Germany, France, India, Canada, Italy, the Netherlands, Sweden and Taiwan are the other countries with more than 200 new UHNW from January 2019.

THE ITALIAN MARKET[2]

CONSUMER SPENDING

As expected, after a first half marked by a collapse in household spending, the loosening of lockdown measures contributed to consumer recovery in the third quarter of 2020. In Italy, household spending recorded an increase in economic rate terms of 12.4%. After three negative quarters, the economic growth rate of private consumers returned into positive territory. The greatest increase concerned purchases of durable goods (+46.8%), semi-durable goods (+20.9%) and services (+16.4%). The consumption of non-durable goods increased by 5.5% over the second quarter of 2020, while the decline in private consumption in trend terms was 7.4%. According to Prometeia in Italy, despite the excellent results in the third quarter of 2020, there is expected to be a fall in private consumption of 10.3%. The worsening of the epidemiological situation and the new containment measures adopted by the Government will weigh on consumer spending in the last quarter of the year.

In addition to the decline in consumption, there is also a more limited reduction in disposable income (-2.1%) due to the income support measures that have so far mitigated the losses incurred.

THE INVESTMENT MARKET

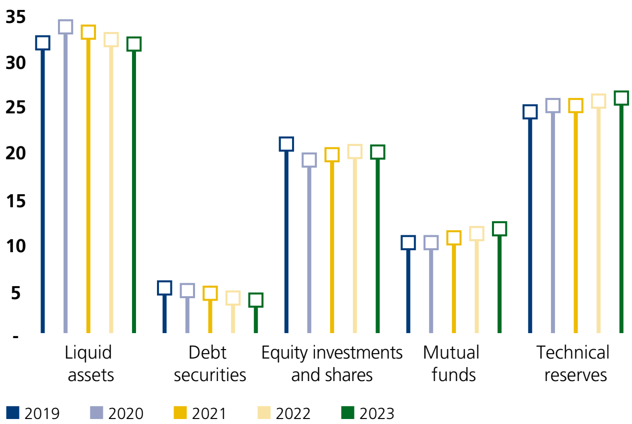
In the second quarter of 2020, household financial wealth nearly recovered the losses recorded in the early months of the year. The recovery in equity markets from late March and growth in bond prices due to falling interest rates and the increase in the savings made it possible to recover almost 75% of the losses incurred in the first quarter of the year. Stocks of wealth in June amounted to €4,366bn from €4,197bn at the end of March, but still lower than the figures at the end of 2019. These trends should help to bring the year to an end with growth of 1.1%, due to the contribution from investment flows into financial assets, supported by the recent increase in the propensity for saving. Prometeia assumes that markets will maintain a positive trend. There is also expected to be growth in stocks of financial assets in the coming years (+3.3% in the 3-year period 2021-2023) with volumes of €4,925bn at the end of 2023.

In 2020, the household preference for liquidity grew even more. Deposits served as a safe haven in a time of deep uncertainty and welcomed the unexpected savings in the early months of 2020. Unexpectedly, households returned to investing from April onwards not only in insurance products (also positive in the months of lockdown) but also in managed assets instruments. A key role was played by the distribution channels specialised in providing advice on asset allocation choices.

The preference for liquidity will also remain in the coming year because of the low opportunity cost of holding cash and the situation of uncertainty, which makes it difficult to free up surplus liquidity and allocate it more decisively towards medium and long term investments. The search for more attractive returns rather than low-risk investments should support the demand for managed assets and insurance products, although greater shrewdness in investment decisions and the financial market conditions that are less favourable than in the past, will lead to growth in mutual fund investments at a lower rate than occurred between 2012 and 2017. Both government and banking debt securities will be reduced, given the bearish scenario in interest rates whereas the equity market will show some recovery.

Households: breakdown of financial assets in Italy

(percentages)



Source: Prometeia forecasts using Bank of Italy data.

2. The information presented in this section has been taken from the Prometeia publication "Forecast Report – December 2020".

THE PRIVATE BANKING MARKET[3]

With €4,400bn in financial assets at the end of 2019, Italy is the fourth country in Europe for private investments, behind the United Kingdom, Germany and France. Private financial wealth represents 195% of GDP, compared to more modest values in France (169%) and Germany (138%), while the United Kingdom stands at a value equal to 229%. Furthermore, the low private debt rate that characterises Italy and accounts for 22% of total private financial wealth compared with 29% in the United Kingdom and Germany, puts us basically on a par with Germany and France in terms of net savings per capita.
Over the past 15 years, the growth in Italian savings, however, has been lower than that of the major European economies. Financial wealth in Italy showed a more significant worsening in the times of crisis (2006-2011) and grew less markedly in periods of recovery (2011-2019); as a result, Italy has moved from second to fourth place in Europe in terms of private financial wealth of households.
Among the factors that have led to this delay we can point to slower industrial production, higher public debt, increasing levels of welfare and pension benefits in proportion to labour income over GDP, lower growth in employment rates, lower public and private investment and salary stagnation. The Private Banking (Private) segment, i.e. households with net financial wealth of more than € 500,000, is worth about 25% of total Italian private savings and showed better dynamics than the overall market. The higher growth in Private financial wealth is tied to the work of the specialist operators who run it. In fact, over the past decade, more than 40% of market growth was generated by the Private segment, largely assisted by financial advisory services capable of offering a broad diversification in investment solutions. On the supply side, we can see an industry characterised by high fragmentation, with the top 10 operators holding 70% of the market share while the remaining 27 players split the remaining 30%.
A first reason lies in the high profitability of the industry that has certainly attracted investment and new initiatives: the Private Banking segment is in fact among the most profitable in the world of financial services.
In addition, two structural elements of the demand – one of a socio-demographic nature and the other linked to customer preferences – have favoured the fragmentation of the industry:

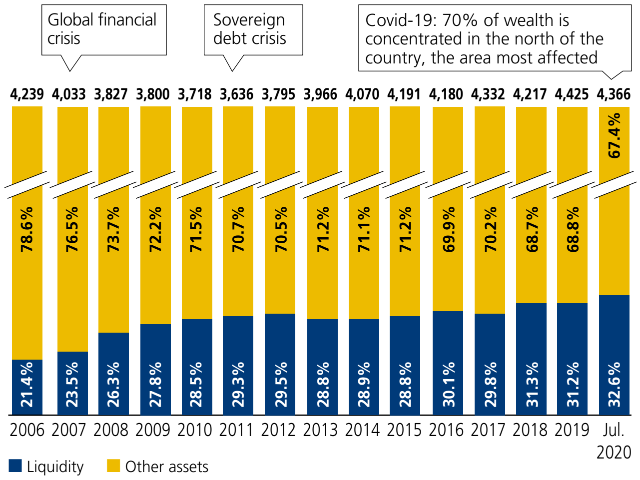
1. The characteristic of relationship and proximity business of Private Banking has undoubtedly facilitated the resilience of operators which, though small, have had at their disposal a network of branches located in strategic areas. This has resulted in the geographic dispersion of Private wealth, with the first ten Italian provinces only totalling 46% of wealth, while the remaining 54% is distributed among the remaining 97 provinces.
2. The trend towards multi-banking arising from the customers' desire to fractionate the concentration risk based on a single operator, through the fragmentation and divided management of their assets.

IMPACTS OF THE PANDEMIC ON THE SECTOR

The pandemic reduced consumer spending, generating a significant increase in savings among Italian households at almost twice the rate compared to 2019 values and in line with the main economies in the Eurozone.

While this provides further lifeblood to the prospects for market growth, it is also clear that, in the current phase, the growth of savings has been accompanied by a strong aversion to risk and thus the accumulation of liquidity.

Liquidity with respect to total household financial assets in Italy



Source: Banca d'Italia.

In times of great uncertainty such as that arising from the spread of the pandemic, households have demonstrated their need to be supported in their investment decisions and financial intermediaries have seen an opportunity to further consolidate their role as guides in protecting wealth.
Keeping a medium to long term view will be the key to defending customers' assets, and investments in the real economy will provide an important opportunity for portfolio diversification. The industry has undoubtedly realised that, as regards products, the priorities have to be the integration of ESG criteria and the development of a range of illiquid products that invest in the real economy.
In addition to having impacts on the investment decisions of Private Banking customers, the pandemic will have significant structural impacts on the operational model of operators, leading to an acceleration of certain trends that are already underway:

- **Digitalisation**: not only within the inner sphere between Personal Financial Advisers and the bank but also and increasingly in the external sphere of interaction with the customer, with increasing levels of sophistication ranging from simplification of routine activities to the provision of new complex solutions resulting from the application of algorithms and the analysis of customer behaviour.

3. The information presented in this section has been taken from the AIPB Strategy& publication "The future of Private Banking, leadership, talents and innovation (2020)".

- **Development of new expertise**: the complexity of the economic scenario over the coming years makes the management and protection of investments more complex.

Private Banking should further consolidate its role as an all-round financial adviser for its customers. This will require greater expertise in terms of understanding customer needs and in terms of identifying solutions. The ability to attract and retain talent will become a key factor for the future success of operators.

FUTURE STRATEGIES

Within this changed context, there are five priority actions that will guide strategic choices of operators over the coming years:

1. investing in human capital through training and the selective inclusion of specialist resources capable of providing a boost in terms of service capacity and, particularly in the UHNWI segment, enabling the study and proposal of solutions that are structured and tailored to the needs of each individual customer;
2. undertaking a path of digitalisation by pursuing, particularly with regard to the Lower HNWI segment, an effective competitive advantage on the technological side through a process that goes beyond merely streamlining operations and is extended to the direct interaction with the customer;
3. succeeding in providing advanced and high value advisory services by understanding the evolving needs of customers and the definition of coherent investment approaches;
4. restructuring the business model in an agile manner to come into line with the constant changes taking place in the reference context;
5. accelerating growth in order to reach a size that allows the current levels of profitability to be maintained.

FOCUS ON ESG INVESTMENTS[4]

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

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

The most common SRI strategies are as follows:

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

The year 2020 saw a growing interest in ESG investments. The PWC report, "2020 The Growth opportunity of the century" states that, in the best scenario, ESG funds will triple their assets by 2025, with an increasing share of the European market from 15% to 57%. In their survey, which 300 investors took part in, three-quarters of interviewees said they wanted to stop investing in traditional funds by 2022 and to target their assets towards ESG funds.
The research identifies four key areas for the development of ESG investments:

1. Regulation: in recent years it has moved from being a voluntary aspect to becoming part of mandatory legislation, leading to a greater increase in the focus on issues of sustainability.
2. Over-performance of investments: the common belief was that those who wished to invest in ESG products had to forego yields. Conversely, it has been found that ESG products can be over-performing but also, in Covid times, they have been affected by lower losses (less than half with respect to the S&P 500).

4. The information presented in this section has been taken from the Citi Research publication "No Going Back: Investing in an ESG World" - 19 Nov 2020.
5. Definition identified in 2013 by a working group of the Forum for Sustainable Finance.

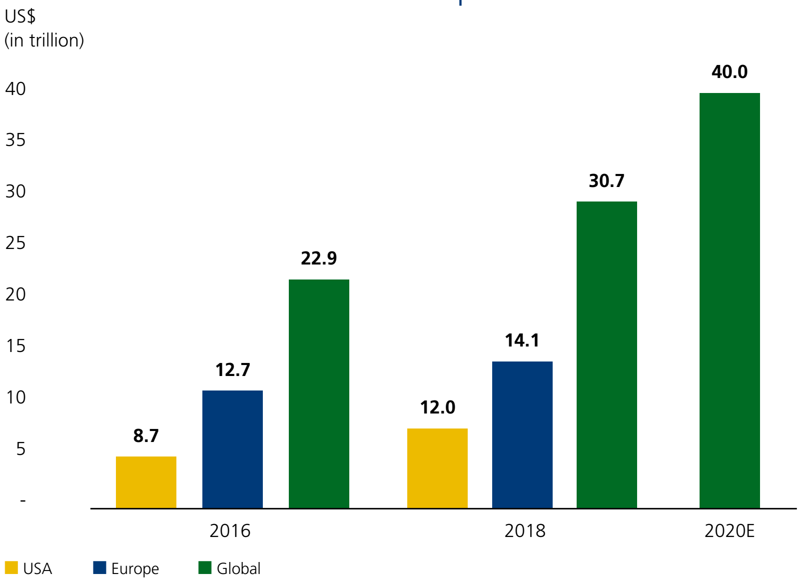
3. Increased demand for ESG investments: a change in the values of society has given rise to a new generation of investors who are just as attentive to the ESG characteristics of investments as those of a financial nature. This provides a strong thrust in asset management companies towards offering products that meet the new requirements.
4. Changes in society following the health, social and financial crisis resulting from the pandemic: the rise of ESG issues is determined by significant changes in society. An awareness of the risks related to ESG issues has meant that climate change and sustainability have shot to the top of the Global Agenda. Society is attaching increasing importance to sustainable finance. This process has been heightened by the spread of the pandemic that has allowed the neglected ESG issues to be brought under the spotlight.

The Global Sustainable Investment Alliance (GSIA) estimated that sustainable and responsible investments moved globally from \$22.9tr in 2016 to \$30.7tr in 2018 (+34%). A more recent study ("ESG Data Integration by Asset Managers, 2020") estimates that ESG funds have exceeded \$40tr, with an increase of \$10tr every two years and the kind of growth that will not slow down in the short term.

If one analyses the inflows into funds, the Morningstar data shows that the US sustainable funds attracted in 2020 about 30.7 billion dollars, up from 21.4 billion dollars in 2019. It is estimated that in 2020 about 500 US funds have included in their prospectuses strategies based on ESG criteria.

More than half of sustainable investments are represented by Global equities, although there is a growing interest of investors towards expanding the ESG allocation into other asset classes. ESG criteria are also built into fixed income investments; new products have been introduced such as green bonds, theme funds and impact funds in order to meet the needs of the most demanding investors.

Growth in Sustainable and Responsible Investment Strategies



Key Drivers:

- Climate risk is financial risk
- ESG financial materiality
- Rise of ESG disclosure frameworks
- Changing regulation
- ESG integration and fiduciary duty
- Pressure from asset owner clients ESG transparency

2.3 Group competitive position

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

The Group's distribution model is built on three well-known brands, Fideuram, Intesa Sanpaolo Private Banking and Sanpaolo Invest. All three have consolidated reputations on the Italian market among customers and Personal Financial Advisers alike, strengthened by their Networks' constant ability to act as a reference point, synergistically bringing together not just individual professionals in the sector but entire companies as well. As part of the foreign development project of the Group, new stimulus has been given to international growth with the creation of the new Swiss hub with a view to expanding the scope of Fideuram activities outside Italy.
The Group has a leading position in its reference market (Asset Gathering), being ranked sixth in Europe and second in the euro area for client assets.

The Group is, moreover, the undisputed leader of the Italian managed assets market and in the distribution of financial products through Networks of Personal Financial Advisers registered in the Unified Register of Financial Advisers, taking a very solid first place in the Assoreti ranking with a 37.1% market share at 31 December 2020 (amounting to approximately €247.7bn). Moreover, the Group took first place in 2020 both for total net inflows (€11.6bn) and for net inflows into managed assets (€5.8bn).

Top 10 Private Banking operators in Europe

(31.12.2020 - €bn)

	Client assets
UBS [1]	2,458
Credit Suisse [2]	736
Julius Bar	401
BNP Paribas	390
HSBC	321
Fideuram - Intesa Sanpaolo Private Banking	257
Deutsche Bank [3]	252
Pictet	224
Santander [4]	213
ABN-AMRO	190

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

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

Market shares by Client assets

(€bn)

	31.12.2020		31.12.2019	
	CLIENT ASSETS	% OF TOTAL CLIENT ASSETS	CLIENT ASSETS	% OF TOTAL CLIENT ASSETS
Fideuram Group (*)	247.7	37.1	233.6	37.7
Banca Mediolanum	83.3	12.5	76.8	12.4
Finecobank	79.6	11.9	70.7	11.4
Banca Generali Group	73.3	11.0	66.8	10.8
Allianz Bank	56.3	8.4	51.8	8.4
Azimut Group	45.2	6.8	43.6	7.0
Credito Emiliano Group	34.6	5.2	33.5	5.4
Deutsche Bank Group	15.7	2.4	14.9	2.4
IW Bank	10.3	1.5	10.1	1.6
Monte dei Paschi di Siena Group	7.4	1.1	6.7	1.1

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

Total net inflows and into managed assets

(€bn)

	2020		2019	
	TOTAL NET INFLOWS	NET INFLOWS INTO MANAGED ASSETS	TOTAL NET INFLOWS	NET INFLOWS INTO MANAGED ASSETS
Fideuram Group (*)	11.6	5.8	10.8	4.9
Finecobank	8.0	4.0	5.1	2.9
Banca Mediolanum	6.4	3.0	3.3	2.0
Banca Generali Group	5.9	3.4	5.1	2.8
Allianz Bank	4.0	3.1	3.1	2.6
Azimut Group	2.0	1.5	2.3	1.7
Credito Emiliano Group	1.3	0.9	1.1	0.8
CheBanca	1.2	0.8	1.7	1.3
BNP Paribas Group	1.0	0.7	0.9	0.7
Deutsche Bank Group	0.9	0.7	0.7	0.4

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

2.4 Brand Equity and Customer Satisfaction

The Fideuram Group constantly monitors the perception that Italian Personal Financial Advisers have as regards the Fideuram and Intesa Sanpaolo Private Banking Networks, evaluating their rate of satisfaction and the reputation of the Brand.

BRAND EQUITY MARKET RESEARCH SURVEY

The **FINER CF EXPLORER 2020** market research survey confirmed that the Fideuram Network continued to lead the sector in terms of its standing among Italian financial advisers.

The survey showed that Fideuram:

- had an exceptionally high percentage of **satisfied Personal Financial Advisers at 99%**, securing it a good position compared with other companies in the sector;
- **was the leader for brand awareness and image**.

In addition, Fideuram was also ranked number one for:

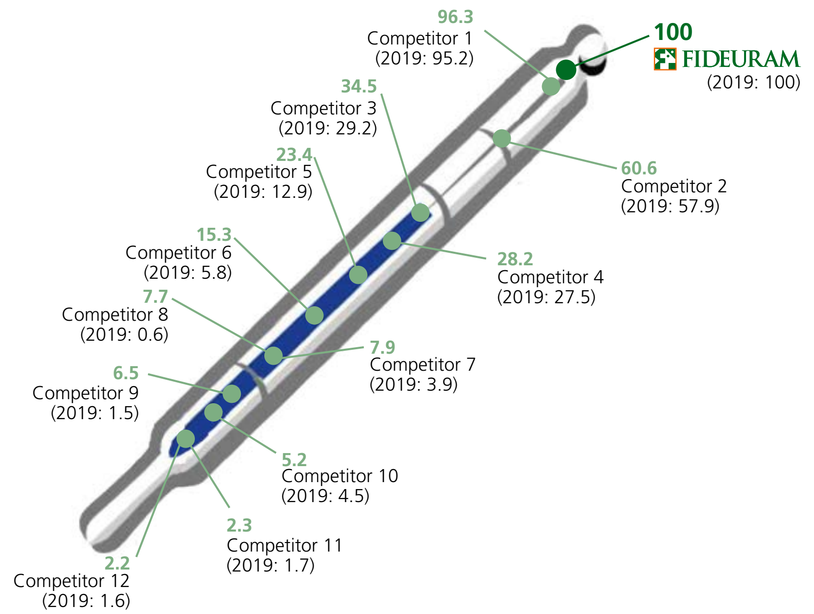
- professionalism and dependability;
- growth potential in the reference market;
- management excellence;
- range of advisory and training services on offer;
- placing its financial advisers at the centre of strategic decisions.

In a socio-economic scenario penalised by the Covid-19 health emergency, levels of recognition such as these are especially significant and are a source of enormous satisfaction.

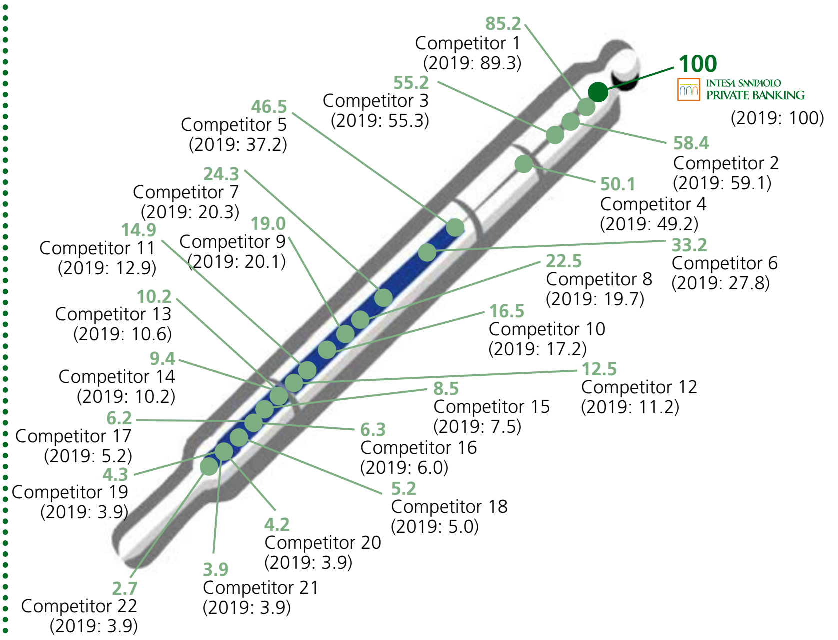
The **FINER PB EXPLORER 2020**, with its annual survey on the world of Italian personal financial advisers and wealth managers, has once again confirmed Intesa Sanpaolo Private Banking as the best Equity Brand in terms of consideration and appreciation from the Private Banking professionals.

The survey was conducted through 1,717 telephone interviews with the Personal Financial Advisers of the 34 largest and most important Private Banking and Wealth Management companies in Italy.

Synthetic index of Brand Equity



Synthetic index of Brand Equity



The Sales Network demonstrated a strong sense of belonging and loyalty to the company. It feels it plays a part in company decisions, it trusts the Group management and is satisfied with the interaction with the management departments, the professional and career paths, the remuneration bonus incentives and the training initiatives provided.
The positive assessment was also expressed for the breadth of products on offer, the support provided by the back and middle office units, digitalisation and the active participation during the health emergency.

CUSTOMER SATISFACTION SURVEY

The ability to create lasting customer relationships based on professionalism and trust is the key to success.
Listening to customers is a powerful tool that guides all stages of the relationship: in the definition and development of financial products and services, in the placement of products and in the measurement of satisfaction or dissatisfaction factors.
The listening process is designed to readily identify the latent needs to be addressed with the development of new products and services, the measurement of success and failure factors with a view to taking action where corrective measures are necessary.

For a number of years now the Customer Satisfaction survey has been in use for the Fideuram/Sanpaolo Invest and Intesa Sanpaolo Private Banking Networks in order to find out the opinions of customers about the services offered and the quality of relationships with Personal Financial Advisers.

The analysis of Customer Satisfaction is one of the most important aspects for planning and checking the quality of our offered services. In a highly competitive environment like the current one, in which the development of digital channels makes it easy for customers to reach products independently, banks are increasingly attentive in analysing the satisfaction and changing needs of customers so as to meet their requirements promptly and effectively.

In 2020 a Customer Satisfaction survey was carried out by the Private Banking Division in relation to the Fideuram and Sanpaolo Invest Networks and the Intesa Sanpaolo Private Banking Network. The survey took account of the distinctive features of the two service models and involved a sample group of customers resident throughout Italy, who had to fill in two distinct questionnaires made available exclusively in digital mode, on various platforms.

The questionnaires, answered by 66,153 customers (50,681 for the Fideuram Network, 13,472 for the Sanpaolo Invest Network and 2,000 for the Intesa Sanpaolo Private Banking Network in line with the previous editions), were structured to investigate various points of contact with the customer (the relationship with the Personal Financial Advisers, customer support and online services), assuming that the degree of customer satisfaction depends on an overall effort involving not only the Personal Financial Advisers, but also all the units and people coming into direct and indirect contact with the customer.

Net Promoter Score (NPS)
49

Customer Satisfaction Index (CSI)
8.5

The survey results confirmed high customer satisfaction for all three Networks. The relationship with Personal Financial Advisers is always one of the fundamental elements in measuring appreciation of the service provided and in particular, customers recognise their approachability, preparation and ability to propose solutions, and also their great courtesy.

From the survey conducted on the Fideuram and Sanpaolo Invest Networks, it emerges that, in the current context, there is an enhanced appreciation for their soundness and reliability, for the fact that they belong to a large group, for their multi-channel facilities, for the presence of top professionals and their attention to customer needs. Among the most valuable tools in the relationship with the bank, customers indicate the financial and investment advisory service but also online banking. The survey on the Intesa Sanpaolo Private Banking Network showed that the understanding of customer needs, the ability to make them feel like privileged customers are also highly appreciated, as well as the attention to privacy and the ability to anticipate critical issues.

Thanks to the responses obtained, two important indicators were calculated: the Net Promoter Score (NPS), and the Customer Satisfaction Index that assess the ability to listen to customers and monitor their satisfaction. The NPS indicator achieved 49, an increase compared to 2019 when it stood at 47. The CSI indicator achieved 8.5 in line with the previous survey.

In the questionnaires addressed to customers, the opportunity was taken to ask some questions devoted to issues relating to sustainable investments (Environmental, Social, Governance and Sustainable and Responsible Investment) in order to investigate the knowledge of customers and their propensity to investing their assets in products with ESG characteristics.
As regards customers in the Fideuram e Sanpaolo Invest Networks, the survey showed that ESG issues are known to over 60% of customers and 45% of them believe that ESG investments create value for themselves and for the community and the environment, a figure on the increase compared to last year (41% in 2019). The percentage rises to 52% and 53% if one considers, respectively, the band of Private Banking customers and the band of customers with an aggressive risk profile. In addition, over 30% of customers are willing to invest more than 30% of their assets in sustainable products.
With regard to customers of Intesa Sanpaolo Private Banking, it appears that these types of investments are known to over 50% of customers involved, that 27% of them already have them in their portfolios, and that over 64% of the sample would prefer to invest in ESG/CSR instruments, if yields are the same.

2.5 Group strategy

The year 2020 may be remembered not only as the year of the pandemic but also as one of the years in which the gap between the real economy and markets appeared even more evident.

After a sharp collapse in the months of February and March, we actually witnessed a progressive recovery in the markets accompanied by a general skepticism about the sustainability of this recovery.

This movement towards market recovery was aided by the combination of particularly accommodating monetary policies, which led to a significant expansion in the balance sheets of major central banks, the expansionary fiscal policies and not least the encouraging results regarding the effectiveness of some vaccines that were developed and tested in record time and whose distribution began towards the end of last year.

We have opened 2021 with portfolios that maintain a diversified overweight in equities among the main geographical areas, and a positioning in fixed income which sees the preference for taking high-quality credit risk over government bonds.
This approach is based on the expectation of a growth scenario that will continue to be supported by monetary policy and will be encouraged by the availability of a vaccine that allows a relaxation in lockdown measures and an extension to the economic cycle.

We expect corporate profits to continue their recovery but, unlike the year 2020, growth will be distributed more across sectors and geographical areas and not concentrated in the technology sector. The year 2020 saw profits shrink and valuations increase as a result of the fall in interest rates, whereas 2021 will be characterised by growing profits and interest rates that may not rise to any great extent but are hardly likely to fall.

Within the sphere of fixed income, we think that credit spreads may absorb any rise in government yields, despite the fact that valuations may limit prospective returns.

The year 2020 was characterised by a growing focus towards ESG investments also due to the changes in society following the health, social and financial crisis. This will provide an even stronger thrust in asset management companies towards offering products that meet these new requirements.

In addition to having impacts on the investment decisions of customers, the pandemic has led to an acceleration of certain trends that were already partly underway (e.g. digitalisation, drive towards advanced advisory services and sophistication of products on offer, development of capital protection tools) which will have structural impacts on the operational model of market players.

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

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

Based on these goals, five priority initiatives were identified for the Private Banking Division, and are so far confirmed:

1. Dedicated Service Models: the specialisation of the service models for Division Networks will be upgraded. The principal objective will be to renew the advisory model for the Networks, preserving the successful characteristics of the current services that are offered (SEI, VIEW, Private Advisory) and introducing highly innovative, distinctive and high added value elements for all customer categories. The new elements will include the integration and development of sustainability, through the analysis and monitoring of customer portfolios and individual financial instruments, on the basis of the principal ESG indicators and themes, with the aim of reinforcing the leadership, brand recognition and reputation of the Private Banking Division. The Intesa Sanpaolo Private Banking Network will not only consolidate the service model for HNWI customers, through its ten dedicated centres and the activation of additional specialised local customer centres, focusing on the extension of services and standardisation of Network practices, but will also continue developing the tools and offering of specialised products and services. The Fideuram and Sanpaolo Invest Networks will also introduce new service models to cover specific Network needs (e.g. generational change, new advisers) and the customer base (e.g. affluent) with differentiated commercial targets, products and services.

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

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

The innovative "mixed" employment agreement ("Minotauro" – a part-time employment agreement accompanied by an agency agreement as Financial Adviser with commissions) in

Intesa Sanpaolo Private Banking will enable the recruitment of top-end Personal Financial Advisers and also the development of new customer assets and profitability for the current Personal Financial Advisers who opt for the new agreement, with those benefits linked to the knock-on effect from the commission-based remuneration model.

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

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

3. Enhancement of products and services offered: the activity of upgrading and updating the range of products and services on offer will continue in order to support the advisory model in response to changes in market conditions and the regulatory framework.

In addition to the path of ongoing improvements and innovation, there will be a specific focus on integrating into our service model the dimension of sustainability. The service model has always been developed in open architecture and allows and will allow us to capture those excellent elements among the operators in the industry and create an offer of high quality geared to meeting the needs of the various customer segments.

The privileged relationship between product factories and distribution channels of the Division, that has always been our strength, will be enhanced in the coming year as well, targeting both traditional markets and private markets.
Intesa Sanpaolo Private Banking will not only consolidate the service model for HNWI customers, through its ten dedicated centres and the activation of additional specialised local customer centres, but will also focus on the extension of services and products to high net worth individuals.

The Division Networks will focus in particular on the evolution of product and service platforms (including Folios, FAI Platform, Private Insurance Platform) which, by exploiting their flexibility, permit growing levels of personalisation to address the needs of different customer segments, with a special focus on the Private Banking and High Net Worth Individual customer segments. As regards the Lower Private banking segment, a dedicated advisory model is soon to be developed.

4. Growth of foreign operations: the international presence of the Private Banking Division became a reality with the creation of the new international hub named Intesa Sanpaolo Private Bank (Suisse) Morval, which took place in February 2019.
Consistent with the international development plan, the strategic partnership between Fideuram and REYL & Cie was announced in October 2020, under which Fideuram will acquire a 69% stake in REYL and its contribution to the latter will be Intesa Sanpaolo Private Bank (Suisse) Morval. The transaction will be completed following the approval by the competent Supervisory Authorities.

The new arrivals and the international Personal Financial Adviser Network of REYL will make it possible to further expand the Division's range of action even to areas with enormous potential.

The implementation of risk monitoring measures typical of the governance culture that is deeply entrenched at the Intesa Sanpaolo Group and its subsidiaries will support their business development through the qualitative and quantitative reinforcement of Control and Governance units.
Finally, the definition of a new product offering conceived to meet the investment requirements of international customers will position the activity of the Bank among its top competitors in the sector.

5. Evolution of Fideuram - Intesa Sanpaolo Private Banking into a "digital champion": the digital customer experience will be entirely reconfigured, with the aim of raising its level to the top of the sector: in a single online environment, the home banking and trading functions will be integrated with evolved tools to manage investments and with innovative functions for interacting with the Personal Financial Adviser. In parallel, a "constellation" of apps for smartphone will be created, to enable customers to have an optimal experience even when they are on the go.

Furthermore, a new digital channel will be realised to acquire and serve "self-directed" customers. New methods for online engagement will make it possible to intercept new customer segments and increase the number of newly acquired customers. Synergies with the current service model will permit the full development and exploitation of the potential of newly acquired customers.

Digitalisation will also include revision of the Division's main processes to boost their effectiveness and efficiency through end-to-end automation.

Continuous optimisation of the digital platform will also enable the development of distinctive analytical skills for data that can be used for deeper understanding of what is happening at the company and identifying performance improvement measures (advanced analytics).

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

Further information on page 77

Total net inflows
came to

€11.7 bn
(including €5.8bn inflows into managed assets)

R.O.E.
27%

Cost/Income Ratio
31%

3. Performance

3.1 Overview of 2020

In an economic situation that was significantly impacted by the spread of the Covid-19 virus in the world, the Fideuram - Intesa Sanpaolo Private Banking Group ended 2020 with consolidated net profit of €817m, down €89m (-10%) on 2019. Operating income, totalling €1.3bn, showed a slight fall of 1% compared with the previous year (-€18m). The Cost / Income Ratio was 31%, in line with the figure for the previous year. The Return On Equity (R.O.E.) was 27% (31% at the end of 2019).

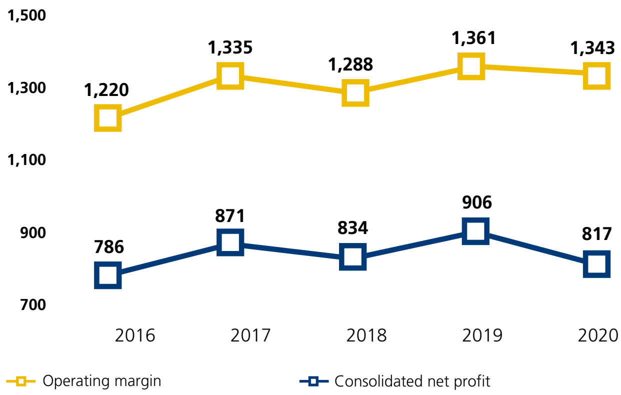
The analysis of the main income statement items shows that net operating income fell by €26m (-1%), due to the reduction in net fee and commission income (-€33m) and profit on financial assets measured at fair value (-€13m), which was only partly offset by the increase in net interest income (+€19m). Conversely, net operating expenses were down by €8m. Provisions for risks and charges also increased (+€13m) and impairment of loans (+€9m). Non-recurring income fell by €13m. Gross income (loss) from continuing operations fell by €53m compared to the previous year.

Fideuram - Intesa Sanpaolo Private Banking - Turin, Registered Office

At 31 December 2020, there were 5,741 Personal Financial Advisers, down from 5,834 at 31 December 2019. Client assets per Personal Financial Adviser at 31 December 2020 were approximately €45m, showing an increase compared to €42m in 2019. Total Group staff stood at 3,123, down from 3,179 at 31 December 2019. Bank branches totalled 235 and Personal Financial Advisers' offices totalled 321.

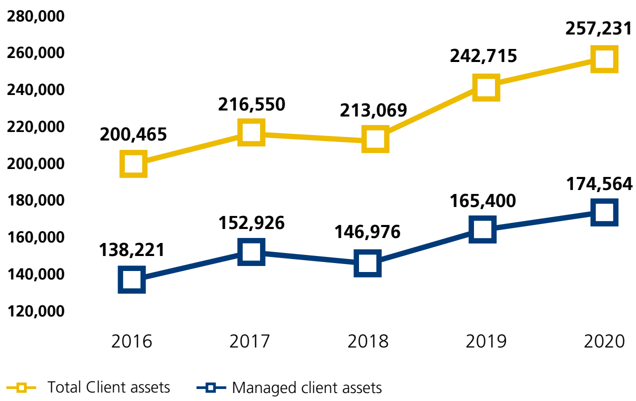
Consolidated net profit and Net operating income (expenses)

(€m)



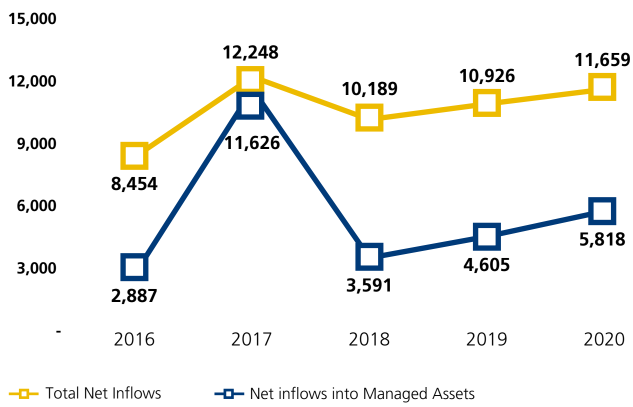
Client assets

(€m)



Net inflows

(€m)



3.2 Reclassified financial statements

Consolidated balance sheet

(reclassified - €m)

	31.12.2020	31.12.2019	CHANGE	
			AMOUNT	%
ASSETS				
Financial assets measured at fair value through profit or loss	422	349	73	21
Financial assets measured at fair value through other comprehensive income	2,805	3,189	(384)	-12
Debt securities measured at amortised cost	15,973	15,275	698	5
Loans to banks	19,354	17,198	2,156	13
Loans to customers	9,855	9,329	526	6
Hedging derivatives	16	20	(4)	-20
Equity investments	184	170	14	8
Property and equipment and intangible assets	583	614	(31)	-5
Tax assets	163	164	(1)	-1
Non-current assets held for sale and discontinued operations	1,065	6	1,059	n.s.
Other assets	1,607	1,453	154	11
TOTAL ASSETS	**52,027**	**47,767**	**4,260**	**9**
LIABILITIES				
Due to banks	3,615	3,033	582	19
Due to customers	41,410	39,024	2,386	6
Financial liabilities held for trading	53	33	20	61
Hedging derivatives	954	930	24	3
Tax liabilities	74	94	(20)	-21
Liabilities associated with non-current assets held for sale and discontinued operations	1,065	-	1,065	n.s.
Other liabilities	1,141	1,215	(74)	-6
Provisions for risks and charges	568	478	90	19
Share capital and reserves	2,330	2,054	276	13
Net profit	817	906	(89)	-10
TOTAL LIABILITIES	**52,027**	**47,767**	**4,260**	**9**

n.s.: not significant

Consolidated income statement

(reclassified - €m)

	2020	2019	CHANGE	
			AMOUNT	%
Net interest income	196	177	19	11
Net profit (loss) on financial assets and liabilities at fair value	28	41	(13)	-32
Net fee and commission income	1,714	1,747	(33)	-2
INTERMEDIATION MARGIN	**1,938**	**1,965**	**(27)**	**-1**
Profit on equity investments and other income (expense)	6	5	1	20
NET OPERATING INCOME	**1,944**	**1,970**	**(26)**	**-1**
Personnel expenses	(346)	(356)	10	-3
Other administrative expenses	(198)	(198)	-	-
Depreciation and amortisation	(57)	(55)	(2)	4
NET OPERATING EXPENSES	**(601)**	**(609)**	**8**	**-1**
OPERATING MARGIN	**1,343**	**1,361**	**(18)**	**-1**
Net impairment of loans	(11)	(2)	(9)	n.s.
Net provisions for risks and charges and net impairment of other assets	(43)	(30)	(13)	43
Net non-recurring income (expenses)	(4)	9	(13)	n.s.
GROSS INCOME (LOSS)	**1,285**	**1,338**	**(53)**	**-4**
Income taxes for the year on continuing operations	(379)	(395)	16	-4
Integration and voluntary redundancy expenses (net of tax)	(67)	(20)	(47)	n.s.
Effects of purchase price allocation (net of tax)	(2)	(2)	-	-
Expenses regarding the banking system (net of tax)	(21)	(16)	(5)	31
Net profit (loss) attributable to non-controlling interests	1	1	-	-
NET PROFIT	**817**	**906**	**(89)**	**-10**

n.s.: not significant

3.3 Client financial assets

€257.2bn

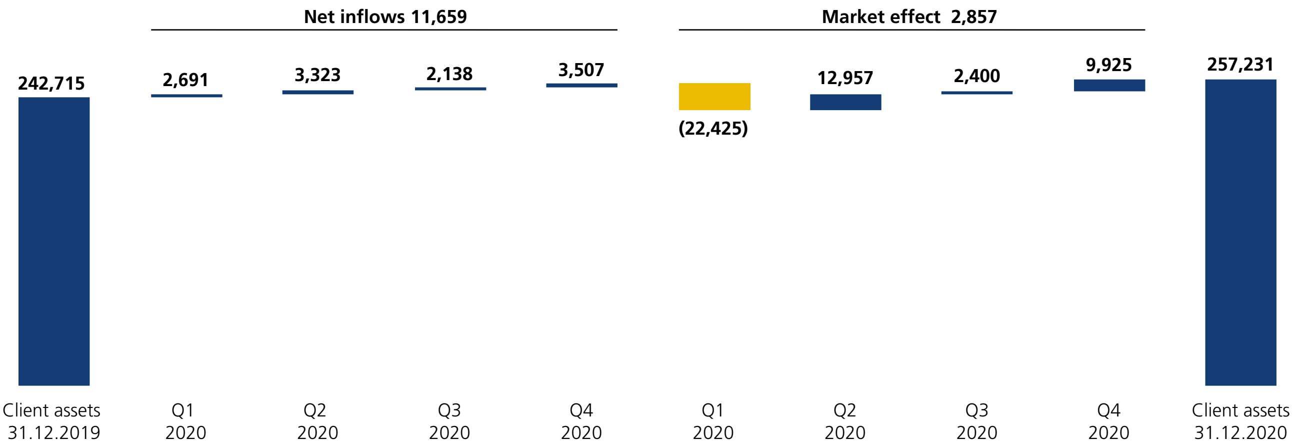
Client assets

(up 6% on 2019)

Client assets totalled **€257.2bn** at 31 December 2020, up by €14.5bn compared to 31 December 2019, mainly due to the €11.7bn in net positive inflows (+€733m compared to the previous year) and, to a lesser extent, by the market performance which had a positive effect on assets by €2.8bn. In 2020, the unfavourable market performance recorded in the first quarter, following the global spread of the Covid-19 epidemic, was in fact fully recovered during the following quarters.

Client assets 2020

(€m)



Analysis of the aggregated items shows that **managed assets** (68% of total client assets) totalled **€174.6bn**, up €9.2bn from the amount at the end of 2019. This increase was in discretionary accounts (+€4.8bn), life insurance (+€2.3bn) and mutual funds (+€1.7bn). **Non-managed assets** increased to a total of €82.7bn, or €5.3bn higher than at 31 December 2019.

Client assets

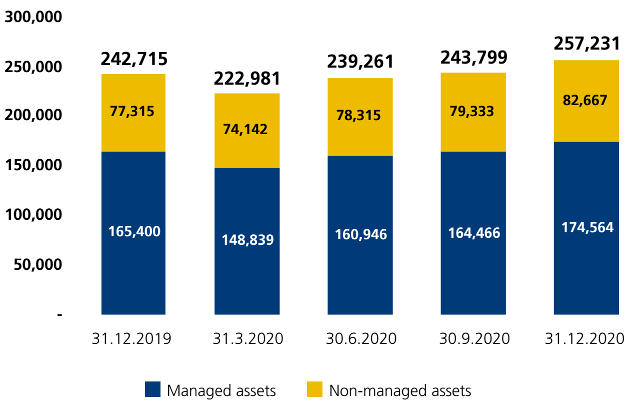
(€m)

	31.12.2020	**31.12.2019**	**CHANGE**	
			AMOUNT	**%**
Mutual funds	62,759	61,093	1,666	3
Discretionary accounts	49,873	45,038	4,835	11
Life insurance	59,249	56,905	2,344	4
including: Fideuram Vita / Intesa Sanpaolo Vita unit linked	*38,579*	*36,457*	*2,122*	*6*
Pension funds	2,683	2,364	319	13
Total managed assets	**174,564**	**165,400**	**9,164**	**6**
Total non-managed assets	**82,667**	**77,315**	**5,352**	**7**
including: Securities	*45,874*	*44,814*	*1,060*	*2*
Total client assets	**257,231**	**242,715**	**14,516**	**6**

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

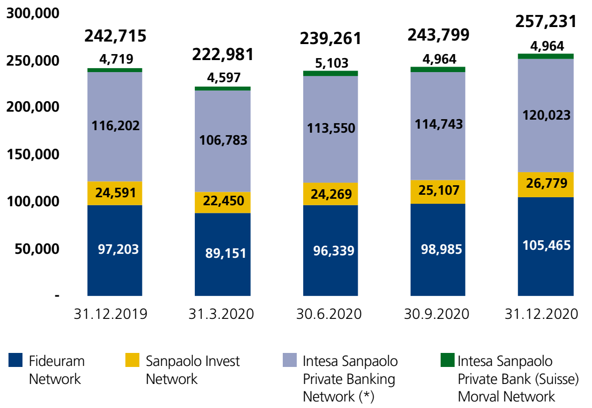
Client assets - by type of inflows

(€m)



Client assets - by Sales Network

(€m)



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

Fideuram - Monza Office

3.4 Inflows into managed and non-managed assets

€11.7bn

Net inflows
(up 7% on 2019)

The Group's sales Networks brought in **€11.7bn of net inflows** in 2020, up €733m (+7%) on the previous year. The analysis of aggregated figures shows that the inflows into managed assets rose from the previous year (+€1.2bn). This was mainly attributable to the Group Personal Financial Advisers directing new inflows from customers towards managed asset products. Non-managed assets were positive at €5.8bn, down €480m compared to the previous year.

Net inflows

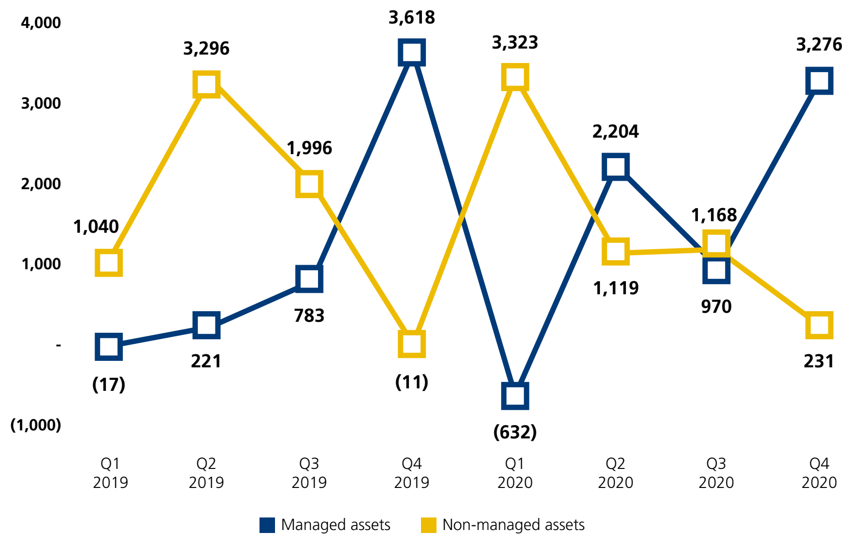
(€m)

	2020	2019	CHANGE AMOUNT	CHANGE %
Mutual funds	55	(573)	628	n.s.
Discretionary accounts	3,955	2,622	1,333	51
Life insurance	1,584	2,362	(778)	-33
including: Fideuram Vita / Intesa Sanpaolo Vita unit linked	*1,269*	*526*	*743*	*141*
Pension funds	224	194	30	15
Total managed assets	**5,818**	**4,605**	**1,213**	**26**
Total non-managed assets	**5,841**	**6,321**	**(480)**	**-8**
including: Securities	*1,635*	*1,470*	*165*	*11*
Total Net inflows	**11,659**	**10,926**	**733**	**7**

n.s.: not significant

Net inflows trend

(€m)



3.5 Customer segmentation

CLIENT ASSETS at 31 December 2020

- Fideuram: €105.5bn
- Sanpaolo Invest: €26.8bn
- Intesa Sanpaolo Private Banking: €115.4bn
- Siref Fiduciaria: €4.6bn (*)
- Intesa Sanpaolo Private Bank (Suisse) Morval: €4.9bn

(*) The figure does not include the fiduciary mandates regarding Group client assets. The total number of fiduciary mandates is 61,157, with total client assets of €12.5bn.

CUSTOMERS at 31 December 2020

- Fideuram: no. 606,012
- Sanpaolo Invest: no. 160,809
- Intesa Sanpaolo Private Banking: no. 38,327 (**)
- Siref Fiduciaria: no. 1,844 mandates (*)
- Intesa Sanpaolo Private Bank (Suisse) Morval: no. 1,751

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

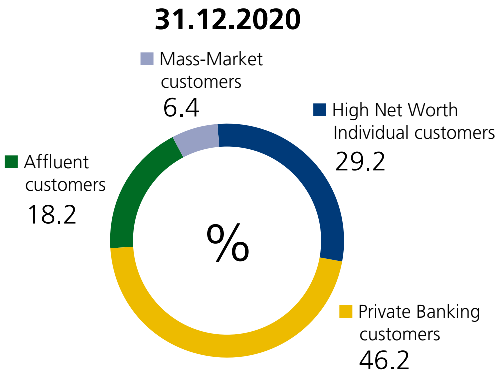
Analysis of the Group's customer base shows that it is concentrated in the Private Banking and High Net Worth Individual (HNWI) segments.
This focus on high-end customers (about 75% of client assets, corresponding to about 15% of customers, come from Private Banking and HNWI customers) enables our Personal Financial Advisers to target a segment with high growth prospects in the Italian market. The Group supports its customers with a dedicated service model using ad hoc organisational management (Private Banking and HNWI branches) and customised products and services. The table and graphs below analyse client assets by type of customer.

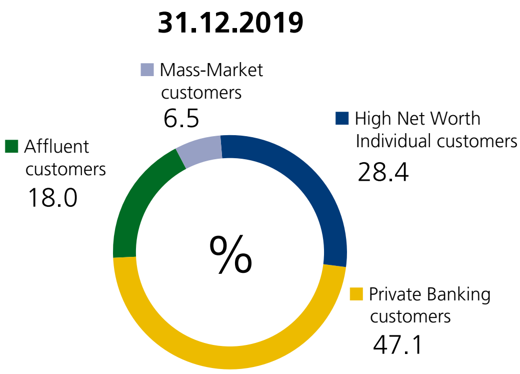
Client assets by type of customer (***)

(€m)

	31.12.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
High Net Worth Individual customers	74,975	68,819	6,156	9
Private Banking customers	118,916	114,401	4,515	4
Affluent customers	46,789	43,752	3,037	7
Mass-Market customers	16,551	15,743	808	5
Total	**257,231**	**242,715**	**14,516**	**6**

Percentage 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.

3.6 Advanced advisory services

€40 bn

Advanced advisory services

The Fideuram Group is a leading Italian banking group in the provision of financial advisory services and in the distribution, development and management of financial services and products for private individuals. The Group's principal distinctive strengths, emblematic of its market leadership, are founded on a business model that anchors the distribution of products and services in the professional relationships between our Personal Financial Advisers and their customers. This is supported by the strength of a banking group with three renowned brands – Fideuram, Intesa Sanpaolo Private Banking and Sanpaolo Invest – and a network of 235 bank branches and 321 Personal Financial Advisers' offices, which make a decisive contribution to customer loyalty. Our guided open-architecture model offers third-party products to complement our Group products. The professional relationship between each Personal Financial Adviser and customer is based on a financial advisory service model governed by a specific contract. The services under this model are delivered in two ways:

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

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

- SEI Advanced Advisory Service: this service identifies the customer's individual requirements classified by area of need, analyses their overall position and risk/return profile, and identifies appropriate investment strategies and solutions for each individual area of need, monitoring them over time.
- Private Banking Advanced Advisory Service: a personalised advisory service with high added value for customers who want to be actively involved in their asset allocation choices with the assistance of their Personal Financial Adviser and the support of one of our Financial Advisory Unit specialists.
- VIEW (Value Investment Evolution Wealth) Advanced Advisory Service: an advisory service offered by Intesa Sanpaolo Private Banking. VIEW takes all a customer's assets into consideration and supports the Personal Financial Advisers in their work of identifying each customer's specific requirements, categorised by area of need, including with the assistance of guideline customer "archetype" profiles. VIEW provides a complete advisory service, which in addition benefits from incorporating the Bank's Active Advisory Service. VIEW also allows the customer and their Personal Financial Adviser to identify investment strategies and solutions for each individual area of need in accordance with the customer's risk/return profile and to monitor their wealth from a global standpoint over time.

A total of approximately 64,000 customers were subscribed to our Advanced Advisory Services at the end of December 2020, accounting for approximately €40bn of client assets.

The customer and client assets data for our Advanced Advisory Services are shown below. Despite the reduction in the total number of subscribers, it is worth highlighting the increase in client assets with the advisory services.

Approximately 64 k

Customers subscribed to Advanced Advisory Services

Customers subscribed to Advanced Advisory Services

(number)

	31.12.2020	31.12.2019	CHANGE	
			AMOUNT	%
High Net Worth Individual customers	1,016	972	44	5
Private Banking customers	17,481	17,620	(139)	-1
Affluent customers	30,605	31,485	(880)	-3
Mass-Market customers	14,880	16,074	(1,194)	-7
Total	**63,982**	**66,151**	**(2,169)**	**-3**

Advanced Advisory Service client assets

(€m)

	31.12.2020	31.12.2019	CHANGE	
			AMOUNT	%
High Net Worth Individual customers	7,339	6,475	864	13
Private Banking customers	23,409	23,307	102	-
Affluent customers	7,940	8,069	(129)	-2
Mass-Market customers	855	933	(78)	-8
Total	**39,543**	**38,784**	**759**	**2**

Advanced Advisory Service client assets up 2 %

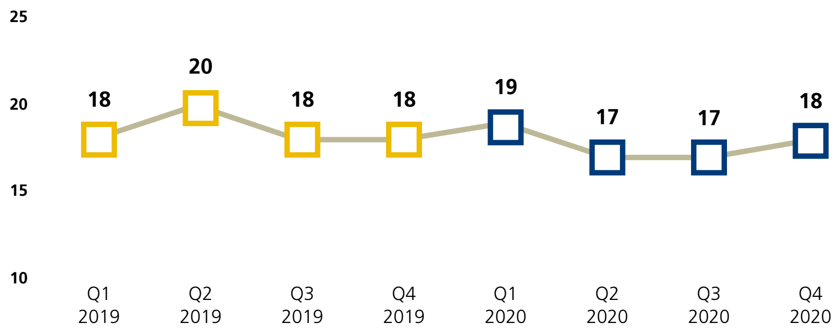
Advanced Advisory Service fee and commission income

(€m)

	2020	2019	CHANGE	
			AMOUNT	%
Fee and commission income	114	118	(4)	-3
Fee and commission expense	(43)	(44)	1	-2
Net fee and commission income	**71**	**74**	**(3)**	**-4**

Quarterly Advanced Advisory Service fee and commission income

(€m)



3.7 Financial risk

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

CORPORATE CONTINUITY

The Group ended this year with net profit totalling €817m and a Return on Equity of 27%. Financial resources acquired as customer deposits through current accounts, deposits and repurchase agreements totalled €41.4bn, up 6% compared to the end of 2019. Consolidated shareholders' equity totalled €3.1bn. Fideuram's own funds totalled €1.3bn and its total capital ratio was 20%. The Fideuram Group voluntarily estimates its consolidated capital requirements, taking its membership of the Intesa Sanpaolo Banking Group into account. At 31 December 2020, our Common Equity Tier 1 Ratio was estimated to be 21.9%.

Fideuram this year is able to pay its shareholder a dividend of €651m, with a payout ratio of 79.7% of consolidated net profit and 135.3% of the net separate profit of Fideuram - Intesa Sanpaolo Private Banking S.p.A. (with use of €177m from available reserves).

The Group's stability has a fivefold foundation:

- a business model which integrates production and distribution;
- sustainable revenue deriving mainly from recurring fees generated by a solid base of managed assets;
- appropriate staff distribution across our branches and networks, with a good balance between fixed and variable costs;
- a structured risk monitoring system on different control levels;
- effective management of legal and tax disputes with sufficient provisions set aside (the provision for litigation, securities in default and complaints totalled 2% of consolidated shareholders' equity).

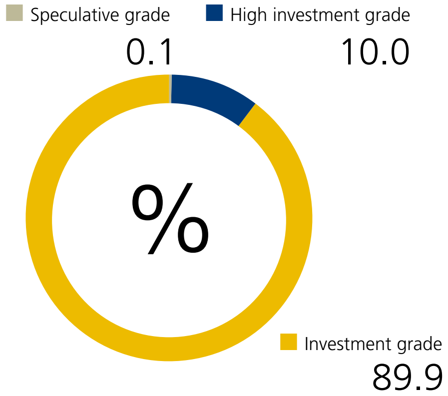
SECURITIES HOLDINGS AND RELATED FINANCIAL RISKS

In regard to the method used to determine the fair value of the bonds held in its portfolio, the Group continued referring directly to market values and made only marginal use of financial models for the pricing of unlisted or illiquid assets. The banking book, which totalled €48bn at 31 December 2020 (€45bn at 31 December 2019), consisted of €29.2bn in loans to banks and customers, with the remainder being comprised of bonds and hedging derivatives. Twelve per cent of the securities portfolio consisted of Italian government bonds and 73% of bonds issued by Intesa Sanpaolo Group companies. A positive reserve for financial assets measured at fair value through other comprehensive income was recorded under shareholders' equity at year-end, totalling €24m (€20m at 31 December 2019). The €4m positive change resulted from increases in fair value recorded by the bond portfolio during the year.

Analysis of the portfolio showed continued high loan quality, with 10% of the investments having a high investment grade rating and 89.9% belonging to the investment grade.

The Group's total exposure to interest rate risk (shift sensitivity) was mitigated following a strategy of making asset swap contracts linked to the individual fixed-coupon bonds in the portfolio. Hedging derivatives totalling €954m were recorded under liabilities in the balance sheet at year-end 2020, an increase of 3% over the figure for the previous year.

Composition of portfolio



LIQUIDITY RISK

Analysis of the Group's consolidated liabilities shows the prime role of customer deposits, which totalled approximately €41.4bn at year-end and principally consisted of current accounts and deposits that are highly stable over time. More volatile markets exposed to crisis of confidence situations, such as the money market (through interbank loans), are conversely allocated a more limited role in funding the Group's business.

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

CONCLUSIONS

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

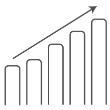
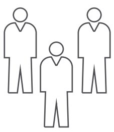
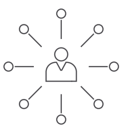
The following are shown below for the principal activities of the Group: the type of risk, the mitigation measures adopted and the stakeholders involved. The impact of each activity on the consolidated income statement is also illustrated.

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

3.8 Financial and non-financial results

The Fideuram Group uses the resources at its disposal in the value creation process by means of its business model and modifies them in line with its strategies. The Group has five strategic objectives, which combine to enable it to achieve its prime objective of creating sustainable value over time.

In the process of creating value, the Group allocates, modifies and makes use of the following types of capital:

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

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

STRATEGIC OBJECTIVES

	DEDICATED SERVICE MODELS	ADVISERS FACTORY	UPGRADING OF PRODUCTS AND SERVICES OFFERED	GROWTH OF FOREIGN OPERATIONS	DIGITAL CHAMPION	STRONG FOCUS ON ISSUES RELATED TO CORPORATE SOCIAL RESPONSIBILITY
Financial capital	- Net Profit - Net fee and commission income - Client assets by type of customer - Wealth created	- Net Profit - Net fee and commission income - Personnel expenses - Other administrative expenses - Wealth created	- Net Profit - Net fee and commission income - Advanced Advisory Service Fee and Commission Income - Customers subscribed to Advanced Advisory Services - Advanced Advisory Service Client assets	- Net Profit - Net fee and commission income - Client assets - Wealth created	- Net Profit - Client assets - Wealth created	- Commitment to sustainable finance - Other administrative expenses (donations and sponsorship) - Client assets of in-house ESG products
Productive capital	- Expansion of Private Banking and HNWI Centre operations in key geographical areas	- Client assets by commercial area	- Area presence of Group logistics organisation - Number of Personal Financial Advisers by commercial area and region	- Growth of offices in strategic international centres		- Develop branch and office interventions to reduce area impact
Intellectual capital	- Further development of the tools supporting advisory services - Upgrade dedicated organisational management	- Upgrade dedicated organisational management	- Reinforcement of online services - Customization of the advice offered	- Growth in foreign markets with high development potential	- Alfabeto 2.0, new integrated platform - Investments in information systems	- Upgrading the range of ESG products for growth in foreign markets and development in the Italian market - Integration of the sustainability principles in the advanced advisory services
Human capital	- Recruitment of Personal Financial Advisers of high standing	- Recruitment of Personal Financial Advisers of high standing - Training of Employees and Personal Financial Advisers (hrs.) - Staff numbers by ranking - Highly specialised training	- Employee and Personal Financial Adviser training - Number of Personal Financial Advisers	- Recruitment of Personal Financial Advisers of high standing and with international experience	- Online training - Digital Specialist	- Development of ESG skills of employees and of Personal Financial Advisers
Relational capital	- Development of events, including online, to improve flow of information and customer relations - Brand and product communications in print and online	- Number of customers per Personal Financial Adviser - Client assets / Number of Personal Financial Advisers	- Complaint response times - No. of complaints accepted and no. of complaints accepted with outlay of payments - Client assets of in-house ESG products		- Expansion of the digital customer interaction functions	- Improvement of the image, company reputation and customer and community satisfaction
Natural capital		- Reduction in paper consumption through digitalisation of forms and use of biometric signature and remote digital signature	- Client assets of in-house ESG products		- Reduction in paper consumption through digital archiving	- Improvement of environmental KPIs with focus on scope1 and scope2 greenhouse gas emissions

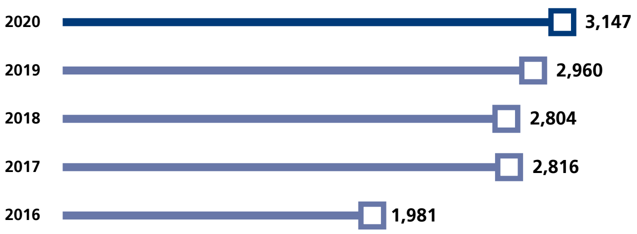
3.8.1 **Financial** Capital

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

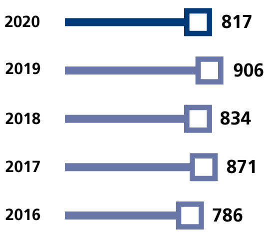
MATERIAL TOPICS	WHY TOPICS ARE MATERIAL	CORPORATE POLICIES
Maintenance of Group solidity and profitability Market competitiveness Capital adequacy	The corporate mission highlights the importance of providing outstanding products and services that are personalised to suit customer needs through detailed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

KEY INDICATORS

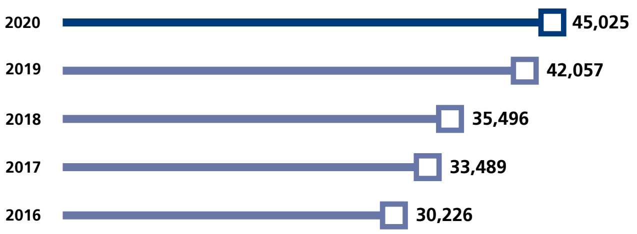
Group shareholders' equity
(€m)



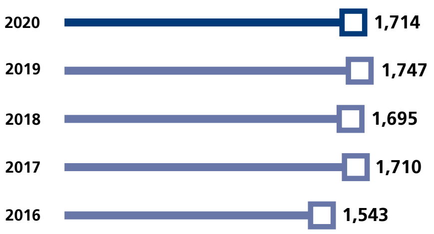
Consolidated net profit
(€m)



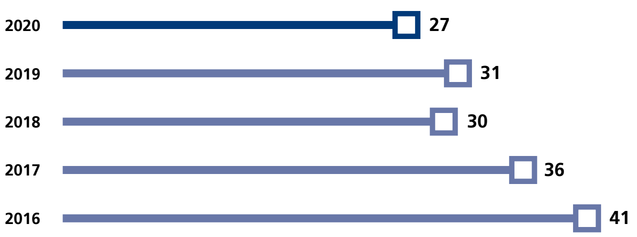
Bank and customer deposits
(€m)



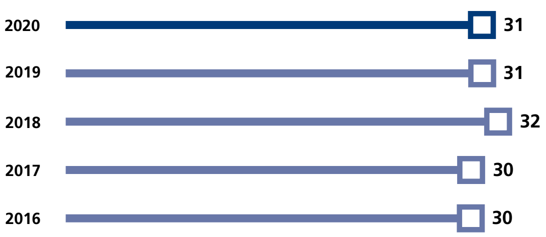
Consolidated net fees
(€m)



Return on Equity
(%)



Cost / Income Ratio
(%)



ANALYSIS OF THE INCOME STATEMENT

The Fideuram - Intesa Sanpaolo Private Banking Group ended 2020 with consolidated net profit of €817m, down by €89m from the previous year (-10%).

Consolidated income statement

(reclassified - €m)

	2020	2019	CHANGE	
			AMOUNT	%
Net interest income	196	177	19	11
Net profit (loss) on financial assets and liabilities at fair value	28	41	(13)	-32
Net fee and commission income	1,714	1,747	(33)	-2
INTERMEDIATION MARGIN	**1,938**	**1,965**	**(27)**	**-1**
Profit on equity investments and other income (expense)	6	5	1	20
NET OPERATING INCOME	**1,944**	**1,970**	**(26)**	**-1**
Personnel expenses	(346)	(356)	10	-3
Other administrative expenses	(198)	(198)	-	-
Depreciation and amortisation	(57)	(55)	(2)	4
NET OPERATING EXPENSES	**(601)**	**(609)**	**8**	**-1**
OPERATING MARGIN	**1,343**	**1,361**	**(18)**	**-1**
Net impairment of loans	(11)	(2)	(9)	n.s.
Net provisions for risks and charges and net impairment of other assets	(43)	(30)	(13)	43
Net non-recurring income (expenses)	(4)	9	(13)	n.s.
GROSS INCOME (LOSS)	**1,285**	**1,338**	**(53)**	**-4**
Income taxes for the year on continuing operations	(379)	(395)	16	-4
Integration and voluntary redundancy expenses (net of tax)	(67)	(20)	(47)	n.s.
Effects of purchase price allocation (net of tax)	(2)	(2)	-	-
Expenses regarding the banking system (net of tax)	(21)	(16)	(5)	31
Net profit (loss) attributable to non-controlling interests	1	1	-	-
NET PROFIT	**817**	**906**	**(89)**	**-10**

n.s.: not significant

Quarterly consolidated income statements

(reclassified - €m)

	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income	42	52	54	48	45	43	46	43
Net profit (loss) on financial assets and liabilities at fair value	12	4	9	3	8	5	15	13
Net fee and commission income	454	420	413	427	471	433	418	425
INTERMEDIATION MARGIN	**508**	**476**	**476**	**478**	**524**	**481**	**479**	**481**
Profit on equity investments and other income (expense)	1	4	1	-	2	1	2	-
NET OPERATING INCOME	**509**	**480**	**477**	**478**	**526**	**482**	**481**	**481**
Personnel expenses	(91)	(91)	(86)	(78)	(93)	(92)	(83)	(88)
Other administrative expenses	(53)	(47)	(49)	(49)	(55)	(52)	(46)	(45)
Depreciation and amortisation	(14)	(14)	(15)	(14)	(13)	(15)	(14)	(13)
NET OPERATING EXPENSES	**(158)**	**(152)**	**(150)**	**(141)**	**(161)**	**(159)**	**(143)**	**(146)**
OPERATING MARGIN	**351**	**328**	**327**	**337**	**365**	**323**	**338**	**335**
Net impairment of loans	4	3	(16)	(2)	(2)	2	1	(3)
Net provisions for risks and charges and net impairment of other assets	(9)	(12)	(16)	(6)	8	(15)	(13)	(10)
Net non-recurring income (expenses)	(10)	-	-	6	-	-	-	9
GROSS INCOME (LOSS)	**336**	**319**	**295**	**335**	**371**	**310**	**326**	**331**
Income taxes for the year on continuing operations	(85)	(99)	(92)	(103)	(116)	(96)	(89)	(94)
Integration and voluntary redundancy expenses (net of tax)	(57)	(4)	(2)	(4)	(7)	(4)	(5)	(4)
Effects of purchase price allocation (net of tax)	(1)	-	(1)	-	(1)	-	(1)	-
Expenses regarding the banking system (net of tax)	-	(12)	(3)	(6)	(1)	(7)	(4)	(4)
Net profit (loss) attributable to non-controlling interests	1	-	-	-	1	-	-	-
NET PROFIT	**194**	**204**	**197**	**222**	**247**	**203**	**227**	**229**

€ 1.9 bn

Net operating income

Net operating income totalled €1.9bn, down €26m (-1%) compared to 2019. This result is attributable to:

- increased net interest income (+€19m);
- reduced net profit on financial assets measured at fair value (-€13m);
- reduced net fee and commission income (-€33m, of which -€12m for less performance fees).

Net interest income

(€m)

	2020	2019	CHANGE	
			AMOUNT	%
Interest expense on due to customers	(47)	(38)	(9)	24
Interest expense on due to banks	(15)	(17)	2	-12
Interest income on debt securities	219	228	(9)	-4
Interest income on loans	143	118	25	21
Net interest on hedging derivatives	(90)	(95)	5	-5
Other net interest income	(14)	(19)	5	-26
Total	**196**	**177**	**19**	**11**

€ 196 m

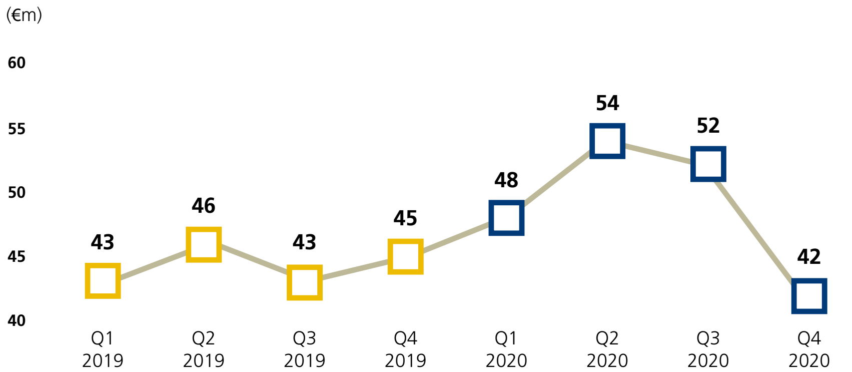
Net interest income

Net interest income totalled €196m, showing an increase of €19m over the previous year (+11%), due to the greater average volumes mainly referring to treasury time deposits and the reduced average cost of inflows. Analysis of the quarterly changes reveals, in the second half of the year, a correction in the growth trend, mainly attributable to the decrease in short-term interest rates, to which most of the assets were indexed.

3-month Euribor rate

Source: Bloomberg

Quarterly net interest income



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

(€m)

	2020	2019	CHANGE AMOUNT	CHANGE %
Net profit (loss) on sale of financial assets measured at fair value through other comprehensive income	5	24	(19)	-79
Net profit (loss) of financial assets measured at fair value through profit or loss	19	17	2	12
Net profit (loss) on hedging derivatives	4	-	4	n.s.
Total	**28**	**41**	**(13)**	**-32**

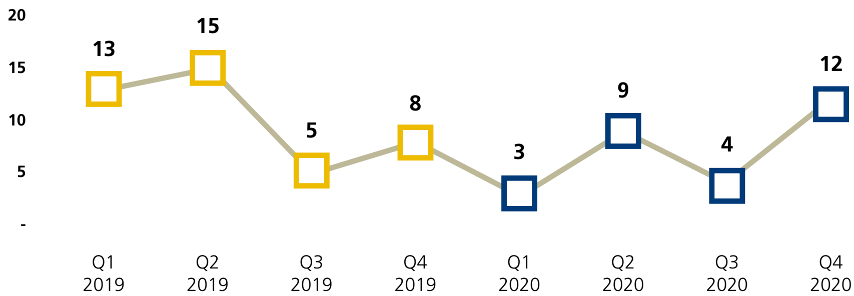
Net profit (loss) on financial assets and liabilities at fair value came to €28m, down €13m due to the lower sales of debt instruments in the portfolio of securities measured at fair value through other comprehensive income (-€19m). Conversely, net profit (loss) of financial assets measured at fair value through profit or loss recorded an increase of €2m due to transactions in foreign currency. Net profit on hedging activities increased by €4m.

€28 m

Net profit on financial assets and liabilities at fair value

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

(€m)



Net fee and commission income totalled €1.7bn, down €33m (-2%) on 2019.

€1.7 bn

Net fee and commission income

Net recurring fees

(€m)

	Q1	Q2	Q3	Q4	TOTAL
2020	399	380	406	418	1,603
2019	394	394	404	414	1,606
Change	**5**	**(14)**	**2**	**4**	**(3)**

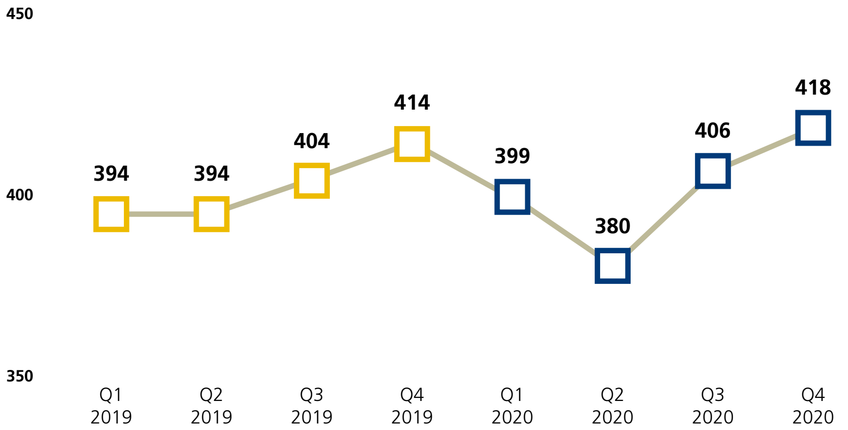
Net recurring fees totalled €1.6bn, substantially in line with the figure for the previous year (-€3m). The effect of the repositioning of customer assets towards lower-income products was, in fact, almost entirely offset by the favourable impact from the growth in average managed assets, which went from €156.6bn at 31 December 2019 to €162.2bn at 31 December 2020 (+€5.6bn, +3.6%). Analysis of the quarterly changes highlights an increase in net recurring fees from the third quarter of 2020 onwards due to the steady recovery in average managed assets, which marks a reversal in the trend from the first two quarters of the year, when the strong correction on the financial markets due to the global spread of the Covid-19 epidemic had a negative impact.

€1.6 bn

Net recurring fees

Quarterly net recurring fees

(€m)



Net performance fees

(€m)

	Q1	Q2	Q3	Q4	TOTAL
2020	-	-	1	18	19
2019	1	-	1	29	31
Change	**(1)**	**-**	**-**	**(11)**	**(12)**

€ 19 m

Net performance fees

Net **performance fees** totalled €19m, down €12m from the figure for 2019. The Fideuram Group charges performance fees on individual discretionary accounts on an annual basis (totalling €2m in 2020, compared to a net amount of €5m in 2019), except when the customer decides to close the account early. The group calculates the performance fees on its internal insurance funds (none charged in 2020 and 2019) on a daily accrual basis in relation to the performance of the fund, applying a High Water Mark clause which means that performance fees are only charged when the value of the fund rises above the highest value reached on the previous dates when performance fees were charged. The performance fees on the Group's mutual funds (€17m in 2020, compared with €26m in 2019) are charged annually with the exception of two funds for which performance fees are charged half-yearly (but applying a High Water Mark clause).

Net front-end fees

(€m)

	Q1	Q2	Q3	Q4	TOTAL
2020	50	58	37	44	189
2019	52	44	48	49	193
Change	**(2)**	**14**	**(11)**	**(5)**	**(4)**

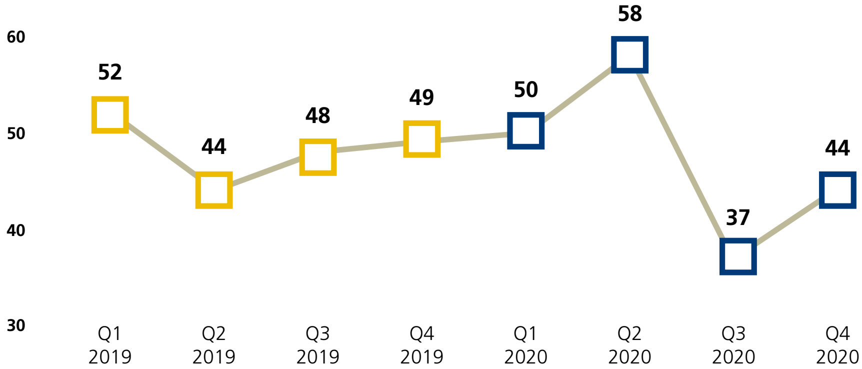
€ 189 m

Net front-end fees

Net front-end fees totalled €189m, and were down €4m compared to the previous year (-2%). The Group's sales networks distributed bonds and certificates, largely issued by Intesa Sanpaolo Group companies, that brought in approximately €4.3bn in gross inflows in 2020, substantially in line with the volumes placed in 2019. With regard to the quarterly changes, there was a downturn in net front-end fees in the second half of the year due to the lower volumes of non-managed assets distributed during the period.

Quarterly net front-end fees

(€m)



Other fee and commission expense

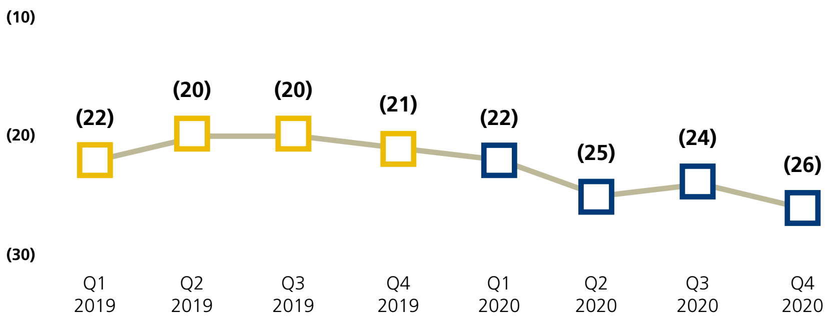
(€m)

	Q1	Q2	Q3	Q4	TOTAL
2020	(22)	(25)	(24)	(26)	(97)
2019	(22)	(20)	(20)	(21)	(83)
Change	**-**	**(5)**	**(4)**	**(5)**	**(14)**

The **other fee and commission expense** totalled €97m, up €14m on the figure for 2019 due to the higher incentives accrued in the year in favour of the sales networks.

Quarterly other fee and commission expense

(€m)



Profit on equity investments and other income (expense) showed an increase of €1m compared to the previous year, which was mainly attributable to the improvement in the result of equity investments measured with the equity method.

Net operating expenses

(€m)

	2020	2019	CHANGE	
			AMOUNT	%
Personnel expenses	346	356	(10)	-3
Other administrative expenses	198	198	-	-
Depreciation and amortisation	57	55	2	4
Total	**601**	**609**	**(8)**	**-1**

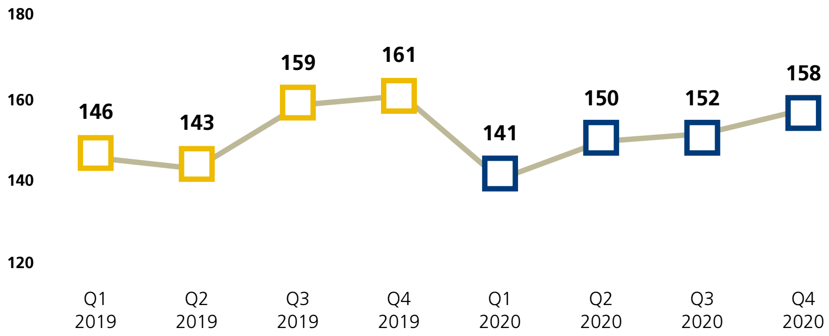
€601 m

Net operating expenses

Net operating expenses totalled €601m, showing a reduction of €8m (-1%) compared to the net amount in the previous year. The detailed analysis shows how personnel expenses, which totalled €346m, fell by €10m due to the centralisation of certain control functions (Audit and Compliance) with Intesa Sanpaolo beginning 1 September 2019 and due to the different dynamics of the variable component of remuneration. Other administrative expenses, amounting to €198 million, were in line with the 2019 net amount: the higher charges incurred by the increase in service costs with Intesa Sanpaolo and by expenses for info-providers were fully offset by lower indirect personnel expenses and the reduction in third-party services. Depreciation and amortisation increased by €2m, mainly due to higher value adjustments for software.

Quarterly net operating expenses

(€m)



The **net impairment of loans** stood at €11m, up by €9m compared to 2019 mainly attributable to the increase in credit risk resulting from the spreading public health emergency, which pushed up net impairments on loans to customers.

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

(€m)

	2020	2019	CHANGE	
			AMOUNT	%
Personal Financial Advisers' termination indemnities and incentives	35	15	20	133
Litigation and complaints	5	9	(4)	-44
Network Loyalty Schemes	6	2	4	200
Net impairment of (recoveries on) debt securities	(3)	4	(7)	n.s.
Total	**43**	**30**	**13**	**43**

Net provisions for risks and charges and net impairment of other assets came to €43m, up €13m compared to 2019 (+43%). Detailed analysis of the item shows that the provision for the termination of Personal Financial Adviser agency agreements increased by €20m. This was largely due to discounting component of the fund that was affected by the downward shift in the interest rate curve. Provisions set aside to cover liabilities from lawsuits, disputes, claims from receivers and customer complaints recorded a fall of €4m as a result of the lower overall risk of the new litigation initiated in the year. The provisions for Network Loyalty Schemes rose by €4m due to new investments in insurance policies taken out during the year in favour of Personal Financial Advisers and due to the afore-mentioned discounting component of the fund. Net impairment of (recoveries on) debt securities showed a positive net amount of €3m, attributable to the net recoveries on bonds in the portfolio of financial assets measured at amortised cost.

€43 m

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

Net non-recurring income (expenses) include income and expenses that are not attributable to ordinary operations. In 2020, this item showed a negative result of €4m attributable to an amount of €5m as a provision for a tax dispute related to the non-application of withholding taxes on foreign account interest referring to mutual funds placed by Fideuram, and for €1m to profits from the sale of portfolio debt securities at amortised cost. The balance of €9m in 2019 was related to the release of a risk provision for a tax dispute, set aside in previous financial years, following a favourable judgement issued by the Court of Cassation.

Income taxes, for which €379m was set aside in the year, were down €16m compared with the previous year. The item includes €14m of a tax benefit attributable to the recovery of direct taxes for the exemption of figurative income on the Fideuram and Intesa Sanpaolo Private Banking (Patent Box) trademarks, measured as a result of the agreements signed with the Italian Revenue Agency. The balance for the first half of 2019 included non-recurring items attributable to the tax redemption for the greater value of the equity investment in Intesa Sanpaolo Private Bank (Suisse) Morval and lower expenses incurred for a tax dispute relating to transfer pricing with the French subsidiary Financière Fideuram. The tax rate was 29%, essentially in line with the figure for the previous year.

Integration and voluntary redundancy expenses (net of tax) recorded a balance of €67m, up by €47m compared to 2019, of which €27m refer to voluntary redundancy expenses, €14m to restructuring charges of Intesa Sanpaolo Private Bank (Suisse) Morval and Fideuram Bank (Luxembourg), €13m for integration expenses of UBI Top Private and IW Bank and €13m for expenses incurred for the non-recurring integration transactions that concerned the Fideuram Group companies.

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

The item **expenses regarding the banking system (net of tax)**, includes the expenses related to maintaining the stability of the banking system, recognised in the income statement in accordance with current regulations. In 2020, the net amount for this item was €21m, up €5m from the previous year. It includes €12m in expenses for the contribution to the Deposit Guarantee Scheme (DGS Fund) introduced by Directive 2014/49/EU and €9m in expenses accrued for the contribution to the Single Resolution Fund of credit institutions introduced by Directive 2014/59/EU.

DISTRIBUTION OF VALUE

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

The table showing the Wealth created by the Group was prepared using the income statement figures from the Consolidated Financial Statements for 2020, reclassified in accordance with the instructions of the Italian Banking Association (Associazione Bancaria Italiana – ABI) following the guidelines of the GRI-Global Reporting Initiative. The Wealth created is the economic value generated in the year, which is for the most part distributed to the stakeholders with whom the Group has relations as part of its daily operations. The Value retained is the difference between the Wealth created and the Value distributed, and it is used for productive investments with the aim of enabling economic growth and financial stability, as well as to ensure the creation of new wealth to the benefit of our stakeholders. The Wealth created by the global business of the Group totalled €2.9bn (+€12m on 2019).

This wealth was distributed to stakeholders as follows:

- Colleagues received 39.6% of the Wealth created, amounting to a total of €1.2bn. This included the remuneration paid to employees and the amounts set aside for and paid to the Personal Financial Adviser Networks;
- our Shareholder and non-controlling interests received 22.3% of the Wealth created, in the form of the proposed dividend pay-out totalling €651m and the result attributable to non-controlling interests (-€1m);
- the Government, public authorities, institutions and the Community received €628m, principally in the form of direct and indirect taxes, amounting to 21.5% of the Wealth created; this amount also includes the expenses for the European Single Resolution Fund and Deposit Guarantee Scheme;
- Suppliers received 7.1% of the Wealth created, totalling €207m paid for goods and services;
- the remainder, €277m, 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.

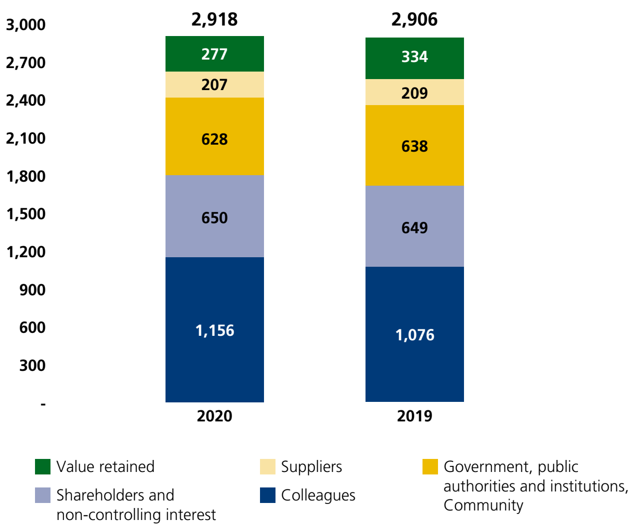
Economic value added

(€m)

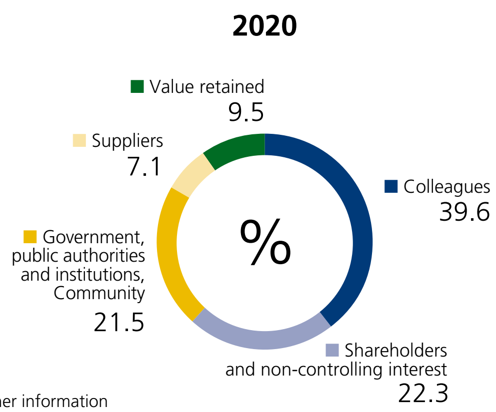
	2020	2019	CHANGE	
			AMOUNT	%
Wealth created	**2,918**	**2,906**	**12**	**-**
Value distributed	**(2,641)**	**(2,572)**	**(69)**	**3**
Colleagues	(1,156)	(1,076)	(80)	7
Shareholders and non-controlling interest	(650)	(649)	(1)	-
Government, public authorities and institutions, Community	(628)	(638)	10	-2
Suppliers	(207)	(209)	2	-1
Value retained	**277**	**334**	**(57)**	**-17**

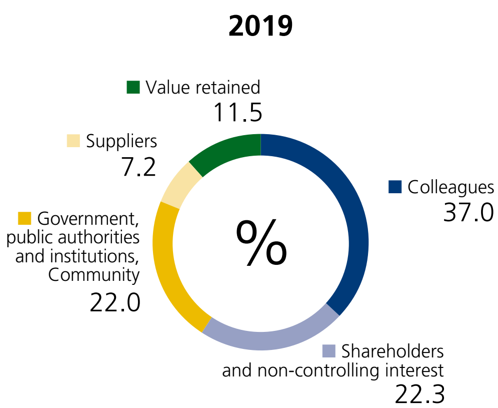
Wealth created

(€m)



Distribution of wealth created (%)





Further information on page 381

SEGMENT REPORTING

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

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

The following analyses outline the products and services offered, together with the initiatives and research and development carried out in the year, while also presenting the Group's financial results, 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 31 December 2020

(€m)

	MANAGED FINANCIAL ASSETS	LIFE INSURANCE ASSETS	BANKING SERVICES	TOTAL FOR FIDEURAM GROUP
Net interest income	-	-	196	196
Net profit (loss) on financial assets and liabilities at fair value	-	-	28	28
Net fee and commission income	1,129	520	65	1,714
Intermediation margin	**1,129**	**520**	**289**	**1,938**
Net operating expenses	(297)	(86)	(218)	(601)
Other	(31)	(14)	(7)	(52)
Gross income (loss)	**801**	**420**	**64**	**1,285**
Average client assets	**103,935**	**58,265**	**78,567**	**240,767**
Client assets	**112,632**	**61,932**	**82,667**	**257,231**
Key indicators				
Cost / Income Ratio	26%	17%	74%	31%
Gross income (loss) / Average client assets	0.8%	0.7%	0.1%	0.5%
Net fee and commission income / Average client assets	1.1%	0.9%	0.1%	0.7%

MANAGED FINANCIAL ASSETS SEGMENT

The Managed Financial Assets Segment covers the Group's discretionary account and mutual fund business, which totalled €112.6bn at 31 December 2020 (44% of total client assets), up €6.5bn on 31 December 2019. Total net inflows were a positive €4bn, having risen sharply from the previous year (+€2bn). The contribution to gross income (loss) was €801m, substantially in line with the previous year. The ratio of net fee and commission income to client assets was 1.1%, while the ratio of gross income (loss) to client assets was 0.8%.

During 2020, developments in the range of products and services were impacted by the wild fluctuations on the financial markets provoked by the public health emergency, which occurred in Italy at the end of February. The sudden movements buffeting the credit and equity markets prompted actions taken to support Personal Financial Advisers in managing customers' emotional reactions, with an important contribution being made by digital technology, which allowed the Group to maintain continuous dialogue in the context of extreme uncertainty. In accordance with its own model, Fideuram continued upgrading its service platforms by reinforcing the controlled risk components, proposing solutions that offer a form of investment protection, also through incremental and planned investment on the markets, but without underestimating the importance of medium and long-term investments that give a view looking beyond the current phase, so heavily affected by the contingent situation.
The direct offering of **mutual funds**, Fideuram Multibrand, was the subject of new inclusions for both in-house products and third-party products.
As regards the in-house funds, there were two important innovations:

- FOI Flexible Short Duration: this is the new fund of Fonditalia that has been outsourced to Fidelity International, a major asset management company specialised in fixed income strategies. It is a flexible bond solution that invests globally in fixed

Managed financial assets

(€m)

	2020	2019	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities at fair value	-	-	-
Net fee and commission income	1,129	1,125	-
Intermediation margin	**1,129**	**1,125**	**-**
Net operating expenses	(297)	(308)	-4
Other	(31)	(14)	121
Gross income (loss)	**801**	**803**	**-**
Average client assets	**103,935**	**102,644**	**1**
Client assets	**112,632**	**106,131**	**6**
Key indicators			
Cost / Income Ratio	26%	27%	
Gross income (loss) / Average client assets	0.8%	0.8%	
Net fee and commission income / Average client assets	1.1%	1.1%	

income instruments, mainly of a corporate nature, with the aim of increasing diversification and decorrelation of the fund with a limited portfolio duration.

- Willer Flexible Financial Bond, the first sub-fund of the Willerfunds fund, managed by Fideuram Asset Management (Ireland), to be marketed in Italy. It is a flexible bond sub-fund that invests mainly in subordinated financial corporate bonds belonging to the intermediate rating classes (A to BB) that can invest in all developed country currencies with hedging of exchange risk.

For third-party funds, the offering was enhanced with the inclusion of new solutions, favouring theme-based ones and with an ESG approach developed by companies that are already partners. In addition, the placement was launched of the Sicav CPR Invest of the Amundi Group, specialised in theme-based investments and of which five strategies were selected with a focus on environmental and social issues.
For the alternative funds, there was a continuation of the activity of the Fideuram Alternative Investments (FAI) platform. In the first part of the year, the second closing of FAI Mercati Privati Europei took place, the programme launched in 2019 and developed in partnership with Tikehau, which invests in unlisted firms in the Private Equity, Private Debt, Real Estate and Special Opportunities segments mainly in Europe. In the last part of the year, the placement was completed of the fifth program of the FAI Mercati Privati Opportunità Reali platform, a closed-end non-reserved fund built according to the Master Feeder model in collaboration with Partners Group; it is a flexible global multi-asset product that invests in Private Equity, Real Estate and Infrastructure with a focus on the secondary market. In addition, as part of the offer of alternative products for professional HNW customers, the Sicav Fideuram Unicum Fund was launched. This is a Luxembourg-based reserved alternative investment umbrella fund (RAIF), whose firstsub-fund AB Corporate for treasury management was outsourced to Fideuram Asset Management (Ireland).

The offering of funds and SICAVs distributed by Intesa Sanpaolo Private Banking was expanded during 2020 with the launch of new funds. In particular, Eurizon Capital SGR launched:

- Eurizon Global Dividend, an Italian window fund which aims to generate high, stable income over five years through a strategy focused on the quality of its portfolio investments in both stocks and bonds. The portfolio structure envisages an accumulation of equity exposure from 30% to 60%, in a flexible and dynamic way, within the first two years, with a simultaneous reduction in the bond component. From the third year onwards, the equity weight varies in the 50-65% range. The equity strategy aims to select about 65 high-quality companies that are presently undervalued by the market and which are capable of paying and sustainably growing their dividends. The reference geographical areas are USA and Europe, without any weight constraints. The bond component consists of a global credit portfolio (Corporate IG, HY, Emergent), with attention paid to the quality of issuers and the diversification and liquidity of the securities. Moreover, numerous protection strategies are prescribed - based on government bonds, duration, currencies - in the quest to generate absolute positive returns even in volatile market conditions.
- Eurizon Global Leaders, an Italian window fund which aims to generate high, stable income over five years through a multi-asset strategy with increasing exposure to equity market. The fund structure envisages, in fact, an accumulation of equity exposure from 30% to 60%, in a flexible and dynamic way, within the first two years of the investment period, with a simultaneous reduction in the bond component. In the subsequent years, the weight of the equity component will vary in the range of 50%-65%, and in the last year it will vary in the range of 30%-65%. With regard to the equity component, the Fund invests in higher quality companies with better growth prospects, in the

€112.6 bn

Managed financial assets
(44% of total client assets)

post-Covid economic and financial scenario based on changes in consumer behaviour, with a bottom-up selection approach of the securities chosen within each product sector by the SGR analyst team with attention to the management of ESG issues, with emphasis on the Social and Governance aspect. With regard to the bond component, the portfolio will be well diversified with the presence of both government and corporate bonds, with great attention to the quality of the issuers and to ESG themes with a particular focus on Green Bonds, with the possibility of investing in Emerging and High Yield markets for diversification purposes and on the basis of market opportunities and with dynamic management of the currency component.

- Eurizon Private Allocation Plus, a new Italian fund in the Eurizon Private Allocation range, which adopts a flexible management strategy and aims to achieve an increase in invested capital by optimising the return on the portfolio in compliance with a risk budget. This objective is pursued by seeking the right combination between the different asset classes, with particular focus on investment in equity markets that can vary between 40% and 70%.

As part of the Eurizon Private Allocation range, Eurizon Capital SGR renamed the Eurizon Private Allocation 20-60 fund as Eurizon Private Allocation Moderate and introduced, while maintaining the style and management characteristics of the fund, a new upper limit on investments in equity instruments (from 60% to 50% of the total assets) and modified the risk budget, identified with the 99% monthly VaR (Value at Risk), from -5.70% to -7.00%, with the consequent change of the risk/return profile of the fund, from 4 to 5. During the year, Eurizon Capital SA provided the new A classes reserved to legal entities for the Luxembourg sub-funds of the Eurizon Fund: Bond Flexible, Sustainable Global Equity and Azioni Strategia Flessibile.
Intesa Sanpaolo Private Banking also participated in the placement of Epsilon SGR and Eurizon SGR funds:

- Epsilon Difesa 100 Azioni Giugno 2027, an Italian flexible investment window fund with capital protection based on a seven-year investment cycle that aims to realise moderate growth of the invested capital and simultaneously to minimise the risk of losing capital through the use of special management techniques. The portfolio's investment consists of a bond component consisting mainly of Italian government bond instruments and other European issuers with Investment Grade ratings, with maturities of around seven years. The bond component is used to achieve the capital protection objective at the maturity of the investment cycle, while the equity component, obtained mainly through derivative instruments, aims to participate in the performance of (mainly European) stocks and equity indices, selected by favouring instruments with a high and sustainable expected dividend/profitability level. The equity component can reach a maximum level of 70% of the fund's value.
- Eurizon Obbligazioni Valuta Attiva Dicembre 2025, a window fund with the aim of optimising the return on capital through investment strategies mainly of an international bond type and through significant diversification on the currency component. There is also an investment in equity asset classes with a maximum of 20% with a view to an improvement in the fund's risk/return profile, in relation to a higher decorrelation than a portfolio fully invested in bonds.

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

- Ailis Fidelity Flexible Low Volatility, investment window fund outsourced to Fil Pensions Management, a Fidelity International Group company, with the objective of seizing global equity market opportunities with lower volatility over a five-year horizon through a flexible strategy that invests in global equities characterised by low volatility. To further reduce volatility, the strategy is to invest in bonds with a maturity consistent with the fund's investment target (five years). The portfolio includes a minimum equity component of 60% with the possibility of using, with a view to diversification, a bond component up to a maximum of 40%.
- Ailis Franklin Templeton Emerging Balanced, a flexible investment window fund outsourced to Franklin Templeton. The objective of this sub-fund is to offer gradual access to emerging markets over a five-year horizon, through an allocation that steadily increases exposure to emerging countries, which may go up to a maximum of 65% (in bonds and equities). The portfolio uses a quantitative rebalancing mechanism which allows the component invested in Emerging Countries to be increased and which can be modified tactically, if required, according to the market context. The fund can invest up to 50% in equities and up to a maximum of 70% in bonds whose rating is below Investment Grade.
- Ailis Vontobel Global Allocation, an investment window fund outsourced to Vontobel Asset Management, characterised by a flexible strategy that invests in global equities up to a maximum of 80% of the portfolio with the possibility of using an investment-grade complementary bond component selected on a global basis, both in view of diversification and of building a gradual allocation towards the equity side. The equity component is characterised by a selection of "quality growth" company securities, i.e. companies that tend to perform well during economic expansions but also to be resilient in difficult markets.
- Ailis MAN Multi Credit: flexible bond sub-fund, available for investment on a continuous basis, outsourced to MAN Asset Management. The portfolio is constructed through the flexible selection of opportunities on the global credit market, with a special focus on high-quality corporate bonds and with the possibility of varying the asset allocation according to the market context. The portfolio will also be characterised by active duration management that is changed flexibly according to the market context. In the construction of the portfolio and in order to minimise any drawdowns in phases of particular market volatility, the fund

may benefit from careful control over total risks and the application of a rigorous Risk Management process through the use of proprietary quantitative Man Group models.

- Ailis Schroder Global Thematic, a flexible investment window sub-fund outsourced to Schroder Investment Management that invests in a portfolio consisting mainly of global equities with the possibility of using, for diversification purposes, a complementary bond component consisting of securities issued by companies and other non-governmental issuers, and governments and government bodies, domiciled both in developed and emerging countries and priced in currencies from all over the world. The equity component is theme-based and is built by selecting company equities on a global level that may benefit from the possible post-Covid recovery or that may introduce structural changes or benefit from the continuous trend of innovation globally.
- Ailis JPM Step-in Allocation, a flexible investment window fund outsourced to J.P. Morgan Asset Management characterised by a flexible strategy with a maximum expected global equity component of 70%, which is created through a gradual accumulation mechanism, actively managed on the basis of the manager's views and combined with the use of a proprietary model of J.P. Morgan Asset Management called Risk Management Framework. The risk control model is a quantitative mechanism based on two signals: volatility and momentum that aim to identify market stress phases and to reduce portfolio exposure to risky assets.
- Ailis Janus Henderson Global Active Opportunities, a flexible investment window fund outsourced to Janus Henderson Investors with a flexible strategy that invests in a portfolio consisting mainly of global equities with the possibility of using, for diversification purposes, a complementary bond component to reduce the risk profile. The equity component is created by favouring global equities with a positive social and environmental impact. The bond component is highly diversified and consists of government and corporate bonds from high-rated global issuers.

The offer of funds and SICAVs run by third-party companies was further expanded to include a new investment firm, Goldman Sachs Asset Management and two new SICAVs: CPR Invest and Vontobel Funds II.
Lastly, we also added new funds of international investment houses whose products we already distribute and continued our updating and maintenance of the funds offered.

With regard to **individual discretionary accounts**, some new lines were introduced on the Fideuram Folios platform: the Obiettivo Protezione 2026 Folio for customers more sensitive to the theme of capital preservation and the Smart Trends Folio thematic solution which invests in firms operating in the technology, health and new consumer models sectors that are more involved in the economic recovery resulting from the public health crisis, also offered in the Step-in version.
More generally, the range of products offered by Fideuram Folios and Omnia Discretionary Account was characterised by the strong presence of gradual investment solutions in the markets, which were regularly proposed during the year taking advantage, in addition to the traditional Step in formula, of two other new modes: the Step in Plus to facilitate the transformation of liquidity towards managed asset solutions, combining conservative investments with gradual investments in the equity markets, and the Step in Dynamic which provides for acceleration mechanisms in the purchase of the target investment component when certain conditions, defined at the time the management mandate was signed, actually occur. In particular, the Omnia Discretionary Account focused on global equity markets with the Active beta 100 line in the two Step in and Step in Dynamic versions, whereas for the Fideuram Folios, in addition to the new Smart Trends line, progressive investment was offered for the Global Equity Folio, offered in the three modes, and for the Multiasset Emergenti Folio, solely in the Step in version, for a gradual entry into the emerging markets.

During the year, Intesa Sanpaolo Private Banking restyled its range of discretionary accounts, resulting in the transformation of the current "Gestioni Navigabili" (Navigable Accounts) agreement into the new "Consolidated Management Agreement". The new agreement covers the offer of all Management Lines with the possibility of multi-line investments and consolidated tax management under the mandate. Navigation, i.e. the ability to change the investment line with a simple phone call, allows the investment strategy to be customised and modified at any time. The restyling of discretionary accounts has enabled, among other things, the integration of the range of current Navigable Management lines (Pure Lines Group with profiles dedicated to specific categories of financial assets, Multibrand Lines Group and Mix Lines with global balanced management profiles) with the addition of the new Private Lines Group whose characteristics are similar to Dynamic Lines (no longer subscribable with the introduction of the new contract). The new Group of Private Lines includes seven risk/return profiles diversified on the international financial markets and managed with an active and flexible management style, characterised by a high level of customisation. The Private Lines are aimed, in particular, at customers with sophisticated needs, who want to be updated on the investment choices made by the management team: these lines, in fact, specify that the customer is flanked not only by the Personal Financial Adviser, but also by the portfolio manager.
Within the scope of the management lines of Eurizon Capital (Investimento Private, Private Solution and Obiettivo Private), ordinary maintenance and evolutionary adjustments to existing products continued during the year.

LIFE INSURANCE ASSETS SEGMENT

This segment covers the Group's life insurance and pension fund business, which totalled €61.9bn at 31 December 2020 (24% of total client assets), up €2.7bn compared to 31 December 2019, principally due to strong life insurance performance (+€2.3bn). Total net inflows in the segment were €1.8bn, down €748m compared to 2019. The contribution to gross income (loss) was €420m, substantially in line with the previous year. The ratio of net fee and commission income to client assets was 0.9%, while the ratio of gross income (loss) to client assets was 0.7%.

The development of **insurance products** involved the Fideuram Vita Insieme unit-linked family with measures aimed at reinforcing insurance protection through the addition of optional supplementary coverage in the event of death, and also expanding the opportunities to enter the markets, by managing market timing through a new version of the in-house Global Equity fund with Step in and Step in Plus logic. For FVI Private, the new in-house FV High Conviction fund was created in collaboration with Lombard Odier, which adopts a global equity management strategy based on compliance with ESG investment selection criteria. Lastly, the FVI Premium version was the subject of actions to rationalise the offer classes with a simultaneous review of the policy costs. For the customer component which is more sensitive to capital preservation, the offer of Class I was relaunched through Fideuram Vita Garanzia and Valore 2, a solution which enables customers to seek a return with invested capital protection.

€ 61.9 bn

Life insurance assets

(24% of total client assets)

Life insurance assets

(€m)

	2020	2019	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities at fair value	-	-	-
Net fee and commission income	520	514	1
Intermediation margin	**520**	**514**	**1**
Net operating expenses	(86)	(85)	1
Other	(14)	(6)	133
Gross income (loss)	**420**	**423**	**-1**
Average client assets	**58,265**	**53,997**	**8**
Client assets	**61,932**	**59,269**	**4**
Key indicators			
Cost / Income Ratio	17%	17%	
Gross income (loss) / Average client assets	0.7%	0.8%	
Net fee and commission income / Average client assets	0.9%	1.0%	

As regards the offering of Intesa Sanpaolo Private Banking, the placement of "Programma Private" ("Private Banking programme") was reopened during 2020. This is a Class I single-premium whole-of-life policy issued by Intesa Sanpaolo Vita, dedicated to individual customers. The policy offers an insurance solution that allows the customer to invest the capital to be distributed to designated beneficiaries upon decease of the customer or the capital to be paid out upon surrender of the policy. The return on the product is linked to the results of the segregated management of the VIVADUE Fund. Placement ended on 30 November 2020.
As regards the products already being offered to customers, restyling actions were taken for the following products:

- Base Sicura Tutelati of Intesa Sanpaolo Vita: replacement of the Segregated Management fund linked to the product, moving from the previous SPV Trendifondo to Trendifondo Intesa Vita.
- Synthesis of Intesa Sanpaolo Vita: enrichment of the range of in-house funds with the introduction of three new funds: Synthesis Bilanciato 25, Synthesis Bilanciato 50 and Synthesis Bilanciato 80.
- Prospettiva 2.0 of Intesa Sanpaolo Life: expansion of the range of in-house funds with the introduction of ten new funds, three of which are flexible funds and three benchmark funds, differentiated according to their financial profile and having an ESG connotation; two theme-based balanced funds, with different risk profile and with a particular focus on Health, Innovation and Well-being issues and two window funds, one with gradual entry into the equity market with an ESG connotation and one protected fund with a maturity of seven years.
- Selezione Private of Intesa Sanpaolo Life: support in a new investment path, called Percorso Tattico (Tactical Path), characterised by the presence of a "core" fund, Selezione Private Trend, with investment window. The fund is characterised by an investment strategy with gradual entry into equity markets with a Step in logic.

Lastly, our inter-broker agreement with First Advisory broker continued with the offering of private insurance solutions, in order to satisfy the growing demand for multi-class and Class I insurance products and for diversified investments.

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 €82.7bn at 31 December 2020 (32% of total client assets), up €5.4bn compared to 31 December 2019. Total net inflows in the segment were €5.8bn, down €480m compared to 2019.
The contribution of this segment to gross income (loss) was €64m. The €48m decrease in gross income (loss) compared to the previous year was mainly attributable to the decrease in front-end fee income on bonds and certificates. The ratio of net fee and commission income to client assets and the ratio of gross income (loss) to client assets were 0.1%.

Banking Services

(€m)

	2020	2019	% CHANGE
Net interest income	196	177	11
Net profit (loss) on financial assets and liabilities at fair value	28	41	-32
Net fee and commission income	65	108	-40
Intermediation margin	**289**	**326**	**-11**
Net operating expenses	(218)	(216)	1
Other	(7)	2	n.s.
Gross income (loss)	**64**	**112**	**-43**
Average client assets	**78,567**	**72,672**	**8**
Client assets	**82,667**	**77,315**	**7**
Key indicators			
Cost / Income Ratio	74%	64%	
Gross income (loss) / Average client assets	0.1%	0.2%	
Net fee and commission income / Average client assets	0.1%	0.1%	

n.s.: not significant

Within the scope of **non-managed assets** and **banking services**, programmes offering current accounts with special interest rates (Plus IV current accounts) continued to support the provision of our banking facilities and the acquisition of new customers, and also current accounts with special interest rates combined with asset management (Step in current accounts) to facilitate the transformation of liquidity into forms of investment more suited to meeting customers' financial needs. The Fideuram Cash Deposit offer was also proposed again, which provides for remuneration with special interest rates over a specified period in return for restricted availability. Partly due to the context, special focus was also given to lending programmes.
With regard to the range of services offered linked to the world of banking products, Google Pay, Garmin, Fitbit Pay and Swatch Pay digital services were added to provide ever-expanding coverage of digital payment management options. In addition, Bancocard, the new debit card enhanced with additional services, including the possibility of using the card for online payments, was also made available at the end of the year.
The offering of placement solutions to customers who are more sensitive to capital protection issues was expanded with eleven new issues of Investment Certificates by Intesa Sanpaolo on equity indices and baskets of equity indices, with mechanisms for the protection of invested capital on maturity and participation in the performance of the various underlying securities. For the bond placement component, Fideuram, including on behalf of Sanpaolo Invest, participated in the placement of two Intesa Sanpaolo subordinated bond loans and in the placement of BTP Italia and BTP Futura government bonds, issues dedicated to raising funds to cover costs linked to the Covid-19 emergency. Lastly, Fideuram, also on behalf of Sanpaolo Invest, subscribed to the offer of Labomar shares for professional investors only; it is a company specialised in research and production, on behalf of third parties, of food supplements, medical devices, cosmetics and food for special and functional medical purposes, now listed on AIM Italia.

With reference to the range of products from Intesa Sanpaolo Private Banking, during 2020 some new changes were made on the use of debit cards. In February, the daily withdrawal limit per cardholder at Banca 5 S.p.A. approved stores was raised from €150 to €250. Moreover, the possibility of authorising execution of recurring payment transactions using the XME CARD PLUS and XME CARD debit cards activated on the Visa or Mastercard systems was approved, and the opportunity for cards to be delivered to the home address of those customers who request it was finally provided. The sub-branches were also provided with operational autonomy regarding the request and handing over of payment cards.
In the second part of the year, the push payment function was also made available, which allows users to receive sums of money by means of an enabled card, sent via affiliated licensed merchants (currently Visa, MasterCard or Maestro) or sent by cardholders operating on these circuits. The money sent via this service is credited to the current account which the card is linked to. Also with regard to payment cards, the new Google Pay, Card On File, Swatch PAY! and Samsung Pay digital payment services were released.
During 2020, some news relating to the Bonifico Istantaneo (Instant Credit

€82.7bn

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

Transfer) was released regarding increases in the maximum limits for incoming and outgoing transfers with this service, which allows users to transfer amounts in euros in real time to beneficiaries who hold an account with banks participating in the SEPA Instant Credit Transfer scheme. In addition, the "Intesa Sanpaolo Shareholders Club" initiative was activated aimed at customers holding at least 1,000 Intesa Sanpaolo shares deposited continuously for at least 12 months at one of the Group's Banks. This initiative gives customers access to a number of favourable conditions on certain types of products and services offered by the Bank.

During 2020, the offer of securities on the Primary Market was characterised by the placement of twenty-six certificates with Intesa Sanpaolo as the issuer (five of which at the request of individual customers), four Intesa Sanpaolo bonds (two of which at the request of individual customers) and two Intesa Sanpaolo subordinated Tier 2 bonds with Fixed Rate and seven-year Variable Rate. In addition Intesa Sanpaolo Private Banking subscribed to the IPO of Labomar, reserved for professional customers. Lastly, the capital increase of NB Aurora was completed, the only permanent capital fund listed in Italy.

Intesa Sanpaolo Private Banking participated in the Equity Crowdfunding campaign of FIN-NOVIA through the BackToWork portal. FIN-NOVIA s.r.l. raised risk capital through crowdfunding for the purpose of investing in the converting bond loan issued by e-Novia S.p.A., an innovative start-up that, through a unique mix of industrial processes and relations with universities and businesses, pursues the goal of transforming intellectual property into technology firms and researchers into entrepreneurs.

At a Division level, the process of regulatory compliance with Directive (EU) No. 2015/2366 ("PSD2") was completed, with the regulatory provision that allows customers to manage their consent to access, processing and retention of the personal data necessary to provide payment services.

The changes associated with the Directive (EU) no. 2014/92 – Payment Account Directive ("PAD") also came into force on 1 January 2020. They prescribe the introduction of a new precontractual disclosure document for consumer customers, the Fee Information Document – FID, and substitution of the Summary Cost Indicator ("ISC") with the Aggregate Cost Indicator ("ICC") and the requirement that the latter be calculated not only for consumer current accounts but also for all product types included in the list of PAD payment accounts, and thus also including prepaid cards. In addition, under this legislation, from 31 December 2020, the Annual Expenditure Statement was replaced by the SOF (Statement of Fees), the new periodic communication document prepared for each individual payment account report in the name of the consumer customer.

The Euribor reference index was reformed during the year in compliance with the provisions of Regulation (EU) No. 2016/1011 ("BMR"). The administrator of the index, the European Money Market Institute ("EMMI"), created a new calculation method that Fideuram and Intesa Sanpaolo Private Banking adopted in connection with simple short and medium-long term credit facility products.

In compliance with EC Regulation 924/2009 (as amended by Reg. EU 518/2019), the digital channels were brought into line with the regulatory guidelines in terms of greater transparency regarding currency conversion fees for card transactions and online transfers.

Fideuram - Savona Office

OPERATIONS OUTSIDE ITALY

Product companies
Fideuram Asset Management (Ireland) dac continued to act as manager of the Fideuram Group's collective investment products in 2020 (Luxembourg, Irish and Italian collective investment undertakings) and of the products developed by the Group's insurance companies (Italian pension fund and Irish unit-linked policies). Client assets in the Luxembourg products offered by Fideuram Asset Management (Ireland) totalled €41.8bn at 31 December 2020, in line with the total at 31 December 2019.

Fideuram Bank (Luxembourg) S.A. acts as the Depository Bank and Administrative Agent (calculation of Net Asset Value and keeping of subscriber register) of our Luxembourg funds with €41.8bn client assets at 31 December 2020. The Bank operates through a select yet extensive network of worldwide correspondent banks, while also acting as Securities Lending Agent for the portfolio. It also plays a significant role in providing treasury and liquidity risk management services for the Group's Luxembourg funds. The Bank also provides technological and organisational support in the form of IT services for the French subsidiary, Financière Fideuram.

Fideuram Asset Management (Ireland) dac

Fideuram Bank (Luxembourg) S.A.

As part of the project to strengthen the foreign business of the Private Banking Division, on 21 December 2020 the Board of Directors of Fideuram approved the sale by Fideuram Bank (Luxembourg) to State Street Bank of the business unit which deals with Depository Bank and Fund Administration activities and some ancillary activities, together with the related contracts and resources. After the completion of the transaction, the provision of the transferred services will be outsourced exclusively, from Fideuram Asset Management (Ireland) to State Street Bank for a period of 10 years, with an option of extension for a further 10 years. The sale of this business unit will make it possible for Fideuram Bank (Luxembourg) to refocus its work onto the core business of managing international private customers.

Distribution networks

Intesa Sanpaolo Private Bank (Suisse) Morval S.A. is a Swiss bank specialising in offering private banking investment services for private individuals with its head office in Geneva. Its client assets totalled CHF5.4m at 31 December 2020, of which almost 32% consisted of managed assets.

The Bank is currently committed to implementing the International Development Plan outlined in the Group's Business Plan. In line with this plan, the strategic partnership between Fideuram and REYL & Cie was announced in October, under which Fideuram will acquire a 69% stake in REYL and its contribution to the latter will be Intesa Sanpaolo Private Bank (Suisse) Morval. The transaction will be completed following the approval by the competent Supervisory Authorities.

During 2020, the rationalisation of corporate consolidation continued completing the liquidation of the sub-holding Morval Vonwiller Assets Management Co. Ltd and Southern Group. The procedures for liquidating the subsidiaries Morval Bank & Trust Cayman Ltd and Intesa Sanpaolo Private Monaco SAM were also initiated and it was decided to close the representative office in Bahrain.

Also due to set-up costs associated with the implementation of the International Development Plan, to the write-downs of certain investments decided in the light of the future integration with REYL and the costs related to the rationalisation of corporate consolidation, the year closed with a net consolidated loss of CHF41.6m.

Treasury

Part of the Group's treasury and finance activities are performed in France. These activities are conducted by the subsidiary **Financière Fideuram S.A.**, which had securities holdings of approximately €2.1bn at 31 December 2020 (€2.3bn at year-end 2019).

Intesa Sanpaolo Private Argentina S.A.

Intesa Sanpaolo Private Bank (Suisse) Morval S.A.

ASSET AND LIABILITY MANAGEMENT

The tables below show the main balance sheet items compared with the corresponding figures at 31 December 2019.

Consolidated balance sheet

(reclassified - €m)

	31.12.2020	31.12.2019	CHANGE	
			AMOUNT	%
ASSETS				
Financial assets measured at fair value through profit or loss	422	349	73	21
Financial assets measured at fair value through other comprehensive income	2,805	3,189	(384)	-12
Debt securities measured at amortised cost	15,973	15,275	698	5
Loans to banks	19,354	17,198	2,156	13
Loans to customers	9,855	9,329	526	6
Hedging derivatives	16	20	(4)	-20
Equity investments	184	170	14	8
Property and equipment and intangible assets	583	614	(31)	-5
Tax assets	163	164	(1)	-1
Non-current assets held for sale and discontinued operations	1,065	6	1,059	n.s.
Other assets	1,607	1,453	154	11
TOTAL ASSETS	**52,027**	**47,767**	**4,260**	**9**
LIABILITIES				
Due to banks	3,615	3,033	582	19
Due to customers	41,410	39,024	2,386	6
Financial liabilities held for trading	53	33	20	61
Hedging derivatives	954	930	24	3
Tax liabilities	74	94	(20)	-21
Liabilities associated with non-current assets held for sale and discontinued operations	1,065	-	1,065	n.s.
Other liabilities	1,141	1,215	(74)	-6
Provisions for risks and charges	568	478	90	19
Share capital and reserves	2,330	2,054	276	13
Net profit	817	906	(89)	-10
TOTAL LIABILITIES	**52,027**	**47,767**	**4,260**	**9**

n.s.: not significant

Quarterly consolidated balance sheets

(reclassified - €m)

	31.12.2020	30.9.2020	30.6.2020	31.3.2020	31.12.2019	30.9.2019	30.6.2019	31.3.2019
ASSETS								
Financial assets measured at fair value through profit or loss	422	357	348	346	349	347	317	310
Financial assets measured at fair value through other comprehensive income	2,805	3,069	3,027	2,964	3,189	3,616	3,529	3,277
Debt securities measured at amortised cost	15,973	15,402	15,204	15,156	15,275	14,641	13,240	13,194
Loans to banks	19,354	20,137	19,867	19,226	17,198	16,244	15,135	14,525
Loans to customers	9,855	9,444	9,101	9,006	9,329	9,465	9,620	9,263
Hedging derivatives	16	14	11	10	20	12	7	1
Equity investments	184	179	176	172	170	166	163	158
Property and equipment and intangible assets	583	590	605	614	614	613	609	563
Tax assets	163	143	150	193	164	170	175	178
Non-current assets held for sale and discontinued operations	1,065	-	-	-	6	-	-	-
Other assets	1,607	1,412	1,451	1,293	1,453	1,596	1,520	1,472
TOTAL ASSETS	**52,027**	**50,747**	**49,940**	**48,980**	**47,767**	**46,870**	**44,315**	**42,941**
LIABILITIES	3,615	3,275	4,713	2,787	3,033	3,030	3,098	3,741
Due to banks	41,410	41,069	38,993	40,157	39,024	37,983	35,775	34,131
Due to customers	53	42	44	69	33	42	25	27
Financial liabilities held for trading	954	1,032	1,025	989	930	1,094	979	890
Hedging derivatives	74	99	63	99	94	119	90	102
Tax liabilities	1,065	-	-	-	-	-	-	-
Liabilities associated with non-current assets held for sale and discontinued operations	1,141	1,172	1,295	1,303	1,215	1,405	1,399	1,329
Other liabilities	568	472	449	459	478	479	458	470
Provisions for risks and charges	2,330	2,963	2,939	2,895	2,054	2,059	2,035	2,022
Share capital and reserves	817	623	419	222	906	659	456	229
Net profit	**52,027**	**50,747**	**49,940**	**48,980**	**47,767**	**46,870**	**44,315**	**42,941**
TOTAL LIABILITIES								

Group **financial assets** totalled €19.2bn, an increase of €383m (+2%) compared to 31 December 2019.

€19.2 bn

Financial assets

Financial assets

(€m)

	31.12.2020	31.12.2019	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through profit or loss	422	349	73	21
Financial assets measured at fair value through other comprehensive income	2,805	3,189	(384)	-12
Debt securities measured at amortised cost	15,973	15,275	698	5
Hedging derivatives	16	20	(4)	-20
Total	**19,216**	**18,833**	**383**	**2**

This trend is mainly attributable to the increase in debt securities measured at amortised cost (+€698m) for the purchase of Intesa Sanpaolo bonds, which was partly offset by the reduction in financial assets measured at fair value through other comprehensive income (-€384m).

Financial liabilities

(€m)

	31.12.2020	31.12.2019	CHANGE	
			AMOUNT	%
Financial liabilities held for trading	53	33	20	61
Hedging derivatives	954	930	24	3
Total	**1,007**	**963**	**44**	**5**

€1 bn
Financial liabilities

Financial liabilities, consisting of derivatives, totalled €1bn. This item was up €44m (+5%) compared to the figure at 31 December 2019, due to fair value changes on derivatives.

Loans to banks

(€m)

	31.12.2020	31.12.2019	CHANGE	
			AMOUNT	%
Due from Central Banks	107	163	(56)	-34
Current account	3,029	3,547	(518)	-15
Term deposits	16,006	12,868	3,138	24
Repurchase agreements	-	500	(500)	-100
Other	212	120	92	77
Total	**19,354**	**17,198**	**2,156**	**13**

€19.4 bn
Loans to banks

Loans to banks totalled €19.4bn, up €2.2bn (+13%) on the figure at 31 December 2019. This was due to the growth in term deposits with Intesa Sanpaolo (+€3.1bn), which was only partly offset by the reduction in current accounts (-€518m) and repurchase agreements (-€500m).

Due to banks

(€m)

	31.12.2020	31.12.2019	CHANGE	
			AMOUNT	%
Current accounts	541	408	133	33
Term deposits	743	578	165	29
Repurchase agreements	2,186	1,944	242	12
Debts for leases	21	22	(1)	-5
Other	124	81	43	53
Total	**3,615**	**3,033**	**582**	**19**

€3.6 bn
Due to banks

Due to banks totalled €3.6bn, up €582m (+19%) on the figure at the end of 2019, mainly due to increased inflows in repurchase agreements (+€242m), term deposits (+€165m) and current accounts (+€133m).The repurchase agreements included €916m for the securities lending transactions with Intesa Sanpaolo (€1.2bn at the end of 2019) and €650m in liquidity obtained from Intesa Sanpaolo within the scope of the targeted longer-term refinancing operations, TLTRO (€200m at the end of 2019).

The Group continued to be a **net lender on the interbank market**, with net interbank deposits of €15.8bn, involving €19.4bn in loans receivable (of which €18.5bn to Intesa Sanpaolo Group companies) and €3.6bn in loans payable (of which €3.1bn to Intesa Sanpaolo Group companies).

Loans to customers

(€m)

	31.12.2020	31.12.2019	CHANGE	
			AMOUNT	%
Current accounts	7,670	6,663	1,007	15
Repurchase agreements	-	214	(214)	-100
Loans	934	862	72	8
Other	1,217	1,555	(388)	-22
Non-performing assets	34	35	(1)	-3
Total	**9,855**	**9,329**	**526**	**6**

Loans to customers totalled €9.9bn and mainly consisted of short-term loans (repayable within 12 months or revocable loans without a specified term). The €526m increase from 31 December 2019 is mainly attributable to the growth in current account overdrafts (+€1bn), only partly offset by the reduction in other loans (-€338m) and repurchase agreements with institutional customers (-€214m).
Net problem loans, representing a minimal amount in the portfolio, totalled €34m with a fall of €1m on the figure at the end of 2019. In detail: doubtful loans totalled €1m, in line with the figure at the end of 2019; unlikely to pay loans totalled €20m, up €1m on 31 December 2019, while past due or overdue loans amounted to €13m, down €2m from the end of 2019.

€9.9 bn

Loans to customers

Due to customers

(€m)

	31.12.2020	31.12.2019	CHANGE	
			AMOUNT	%
Current accounts	34,823	35,193	(370)	-1
Term deposits	6,187	3,411	2,776	81
Repurchase agreements	24	32	(8)	-25
Debts for leases	260	280	(20)	-7
Other	116	108	8	7
Total	**41,410**	**39,024**	**2,386**	**6**

Due to customers totalled €41.4bn, up €2.4bn (+6%) compared with the net figure at the end of 2019, due substantially to the strong growth in term deposits (+€2.8bn), which was partly offset by the reduction in current account deposits (-€370m).

€41.4 bn

Due to customers

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

(€m)	LOANS	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*)	TOTAL
Italy	2,178	133	2,311
United States	-	204	204
Spain	-	191	191
Ireland	-	68	68
Belgium	-	55	55
Luxembourg	-	20	20
France	-	11	11
Switzerland	-	2	2
Total	**2,178**	**684**	**2,862**

(*) 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 €200m, were covered by financial-guarantee contracts.

Property and equipment and intangible assets

(€m)

	31.12.2020	31.12.2019	CHANGE	
			AMOUNT	%
Owned real estate	60	62	(2)	-3
Rights of use of leased assets	281	304	(23)	-8
Other property and equipment	13	14	(1)	-7
Property and equipment	**354**	**380**	**(26)**	**-7**
Goodwill	140	140	-	-
Other intangible assets	89	94	(5)	-5
Intangible assets	**229**	**234**	**(5)**	**-2**
Total property and equipment and intangible assets	**583**	**614**	**(31)**	**-5**

€583 m

Property and equipment and intangible assets

Property and equipment and intangible assets totalled €583m, down by €31m from 31 December 2019, mainly due to the amortisation of rights of use on leased assets.

The item 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 €28m, the valuation of client assets recognised after purchase price allocation of the Morval Vonwiller Group. That acquisition, which was completed in the second quarter of 2018, entailed the initial recognition in the consolidated financial statements of an intangible asset with a finite useful life for €34m, to be amortised in the income statement for 15 years based on the estimated life cycle of the acquired client assets.

The **provisions for risks and charges** at 31 December 2020 were up €90m on the figure at the end of 2019, as shown below:

Provisions for risks and charges

(€m)

	31.12.2020	31.12.2019	CHANGE	
			AMOUNT	%
Litigation, securities in default and complaints	78	79	(1)	-1
Personnel expenses	139	106	33	31
Personal Financial Advisers' termination indemnities	261	235	26	11
Network Loyalty Schemes	68	55	13	24
Provision for integration costs	18	-	18	n.s.
Other	4	3	1	33
Total	**568**	**478**	**90**	**19**

The provisions for litigation, securities in default and complaints remained substantially in line with the net amount of the previous year (-€1m). The provisions for personnel costs rose by €33m, due to sums allocated for early-retirement incentive expenses. The provisions for the termination of Personal Financial Adviser agency agreements and the Network Loyalty Schemes were up €26m and €13m, respectively, due to additional provisions set aside in the period. The provision for integration expenses of €18m includes €14m for integration expenses of UBI Top Private and IW Bank and €4m for restructuring charges of Intesa Sanpaolo Private Bank (Suisse) Morval and Fideuram Bank (Luxembourg).

Intesa Sanpaolo Private Banking - HNWI Branch, San Carlo Turin

SHAREHOLDERS' EQUITY

€3.1 bn

Shareholders' equity

Group shareholders' equity, including net profit for the year, totalled €3.1bn at 31 December 2020, having changed as follows:

Group shareholders' equity

(€m)

Shareholders' equity at 31 December 2019	**2,960**
Dividend distribution	(650)
Change in valuation reserves	8
Other changes	12
Net profit	817
Shareholders' equity at 31 December 2020	**3,147**

The €8m increase in the valuation reserve includes €4m for improvements in the valuation reserve for financial assets through other comprehensive income after changes in the fair value of the bond portfolio during the year. At 31 December 2020, the valuation reserve of financial assets measured at fair value through other comprehensive income totalled €24m (€20m at the end of 2019).
The Group did not hold any treasury shares at 31 December 2020.

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

(€m)

	31.12.2020	
	SHAREHOLDERS' EQUITY	**INCLUDING: NET PROFIT**
Parent company's balances	**1,771**	**481**
Net profit of subsidiaries consolidated line-by-line	610	610
Valuation reserves of subsidiaries consolidated line-by-line	(12)	-
Effect of consolidation of subsidiaries and associated companies	778	24
Dividend income from Group companies	-	(298)
Consolidated balances	**3,147**	**817**

Fideuram S.p.A.'s own funds and main capital ratios at 31 December 2020 are shown below.

Fideuram S.p.A. Capital Ratios

(€m)

	31.12.2020	31.12.2019
CET1	1,276	1,033
Tier 1	1,276	1,033
Own funds	1,276	1,033
Total risk-weighted assets	6,383	6,218
CET1 Ratio	**20.0%**	**16.6%**
Tier 1 Ratio	**20.0%**	**16.6%**
Total Capital Ratio	**20.0%**	**16.6%**

As a member of the Intesa Sanpaolo Banking Group, Fideuram is subject to the laws and regulations regarding capital requirements on the basis of its separate accounts, but is not required to present this information on a consolidated basis. In order to provide comprehensive information, the Group voluntarily estimates its consolidated capital requirements, taking its membership of the Intesa Sanpaolo Banking Group into account. At 31 December 2020, our Common Equity Tier 1 Ratio was estimated to be 21.9% (19.2% at 31 December 2019).

Sanpaolo Invest - Genoa Office

3.8.2 **Productive** Capital

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

MATERIAL TOPICS	WHY TOPICS ARE MATERIAL	CORPORATE POLICIES
Development of sales networks and dissemination of financial culture Strengthening the sales network and dedicated channels for contacting existing and potential customers	The Personal Financial Adviser occupies a central role in the Group's business model, publicising and promoting banking services outside bank premises. The meeting between the customer and the Personal Financial Adviser is pivotal to the relationship of trust that is established. The Group therefore makes available an extensive network of Branches and Offices to Personal Financial Advisers.	The Group applies the "Physical Safety Rules", which are included in the "Security Principles" governance document, containing the rules and most appropriate conduct to optimise the safety measures adopted, and consequently, minimise risks to people and assets.
Customer Satisfaction Accessibility of services for customers with physical disabilities	Of particular importance for the Group is its ability to interact with all customers at its structures, thus eliminating architectural barriers and equipping ATMs with special interfaces.	

(No.)

	2020	2019	2018
Bank branches - Fideuram Network	98	98	96
Bank branches - Intesa Sanpaolo Private Banking Network	132	132	126
- of which High Net Worth Individual Branches	*10*	*9*	*7*
Bank branches outside Italy	5	5	6
Total Bank Branches	**235**	**235**	**228**
Personal financial advisers' offices - Fideuram Network	202	203	202
- of which Private Banking Centres	*3*	*3*	*10*
Personal financial advisers' offices - Sanpaolo Invest Network	115	116	121
Personal financial advisers' offices - Intesa Sanpaolo Private Banking Network	4	2	3
Total Personal Financial Advisers' Offices	**321**	**321**	**326**

LOGISTICS STRUCTURE SUPPORTING THE NETWORKS

No. 235
Bank Branches

No. 321
Personal Financial Advisers' offices

Our Personal Financial Advisers are supported in their work by the Group's logistics structure, which consists of 230 bank branches across Italy (98 in the Fideuram Network and 132 in the Intesa Sanpaolo Private Banking Network) and 5 branches outside Italy (London, Geneva, Lugano, Luxembourg and George Town), as well as 321 Personal Financial Advisers' Offices (202 in the Fideuram Network, 115 in the Sanpaolo Invest Network and 4 in the Intesa Sanpaolo Private Banking Network).
For our high-end customers there are three Private Banking Centres, supporting the sales activities of the Fideuram and Sanpaolo Invest Networks, and ten HNWI Branches, serving the Intesa Sanpaolo Private Banking Network.

During 2020, there was continued strengthening of the operational synergies between the Networks, which included increasing the number of Fideuram Offices where Personal Financial Advisers of the Fideuram Network and the Sanpaolo Invest Network operate side by side.
The objective for 2021 is to further consolidate the integration and sharing of spaces between the Networks, also motivated by the shared sales strategies.

GEOGRAPHICAL DISTRIBUTION OF NETWORKS

The Fideuram Group provides its investment services through Personal Financial Adviser Networks, the Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking Networks, distributed and operating throughout Italy, as well as the Intesa Sanpaolo Private Bank (Suisse) Morval Network operating in Switzerland, the United Kingdom, Cayman Islands, Argentina and Uruguay.
The Fideuram and Sanpaolo Invest Networks are organised into Areas. Each Area is sized to suit the business potential of the territory concerned and may cover several regions or just a few provinces.

On 1 January 2020 a new structure of the sales areas came into force, which includes 8 areas for the Fideuram Network and 5 for the Sanpaolo Invest Network. In order to facilitate the ability to achieve the growth objectives and to interpret competitively the growing complexity of the market environment, it was deemed appropriate to continue with the structural changes of the sales areas and the Network Managerial Structure launched in recent years.

In particular, the new organisation of the Fideuram and Sanpaolo Invest Networks takes into account the various requirements imposed by the market in terms of:

- widespread local coverage for an increasingly more dedicated and adequate quality of service offered to customers;
- improvements to the coordination management of the Personal Financial Advisers of the two Networks;
- achievement of the growth and recruitment objectives, an activity of crucial importance for business development;
- further focus on the differentiated and dedicated management of the Personal Financial Advisers of the two Networks with greater oversight and focus on training and professional development.

The changes to the Networks' sales areas that have undergone additional structural reorganisation, continued at the start of 2021. The number of areas has been increased from 13 to 15 (9 for the Fideuram Network and 6 for the Sanpaolo Invest Network), with changes to their composition.

The sales structure of the Intesa Sanpaolo Private Banking Network remained unchanged in 2020 and consists of eleven sales areas.

As part of the project for international development of the Private Banking Division, in October 2020 a partnership agreement was concluded between Intesa Sanpaolo Private Bank (Suisse) Morval and REYL & Cie, the Swiss bank controlling the banking group of the same name. The process for the rationalisation of corporate consolidation also continued with the liquidation of the sub-holding Morval Vonwiller Assets Management Co. and Southern Group, the start of the liquidation of Morval Bank & Trust Cayman and Intesa Sanpaolo Private Monaco and the decision to close the representative office in Bahrain.

NEW OFFICES OPENED

During 2020, work continued on the opening of new offices and the company continued to rationalise its real estate assets with the goal of improving the quality of its branches and the Personal Financial Advisers' offices and of limiting costs.

During the year, the site transfers involved the offices and the branch in Milan (Piazza Erculea and Corso di Porta Romana), the Santa Croce sull'Arno offices and the branches of Saronno, Vigevano and Voghera. Our presence in Carpi was expanded with a new office adjoining the original one and the new lounge areas were completed in Piazza Erculea in Milan to accommodate Private Banking customers.

During the year, Intesa Sanpaolo Private Banking opened a new HNWI branch in Como.

The area structures of the four Networks are shown below.

Area Structure of the Fideuram Network

AREA	1.1.2021 REGIONS	31.12.2020 REGIONS	31.12.2019 REGIONS
1	Piedmont and Valle d'Aosta	Piedmont and Valle d'Aosta	Liguria, Lombardy (provinces of Lodi and Pavia) Piedmont and Valle d'Aosta
2	Lombardy (provinces of Como, Lecco, Milan, Sondrio and Varese)	Lombardy (provinces of Como, Lecco, Milan, Sondrio and Varese)	Lombardy (provinces of Bergamo except for the municipality of Treviglio, Como, Lecco. Milan, Monza-Brianza, Sondrio and Varese)
3	Lombardy (provinces of Bergamo, Brescia, Cremona, Mantua and Monza-Brianza)	Lombardy (provinces of Bergamo, Brescia, Cremona, Mantua and Monza-Brianza)	Lombardy (provinces of Brescia, Cremona, Mantua and the municipality of Treviglio)
4	Friuli-Venezia Giulia, Liguria, Lombardy (provinces of Pavia), Trentino Alto Adige and Veneto	Friuli Venezia Giulia, Trentino Alto Adige and Veneto	Emilia Romagna (provinces of Ferrara. Forlì-Cesena, Ravenna, Rimini and the municipality of Imola), Friuli-Venezia Giulia, Trentino Alto Adige and Veneto
5	Emilia Romagna (provinces of Bologna, Ferrara, Modena, Parma, Piacenza, Ravenna and Reggio Emilia) and Lombardy (province of Lodi)	Emilia Romagna (provinces of Bologna. Modena, Parma, Piacenza and Reggio Emilia), Liguria, Lombardy (provinces of Lodi and Pavia) and Tuscany (provinces of Florence and Prato)	Emilia Romagna (provinces of Bologna except for the municipality of Imola, Modena, Parma, Piacenza and Reggio Emilia) Toscana and Umbria (municipality of Città di Castello only)
6	Emilia Romagna (provinces of Forlì-Cesena and Rimini) and Tuscany (provinces of Arezzo, Florence, Prato and Siena)	Lazio and Tuscany (provinces of Grosseto. Livorno, Lucca, Massa-Carrara, Pisa and Pistoia)	Lazio, Marche and Umbria (except for the municipality of Città di Castello)
7	Lazio and Tuscany (provinces of Grosseto, Livorno, Lucca, Massa-Carrara, Pisa and Pistoia)	Emilia Romagna (provinces of Ferrara, Forlì-Cesena, Ravenna and Rimini), Marche, Tuscany (provinces of Arezzo and Siena) and Umbria	Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardegna and Sicily
8	Abruzzo, Basilicata, Marche, Molise, Puglia, Sardinia and Umbria	Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardinia and Sicily	
9	Calabria, Campania and Sicily		

Area Structure of the Sanpaolo Invest Network

AREA	1.1.2021 REGIONS	31.12.2020 REGIONS	31.12.2019 (*) REGIONS
1	Lombardia (except for the province of Mantua). Piedmont and Valle d'Aosta	Lombardia (except for the province of Mantua), Piedmont and Valle d'Aosta	Liguria, Lombardy, Piedmont and Valle d'Aosta
2	Friuli-Venezia Giulia, Lombardy (province of Mantua), Trentino Alto Adige and Veneto	Friuli-Venezia Giulia, Lombardy (province of Mantua), Trentino Alto Adige and Veneto	Emilia Romagna, Friuli-Venezia Giulia, Trentino Alto Adige and Veneto
3	Emilia Romagna, Liguria, Marche, Tuscany and Umbria	Emilia Romagna, Liguria, Marche, Tuscany and Umbria	Marche, Tuscany and Umbria
4	Lazio	Lazio	North of Lazio and part of the province of Rome
5	Abruzzo, Basilicata, Molise and Puglia	Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia and Sicily	South of Lazio and part of the province of Rome
6	Calabria, Campania and Sicily		Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia and Sicily

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

Area Structure of the Intesa Sanpaolo Private Banking Network

31.12.2020		31.12.2019	
AREA	REGIONS	AREA	REGIONS
Municipality and province of Turin	Piedmont (municipality and province of Turin)	Municipality and province of Turin	Piedmont (municipality and province of Turin)
Valle d'Aosta, Piedmont and Liguria	Valle d'Aosta, Piedmont (except forthe municipality and province of Turin) and Liguria	Valle d'Aosta, Piedmont and Liguria	Valle d'Aosta, Piedmont (except forthe municipality and province ofTurin) and Liguria
Municipality of Milan	Lombardy (Municipality of Milan only)	Municipality of Milan	Lombardy (Municipality of Milan only)
Northern Lombardy	Lombardy (provinces of Como, Varese, Bergamo, Lecco and Sondrio, province of Milan excluding the municipality of Milan and the municipality of Melzo)	Northern Lombardy	Lombardy (provinces of Como, Varese, Bergamo, Lecco and Sondrio, province of Milan excluding the municipality of Milan and the municipality of Melzo)
Lombardy Adige	Lombardy (provinces of Monza-Brianza, Pavia, Lodi, Cremona, Brescia and Mantua, municipality of Melzo), Veneto (province of Verona) and Trentino Alto Adige	Lombardy Adige	Lombardy (provinces of Monza-Brianza, Pavia, Lodi, Cremona, Brescia and Mantua, municipality of Melzo), Veneto (province of Verona) and Trentino Alto Adige
North East	Veneto (provinces of Belluno, Vicenza, Venice, Treviso, Padua and Rovigo) and Friuli-Venezia Giulia	North East	Veneto (provinces of Belluno, Vicenza, Venice, Treviso, Padua and Rovigo) and Friuli-Venezia Giulia
Emilia Romagna	Emilia Romagna	Emilia Romagna	Emilia Romagna
Tuscany and Umbria	Tuscany and Umbria	Tuscany and Umbria	Tuscany and Umbria
Lazio, Sardinia and Campania	Lazio, Sardinia and Campania	Lazio, Sardinia and Campania	Lazio, Sardinia and Campania
Adriatic Area, Puglia, Calabria and Basilicata	Marche, Abruzzo, Molise, Puglia, Calabria and Basilicata	Adriatic Area, Puglia, Calabria and Basilicata	Marche, Abruzzo, Molise, Puglia, Calabria and Basilicata
Sicily	Sicily	Sicily	Siciliy

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

	31.12.2020	31.12.2019
	COUNTRIES	COUNTRIES
Intesa Sanpaolo Private Bank (Suisse) Morval	United Kingdom - London	United Kingdom - London
	Switzerland - Lugano, Geneva	Switzerland - Lugano, Geneva
	Cayman Islands - George Town	Cayman Islands - George Town
	Kingdom of Bahrain - Manama	Kingdom of Bahrain - Manama

ACCESSIBILITY OF SERVICES

To guarantee disabled access to our branches, the necessary facilities are installed where there are newly opened offices so as to eliminate the architectural barriers. Meanwhile, where possible, work continues to improve facilities in existing branches. Similar attention is being given to providing disabled access to banking services as regards ATMs. They are being adapted with an interface for use by sight-impaired customers and, wherever possible, the lower construction versions are being installed.

The Group owns the following properties, which it uses to conduct its business:
- 31 Piazzale Giulio Douhet, Rome;
- 44 Via Cicerone, Rome;
- Lugano – Riva Caccia 1a;
- Rue Charles-Galland 18, Geneva.

During 2020, the real estate asset of Intesa Sanpaolo Private Bank (Suisse) Morval, located in Geneva in Rue Rodolphe Toepffer 14, was sold.

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

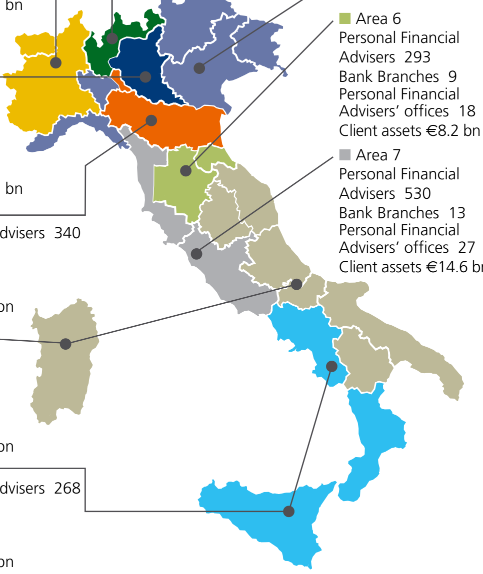
(No.)

	BANK BRANCHES			PERSONAL FINANCIAL ADVISERS' OFFICES			PERSONAL FINANCIAL ADVISERS		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Piedmont	37	37	34	42	42	43	778	777	797
Valle d'Aosta	1	1	1	2	2	2	14	14	15
Liguria	10	10	9	21	20	21	286	293	301
Lombardy	50	48	45	43	42	42	1,224	1,224	1,237
Veneto	25	25	25	27	27	27	503	514	522
Friuli-Venezia Giulia	6	6	6	9	10	9	120	124	129
Trentino Alto Adige	4	4	4	7	7	7	49	50	50
Emilia Romagna	21	21	21	33	33	32	553	557	561
Tuscany	19	21	21	36	34	34	529	545	546
Umbria	3	3	3	8	8	8	81	88	91
Marche	5	5	5	10	10	11	117	121	127
Lazio	13	13	12	28	29	30	706	713	742
Abruzzo	2	2	2	10	10	10	72	81	88
Molise	-	-	-	2	2	2	14	15	14
Campania	13	13	13	15	15	15	294	303	320
Basilicata	-	-	-	2	2	2	13	13	16
Puglia	7	7	7	9	10	9	117	116	122
Calabria	4	4	4	3	4	4	29	34	34
Sicily	7	7	7	11	11	12	149	152	167
Sardinia	3	3	3	3	3	6	40	46	54
Intesa Sanpaolo Private Bank (Suisse) Morval	4	4	5	-	-	-	53	54	62
Fideuram Bank (Luxembourg)	1	1	1	-	-	-	-	-	-
Total	**235**	**235**	**228**	**321**	**321**	**326**	**5,741**	**5,834**	**5,995**

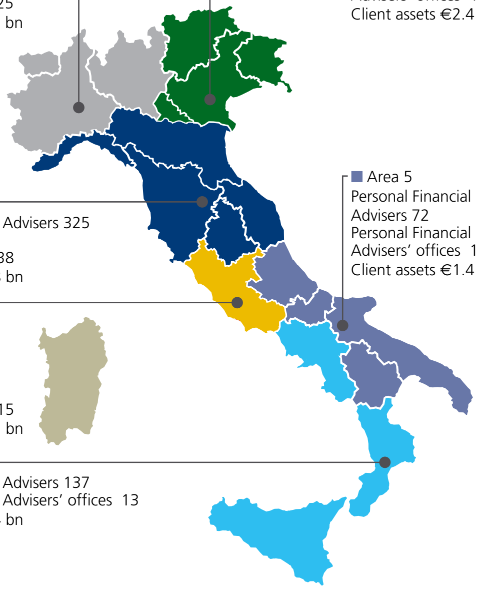
Sales Areas of the three Fideuram Group Networks

The new structure of the sales Areas of the Fideuram and Sanpaolo Invest Networks that have been operational since 1 January 2021 is provided below.

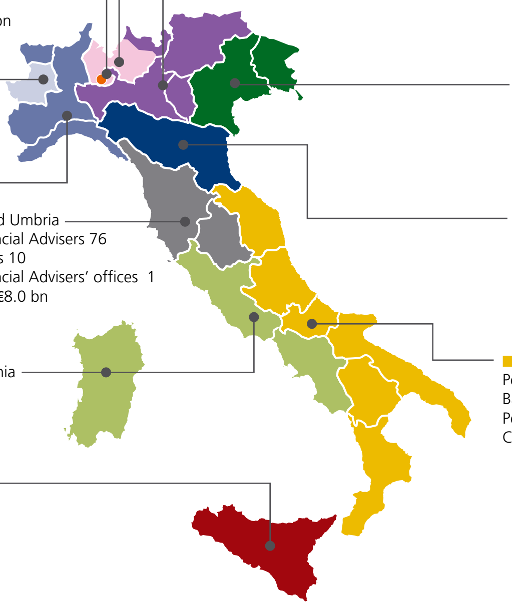
Fideuram Network: 9 Areas



Sanpaolo Invest Network: 6 Areas



Intesa Sanpaolo Private Banking Network: 11 Areas



3.8.3 **Intellectual** Capital

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

MATERIAL TOPICS	WHY TOPICS ARE MATERIAL	CORPORATE POLICIES
Management of customer portfolios Transparent management of customer portfolios **Development of sales Networks and quality of service offered** Developing consulting services, so as to anticipate market requirements Prompt and effective response to customer needs New tools available to customers **Adequacy and innovation of financial products on offer** Adequate cost of financial products in relation to the quality of service offered Appropriate products offered in relation to customers' financial culture Information provided is understandable and relevant (e.g. prospectuses) Product and service innovation **Brand reputation** IT security in terms of preventing computer fraud and customer personal data protection (privacy) **Focus on customers who are High Net Worth Individuals** Customers with financial assets potentially in excess of €10,000,000 Focus on HNWI customers to obtain economies of scale and ensure creation of value in a manner that is sustainable over time Growth and development prospects in the market **Digitalisation** E-banking and services virtualization Availability of diversified and interactive channels for Bank-customer communications Cybersecurity	Offering professional and cutting-edge advisory services underpins the Group's competitiveness. These are all-encompassing advisory services, which also cover customer needs that are not purely financially based. Innovation in additional services and investment products is therefore the focus of business activity. Innovation also involves the tools supporting advisory services, whereby customers access services via other channels rather than the traditional channel. The Group has set itself the objective of providing clear and transparent information to customers, using simple language in documentation, which makes it easier to understand the characteristics of the products and services offered, as well as the applicable financial conditions. The offering of products and services is based on customers' knowledge level and propensity to risk. The Group deems IT security to be of strategic importance with regard to data protection, also in light of customers' increased propensity for making use of online services.	In providing its investment services, the Group applies the provisions of the MiFID 2 EU Directive,whilst its audit functions monitor whether internal procedures are appropriate on the basis of preventive validation and ongoing verification, and whether they are compliant. The Group assigns strategic importance to the protection of data and processes managed within its structures, safeguarding colleagues and customers interests and rights, both when developing new services and solutions, as well as in the operational management of company activities. Evolving current technologies, changes to operating processes subsequent to their automation and continual developments in the economy can impact on corporate IT security risk levels. Effectively monitoring the latter contributes to mitigating IT risk, which due to its specific nature is included among the operational, reputational and strategic risks outlined in the "IT security guidelines for the Private Banking Division". The Group intends adopting Product Governance monitoring controls based on the "Guidelines for approval of new products, services and activities aimed at a specific target group of customers", which aim to safeguard investors' interests over the course of the financial products' entire life cycle, from conception through to after sales, ensuring that all corporate Bodies and structures involved are accountable. The Rules for implementing the guidelines set out the roles and responsibilities of the sales Networks and define the macro-processes intended to regulate the distribution of financial products to all customers. Special attention is given to the processing of personal data based on a process that aims to define the protection logic for data by identifying potential non-compliance risks (in relation to the nature, object, context and purposes of processing) and the appropriate technical and organisational measures to mitigate these risks, starting in the design stages and over the course of the entire data processing life cycle. Privacy by Design (term referring to data protection from the time of design), therefore ensures that processing complies with legislative requirements and that data is processed with the necessary measures securely in place, from the time the data is collected until its erasure.

	2020	2019	2018
Customers subscribed to Advanced Advisory Services (No.)	63,982	66,151	68,498
Advanced Advisory Service client assets (€m)	39,543	38,784	36,341

ADVISORY SERVICES

MAIN OBJECTIVES FOR 2020	ACTIONS AND RESULTS ACHIEVED
Consolidation of the SEI Advanced Advisory Service and SEI Private version, with a view to reinforcing their distinctive model and improving the usability of these services via the improved and optimised digital platforms. Introduction of a minimum assets entry requirement for activation and maintenance of the SEI Advanced Advisory Service and SEI Private Version.	During 2020, the SEI supplemental services (Household, Real Estate Monitoring and Succession Management) were consolidated with 935 new activations, for a total of 8,004 active services. New information and operational content was made available in support of the advisory services. Beginning 1 April 2020, a minimum assets entry requirement was implemented for access to and maintenance of the SEI and SEI Private Version services and to benefit fully from the advantages of using the Advanced Advisory Services.
Consolidation of the service model, in terms of the information provided to customers in relation to the characteristics of the products and services provided, with special focus on the aspects related to applied costs and received benefits.	In 2020, a multi-function work group comprising the main departments of the Group cemented the impact of the MiFID 2 Directive on the Bank's business model. Specifically with regard to reporting the costs effectively incurred by customers as a percentage of their realised returns, some of the recommendations issued by CONSOB to intermediaries during 2020 were integrated in the reports for this year, while others instead will be integrated in the reports for next year. The "dynamic ex ante disclosure" was introduced for the Fideuram and Sanpaolo Invest Networks. It provides customers with a clear statement of the costs effectively incurred for investment and divestment transactions. The recognition of effective costs was also introduced in the audit of the applied costs in relation to the benefits received that is performed during evaluation of the adequacy of the transactions. In addition, a consistency check between the Effective Target Market of the product and the customer's investment characteristics, requirements and objectives was introduced at the end of October 2020, during the selection of a new product. These changes were integrated into the Advisory Platform, altering some of its functions and operational process.
Reinforcement of customer protection measures to improve defences against and prevention of any form of unlawful activity that might even indirectly damage customer and thus company assets.	Various new changes have been made to the disclosures and characteristics of the services offered to customers, such as sending text messages to confirm the opening of current accounts and disinvestments from financial products, and introduction of the obligation to declare the relationship existing between joint account holders when a current account is opened. Moreover, the New Master File for the Group was rolled out beginning in November 2020. That New Master File permits the centralised, unequivocal and standard management of customers' personal details.

The Group decided to adopt an advisory operating model following the coming into force of the European Union Markets in Financial Instruments Directive (MiFID) and of the Italian Finance Consolidation Act that transposed it into Italian law. This takes the concrete form of providing investment services to customers who have decided to follow the Group's personalised recommendations and have therefore chosen our advisory support in conjunction with all other investment services for any transaction carried out by our Branches or through our financial advisers authorised to offer products and services outside company premises or using remote communication technologies. Our provision of investment advisory services involves acquiring the information from each customer or potential customer in advance as necessary to compile a financial profile reflecting their:

- understanding and experience of financial products and/or investment services;
- financial situation;
- investment objectives.

Additionally, during 2020, the service model was aligned to the guidelines set out in Directive 2014/65/EU (MiFID 2).

Alongside a basic advisory service based on customer profiling for maximum risk level and on ascertaining that there is an appropriate match between each customer's financial profile and total asset risk, the Group offers three fee-paying advanced advisory services: the SEI Advanced Advisory Service provided through the Fideuram and Sanpaolo Invest Networks, and the VIEW Advanced Advisory Service and Private Banking Advanced Advisory Services provided through the Intesa Sanpaolo Private Banking Network. The Group service model provides customers having greater financial resources with dedicated organisational services and geographical coverage: Private Wealth Management with Private Banking Centres and HNWI Centre of Excellence with the HNWI Branches.

SEI ADVANCED ADVISORY SERVICE AND SEI PRIVATE VERSION

The SEI Advanced Advisory Service charges a fee for activating the service and regular annual commission, each of which is calculated both in relation to the customer's assets managed by the Group and to their potential.
SEI customers receive regular clear and detailed statements which allow them to track their assets' progress towards their goals and to monitor the suitability of their asset risks with respect to their financial profile.
The "SEI method" is centred on the customer and their needs, which are segmented into six areas: protection, liquidity, reserve, pension, investment and excess return. SEI provides our Personal Financial Advisers with support in analysing their customers' needs, identifying optimum customised solutions that meet them and monitoring their progress over time. All this is done whilst constantly monitoring the risk and diversification of each customer's total assets, in full compliance with applicable regulations.
A further strength of the service is that the process can be extended to provide a systematic analysis of a customer's total assets even if they are held with other financial brokers, and also include an analysis during the diagnosis phase of their non-financial assets: real estate assets, corporate assets and other high-value goods.

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

Upgrading of the Private Wealth Management unit continued in 2020, with a view to developing and serving the Private Banking and High Net Worth Individuals segments through a pro-active approach and dedicated business model.
The model follows a combined global approach that considers every aspect of a customer and their household's asset management needs, using cross-sectorial skills and expertise based on team work and shared best practices.
The integrated offering covers Financial Products and Lending Offer, Corporate Advisory, Legal and Tax Advisory Services, Property Services, Art and Luxury. The offering in the Philanthropy area was also upgraded during 2020, with the addition of a dedicated channel of services for the analysis of customers' philanthropic needs and design of their action plans targeting Foundations, Institutions and Donor Advised Funds.
Together with support from our Personal Financial Advisers, the Private Wealth Management services are provided by offering integrated advice on financial assets, real estate, company shareholdings and family businesses with a view to increasing management and allocation efficiencies and also in terms of succession management and asset and wealth protection and development.
Access to the model provides continuous asset monitoring in the areas of greatest customer interest, while simultaneously facilitating access to a select network of professionals for specific needs.

Ancillary services to the SEI Advanced Advisory Service and SEI Private Version

The analysis of customers' needs, a distinctive feature of the service, is strengthened by channelling the Advanced Advisory Service towards assessing the customer's total assets and providing succession management, extending its customer and household financial assets risk analysis to incorporate the analysis of non-financial risks as well. The SEI Advanced Advisory Service and SEI Private Version give customers the option of subscribing to three value-added ancillary services:

- **Household** formalises the extension of the SEI model to the household unit, and makes it possible for Personal Financial Advisers to provide customers with an aggregate representation of the financial, real estate and corporate assets of their household unit, whilst fully complying with privacy legislation. Subscribing to the service allows customers to benefit from special economic terms on regular contract-based commissions.
- **Real Estate Monitoring** provides a detailed analysis of the composition and characteristics of customers and their household's real estate assets, with the view to analysing and monitoring these over time, in terms of their value, risks and diversification. The service includes a six-monthly "Real Estate Monitoring" report sent to the customer.
- **Succession Management** responds to customers' needs relating to the transfer of assets to future generations, and supports Personal Financial Advisers with informed succession planning, also through dedicated reporting.

These additional services were formalised in an addendum to the Advanced Advisory Services contract and integrated in the regular commissions applicable to the SEI and SEI Private Version services. On this basis, Personal Financial Advisers can offer customers an all-encompassing advisory service, with the support of a state-of-the-art computer platform, dedicated apps and advanced and customised reporting.

VIEW ADVANCED ADVISORY SERVICE

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

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

The customer's assets are organised into need areas in the VIEW system, according to the needs expressed by the customer, including with the assistance of guideline customer "archetype" profiles: extra-return, discretionary investments, non-discretionary investments, pension, and short-term investment.
The Advisory function has been added to the non-discretionary investments area, upgrading it from a stand-alone service to real exclusive feature of the VIEW service. At the customer's discretion, the Advisory function available in VIEW may be activated to receive personalised recommendations on individual or linked transactions involving the allocated portion of assets in that area.

VIEW makes it possible to identify investment strategies and solutions for each individual area of need in accordance with the customer's risk/return profile and to constantly monitor their wealth from a global standpoint in terms of risk and diversification over time.
Finally, the service is enhanced by the real estate tool, which makes it possible to extract the land registry data of customer-owned real estate through queries on the National Land Registry, and by the asset protection tool that offers customers initial support in succession management.

PRIVATE BANKING ADVANCED ADVISORY SERVICE

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

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

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

WM REPORT

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

SPECIALIST SERVICES

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

- Tax, legal and succession advisory services for asset planning.
- Fiduciary services, supported by Siref Fiduciaria.
- Advisory support to assist entrepreneurs manage the liquidity generated during significant business transitions, such as Mergers & Acquisitions or Initial Public Offerings.
- Art Advisory services provided with the support of external consultants.
- Real Estate Advisory services to support customers' real estate management needs both regarding disposable property and property of potential interest. The needs analysis is conducted internally or with the support of external consultants, including international consultants, for valuation and agency services.
- Specialist Lending and Granting of Lines of Credit to support and develop the Group's lending business.

As part of its Philanthropy Advisory service in the HNWI Department, Intesa Sanpaolo Private Banking continued forming Donor Advised Funds (DAF), including collaborating on preparation of the regulation templates of such funds as part of the PAAS (Philanthropy As A Service) project of the Compagnia di San Paolo.

As part of that service, the HNWI Department also offered its support to the non-profit organisations in structuring a **Theory of Change (ToC)**: models designed to guide the activities of the organisations and measure their consequent social impact.

MAIN IMPROVEMENT OBJECTIVES FOR 2021

ADVISORY SERVICES

The main objectives are as follows:

- the strategic partnership with con BlackRock Financial Management for adoption of the "Aladdin" services platform, which will provide advanced measures for analysis and monitoring of the customer portfolios and the financial instruments contained in them in support of the advisory service model;
- the convergence towards a single Advanced Advisory Services model for the Personal Financial Advisers Networks that can preserve the successful characteristics of the current services that are offered (SEI, VIEW, Private Advisory) and introduce highly innovative, distinctive and high added value elements for all customer categories;
- the integration and development of sustainability in the Advanced Advisory Services model, through the analysis and monitoring of customer portfolios and individual financial instruments, on the basis of the principal ESG indicators and themes, with the aim of reinforcing its leadership, brand recognition and reputation;
- the introduction of increasingly complete and easily customisable commercial reports to support the activity of the Personal Financial Advisers and optimise the level of customer service;
- updating of the service model in compliance with the law and regulations, and especially in terms of reinforcing adequacy checks and in terms of the information provided to customers in relation to the characteristics of the products and services provided, with special focus on the effectively applied costs and received benefits.
- the introduction of important changes in the statements sent to customers, such as the transmission of an independent document illustrating the costs to the customer, the presentation of costs and charges in aggregate form, as broken down in table form for the portfolio management service and for all other services/products, and the presentation of tax charges.

TOOLS SUPPORTING ADVISORY SERVICES

MAIN OBJECTIVES FOR 2020	ACTIONS AND RESULTS ACHIEVED
FIDEURAM ALFABETO	
Complete renewal of the customer experience with the launch of Alfabeto 2.0.	The new integrated online services platform, Alfabeto Fideuram was developed during 2020. It provides customers, on a single web platform, with home banking, online trading and asset analysis features, through a wide variety of displays and the possibility of subscribing to the investment proposals prepared by the Personal Financial Advisers.
Improvement of the user experience on the mobile channel through three new native apps.	Three distinct apps in mobile phone version were developed and made available to customers: Alfabeto Banking, Alfabeto Trading and Alfabeto Patrimonio, which are integrated with each other through a single authentication process.
Realisation of new functions for digital payments and the possibility of aggregating the accounts held at other intermediaries and analysis of the performance of one's own wealth.	New functions were made available to customers with Fideuram Alfabeto: • the main functions offered by the various digital payment services are made available through the Alfabeto Banking app, for example the linking of a credit card or activation/deactivation of the service; • with the financial aggregator service "Le mie banche" (My banks), customers can display information about their accounts and cards, including those held at other banks, within a single digital platform.
Creation of a section dedicated to the new "Saving Map" service.	The Saving Map section underwent further refinement, modifications and new developments during the year. Customers can promptly and easily view all the components in their "Saving Map" agreement, such as current account liquidity, amount allocated to the Saving Map solution, the amount of automatic contributions and the credit amount.
ADVISORY PLATFORM	
Issuance to Fideuram and Sanpaolo Invest Networks and modifications to the Sales Proposal.	At the end of January 2020, the release of the new Sales Proposal to the Fideuram and Sanpaolo Invest Networks was completed, allowing the Basic Advisory Services app to be closed. An additional path of evolution and improvement of the Proposal was then undertaken, with the aim of completing its operational scope and managing the new products and services, by bringing it into compliance with MiFID 2.
Expansion of the content and functions supporting the activity of Personal Financial Advisers and migration of the added-value functions present on obsolete applications.	The reports that Personal Financial Advisers can print on demand from the Advisory Platform was enriched with the introduction of new information during 2020, such as the display of liquidated products/contracts, and the book values of "à la carte" placed funds, shares and ETFs. The migration of the added-value features found on the now obsolete applications to the Advisory Platform continued. In fact, additional functions have been added, which enrich the information and operational content of the Platform. Previously, these functions were available only on other applications that will be discontinued during 2021. The Advisory Platform has allowed the Personal Financial Advisers to access the main features of Alfabeto 2.0 since November.

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MAIN OBJECTIVES FOR 2020	ACTIONS AND RESULTS ACHIEVED
FIDEURAM MOBILE SOLUTION Broadening the range of products and operations and the discontinuation of carbonless copy paper.	Since January 2020, and at the same time as release of the new Sales Proposal of the Advisory Platform, all Personal Financial Advisers of the Fideuram and Sanpaolo Invest Networks can acquire the "à la carte" pre-authorized contributions plans by using the Fideuram Mobile Solution, with the possibility of having the customers sign them in entirely digital mode by using the biometric and electronic signature. Additionally, in view of reducing the use of paper and boosting the degree of digitalisation of the Networks, the use of carbonless copy paper was discontinued for transactions on the Omnia Discretionary Accounts, on the various forms of the Fideuram Vita Insieme unit linked life insurance policies and of the Fideuram Vita Garanzia e Valore Branch I policy. Consequently, its forms are digitally managed within the Fideuram Mobile Solution app. Use of the electronic signature was also extended during the year to transactions on the multi-class Fideuram Vita Sintonia policy and for signing the certificates.
WELCOME Consolidation, distribution on the Networks and development of new functions.	Due to the gradual discontinuance of carbonless copy paper for the opening of current accounts for natural persons, Welcome became the principal tool available to the Fideuram and Sanpaolo Invest Networks in 2020 for the digital acquisition of new customers, opening current accounts dedicated to natural persons, and transferring "à la carte" funds from other banks. In view of further limiting use of the paper, customer subscription of the online services entails automatic activation of electronic bank statements, through which the account statement and all other periodic notices concerning the current account agreement are made available to customers on their own internet banking page. Since September, the Personal Financial Advisers have had use not only of the holographic signature and the biometric signature in Welcome, but also of the electronic signature, limited to the acquisition of new customers and the opening of current accounts registered in the name of just one individual. The Welcome functionality, which is available to Network Managers to speed up the acquisition and opening of current accounts for newly-entered customers of Personal Financial Advisers, was extended to the Group Managers too.
EASYDOC 2.0 APP Release of EasyDoc 2.0 to the Fideuram and Sanpaolo Invest Networks with expansion of the customer perimeter, type of obligatory procedures and functions.	The Personal Financial Advisers were provided with a new version of the EasyDoc app in 2020, which in addition to refreshed graphic scheme, also features innovations in terms of process and available functions. The user experience of the identity document acquisition process has been improved and streamlined with the new EasyDoc 2.0 app, and it is now possible to manage all principal regulatory obligations on mobile devices. Through the notification feature, Personal Financial Advisers are always informed when they need to fulfil certain obligations, and they can manage them quickly and efficiently.
PORTAL FOR PERSONAL FINANCIAL ADVISERS Maintain the effectiveness and efficiency levels acquired by the portal as an info-training tool serving the Personal Financial Advisers of the Fideuram and Sanpaolo Invest Networks.	During 2020, the Portal for Personal Financial Advisers maintained its central role as a method for distributing info-training content, with a constant update of the contents, the implementation of new areas and the creation of new pages in support of specific activities and promotion of the product offering.
KEY TV COMMUNICATIONS Increase of the info-training tools that can support Personal Financial Advisers' everyday activities and their relations with customers.	Key TV had an activity-packed year in 2020, with more than 400 episodes produced. In addition to established programming, six new formats were realised during the year. Financial education has always occupied a central role in programming, and also the constant updating on topics associated with macroeconomic dynamics, financial markets and megatrends, sustainability and ESG criteria, for which promotional messages and ad hoc episodes were made.

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

FIDEURAM ALFABETO

Fideuram Alfabeto is the digital platform that, on the one hand, improves the customer's user experience in daily banking transactions and, on the other hand, enriches the relationship model between the Personal Financial Advisers (Fideuram and Sanpaolo Invest Networks) and customers, by representing the digital channel that supports the advisory service.
Fideuram Alfabeto confirms the transposition of the financial advisory services our Personal Financial Advisers provide through the physical channels into the digital world, supporting the Personal Financial Advisers in their daily work so that they can focus on the activities that generate value for their customers.

Fideuram Alfabeto offers the following to customers on a single, integrated web platform:

- home banking, improved with new functions like the instant wire transfer, spending management, reminders, recurring transactions and the aggregation of accounts and cars held at other banks;
- online trading, with market analysis, financial reports, virtual portfolios and watchlists, conditional orders and a revised and simplified trading process;
- assets analysis, with the possibility of performing analyses on different time horizons, levels of granularity and aggregation (need areas, product categories, asset class, currency exposure and risk), and the electronic signature of investment proposals.

Customers have three apps available to operate on mobile devices, with each one being distinguished by functional area:

- Alfabeto Banking - dedicated to banking transactions;
- Alfabeto Patrimonio - dedicated to portfolio analysis and signing of the sales proposals sent by financial advisers;
- Alfabeto Trading - dedicated to securities trading.

Through integration of the three apps, after signing in on the Alfabeto Banking app, customers may safely switch from one app to the other, without having to enter their own access credentials again. The three Alfabeto Fideuram apps are available for iOS and Android smartphones.
The new Alfabeto PB app has been realised for Personal Financial Advisers. It allows them to display the customer's assets, any aggregated accounts held with other intermediaries, and personalise the customer's asset displays.
The Personal Financial Advisers' public website has also been revised with a new graphic layout and new sections and contents on the products and services offered. In addition, confirming the central role played by the Personal Financial Advisers, customers may access the Alfabeto Fideuram website from the public website of their own Personal Financial Advisers.
By visiting the Personal Financial Adviser's public website, a potential customer can start to form an impression of a Personal Financial Adviser before deciding to contact him/her over the platform.
Also for Fideuram Alfabeto, the implementation process has benefited from the involvement of the Digital Specialists who helped fine tune the application before distribution to customers began.
The customer qualification process was launched in December 2020 for over 40,000 customers, at the same time as publication of the new public website of all the Personal Financial Advisers.

ADVISORY PLATFORM

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

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

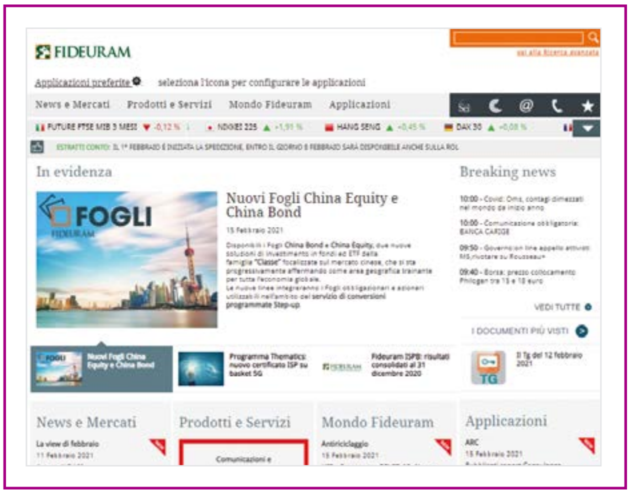
In line with the service model, the Advisory Platform identifies a common operating process for all customers, while simultaneously optimising the Advanced Advisory Service. Through the Platform, the Personal Financial Adviser can analyse customers and their household's financial position (even if these are held with other intermediaries) and asset position (real estate, business, other assets), agree on objectives and strategies with them, identify the most appropriate solution for their requirements, assist in monitoring the results achieved over time with ongoing risk management and an advanced alert system. Advanced and customised reporting is available for Personal Financial Advisers via the Platform, which can be printed on demand and shared with the customer. In addition, potential customers can be recorded, thus supporting Personal Financial Advisers in onboarding any new customers. The reports that can be printed on demand from the Advisory Platform has been enriched with the introduction of new information, such as the display of liquidated products/contracts, and the book values of funds placed à la carte, shares and ETFs.

The Advisory Platform made it possible to manage all the operational process stages (position keeping, proposal and monitoring) for the new products that have filled out the range offered by the Group during the year.

The Advisory Platform allows Personal Financial Advisers to access the main features of Alfabeto PB, with the aim of providing the Personal Financial Advisers with a single entry point from which to manage the customisations provided by the new internet banking and digital wealth management platform, Alfabeto 2.0.

PORTAL FOR PERSONAL FINANCIAL ADVISERS

During 2020, the Covid-19 emergency prompted a rethinking and adaptation of all forms of remote digital activities. Also the Personal Financial Adviser Portal was modified to meet this need, becoming even more a mainstay for the Network as a means of distributing information and training content and as a hub for access to various corporate contexts. There were constant updates on new services, products, markets, corporate data, through the News, which are published every day on request of the various corporate areas, and updates of the content in pre-existing sections such as, for example, the product sales showcases, the Private Wealth Management Hub and Private Wealth Advisor areas, the Events, the Conosci Fideuram/Sanpaolo Invest, MiFID 2. During the year, new areas and pages supporting specific activities and promotion of the product offering were also implemented. In particular, the webpage dedicated to the promotion and support of PACs and Ancillary services, and the webpage dedicated to the Liquidity Decree and Lending, to elaborate the Fideuram offering and support the Personal Financial Advisers on this aspect. The consequences of the pandemic and pending transformations in the Group have received adequate visibility and communication, for example the initiatives undertaken to improve IT security, with constant updates to the pages dedicated to Cybersecurity and the new pages dedicated to Products and Tax. Once again in 2020, the Incentives Regulations were published directly on the Personal Financial Adviser portal, with the previous editions archived. Moreover, the Portal continues to be the source of contributions created specifically for the public and distributed through Alfabeto, which was recently renewed. Finally, more than in any other year, the Personal Financial Adviser Portal worked in synergy with the in-house television station, Key TV, rebroadcasting the videos of greatest interest to the personal financial advisers on the home page.



KEY TV

In 2020, the activities of Key TV responded to the growing need to communicate and be close to the Personal Financial Advisers and their clients even during the public health emergency. This drove the search for new content and product solutions, reaching a total number of episodes topping 400.
In continuation from previous years, well-established programmes remained in production, being designed to provide exact and timely information on topics of relevance to the Personal Financial Advisers' activity, such as news about products and services, development of the Networks, market performance, institutional and internal communication videos, through Key TG and dedicated special-focus programmes.
Six new formats and special focus programmes were realised in 2020: "Il valore aggiunto" ("Added Value"), a space for hosting and hearing the view of professionals and experts like business owners, virologists, athletes and anthropologists; "Profili" ("Profiles"), a format dedicated to the thought and lives of great individuals from the economic and financial world; "Il mondo tra le righe" ("Reading the World between the Lines"), a commentary on articles in the international press, dedicated to Personal Financial Advisers and their clients; "USA 2020", which followed the election campaign until its result was given; "I Numeri della settimana" ("The Week's Numbers"), which spotlights corporate results in terms of recruitment, inflows and products as recounted by the Personal Financial Advisers. Finally, "Il Punto con" ("What's up with"), a daily programme with the leading product partners on the financial markets and scenarios, which received strong impetus in the first half of the year specifically from the need to assist the Personal Financial Advisers during the first few months of the pandemic.
The ESG topic was addressed in dedicated special focus episodes featuring in-house and outside commentators. In particular, one of those episodes featured Simone Chelini, the officer of ESG strategies at Fideuram Asset Management SGR, which explored the potential of those investments. The video of that episode may also be shared outside the company. Many other special focus discussions on this theme are included in the episodes featuring the partners at outside firms.
The need to maintain a constant presence for the company in the Personal Financial Adviser Networks during this period led to an increase in the number of live events broadcasted from the Key TV studios, enabling top management at headquarters and on the Network to stay in close touch with the Personal Financial Advisers.

PRESS REVIEW AND INTRADAY ALERTS

The Personal Financial Advisers and employees are provided with a dedicated daily Press Review, containing a selection of articles focused on the most important topics of our daily life. The Press Review is published both on the corporate intranet and on the Portal for Personal Financial Advisers. In addition, an internal Media Relations team provides support every day to the top management of the Networks and the Group with a service offering a Restricted Press Review and the transmission of Intraday Alerts. The former consists of a subset of press review articles focused on current issues concerning Fideuram, the Intesa Sanpaolo Group, its competitors, the world of asset management, private banking and insurance, and the economic and financial scenario. The Intraday Alerts, sent via e-mail, mainly report the press agency reports on the current day's most important news.

WEB TV COMMUNICATIONS

The Web TV was used to disseminate content reserved to Private Banking Division personnel, using the television channel specifically dedicated to them.

Personal Financial Advisers and office colleagues were able to view various Web TV clips, including:

- "Intesa Sanpaolo Private Banking. Insieme per eccellere" (Intesa Sanpaolo Private Banking. Together to Excel"), two clips, the first with salient messages by the top executives Paolo Molesini, Tommaso Corcos and Saverio Perissinotto, who has moved over to head the Asset Management Division, and the second with the full commentary by Francesco Velluti. Gathered feedback from about 300 participants and sent the report of its results to top management;
- the Web TV boxed set "Pillole Informative di Wealth Advisory" ("Wealth Advisory Factsheets"), with a focus on the services offered by the Competence Centre: six solutions for non-financial advisory services;
- the Easter greetings issued by Paolo Molesini and Tommaso Corcos to Fideuram employees;
- the online meetings with experts on pandemic-related topics organised at the Division level.

FIDEURAM MOBILE SOLUTION

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

Through use of the most advanced technologies, the Personal Financial Advisers can:

- access constantly-updated documentation at any time, also on mobile devices, and share them with customers;
- acquire the customers' personal detail documentation in electronic format, through the smartphone Easy Doc 2.0 app and through the Cruscotto Compliance Clienti application;
- use their PC or iPad to prepare sales proposals, verify their suitability, obtain their customers' approval and execute their instructions. Our customers can accept these proposals by using digital signatures without printing out any forms, by signing pre-completed printed forms or by providing biometric signatures using the EasySign app on their Personal Financial Advisers' iPads.

The Personal Financial Advisers were provided with a Document Archive which provides them with easy and immediate access to all the forms used in investment operations and regulatory obligations, which are produced in digital format within the Fideuram Mobile Solution and signed by the customers in a holographic, electronic or biometric manner.

WELCOME

Welcome enables the Personal Financial Advisers of the Fideuram and Sanpaolo Invest Networks to acquire new customers and open current accounts in digital mode by following a guided, simple and intuitive series of steps allowing them to:

- acquire the identity card;
- record the personal details;
- sign the Basic Advisory Services or Advanced SEI Services contract;
- fill out the MiFID profiling questionnaire;
- open up an individual or jointly registered current account with new customers and with existing customers;
- transfer à la carte funds from other intermediaries.

All the contractual documentation, pre-compiled by Welcome, can be signed by customers using the holographic signature or biometric signature by using the EasySign app available on the Personal Financial Adviser's 'iPad, or the electronic signature, with the latter being limited to the acquisition of new customers and the opening of current accounts registered in the name of one person only.

SIGNATURE PROCEDURES

Also in 2020, the transition to paperless documents was supported by the different signature procedures available for signing in investment transactions, the acquisition of new customers and opening current accounts.
Using the tablet to sign is simple and immediate, being comparable to the experience of signing a paper document and having the same legal status.
Customers have the possibility of choosing from the following signature procedures:

- the Biometric Signature (AES: Advanced Electronic Signature): for Fideuram and Sanpaolo Invest, on the Personal Financial Adviser's iPad by using the EasySign app, even when offline. In the case of Intesa Sanpaolo Private Banking, this is regulated by the My Key agreement and is available at the branch by using the ISPAD tablet;
- the Electronic Signature (AES: Advanced Electronic Signature) for Fideuram and Sanpaolo Invest: in the personal area of Fideuram Online and Alfabeto, by using Fingerprint, Face ID, O-Key Smart, O-Key SMS, for investment transactions, or to acquire new customers and open current accounts in a private section of the public website, through the generation of One Time Password (OTP) codes received by the customer via text message;
- the Digital Signature (RDS: Remote Digital Signature) for Intesa Sanpaolo Private Banking: the digital signature, which is free of charge and an integral part of the digital identity regulated by the My Key agreement, allows users to sign documents and contracts digitally, comfortably and safely and which cover products and services offered by the Bank or other companies and available for purchase in the dedicated section in the personal area of the Bank website;
- the Holographic Signature: the traditional paper signature on the forms precompiled by the applications.

REMOTE AND OFF-PREMISES OFFER OF PRODUCTS AND SERVICES

The availability of biometric and electronic signatures has enabled us to develop the digital side of our offering of products and services outside bank premises and to launch a Remote Offer model providing significant benefits to our Personal Financial Advisers and customers. The provision of products and services outside bank premises has benefited from the biometric signature in a variety of ways, from the optimised management, archiving and control of contract documents to the speed and convenience of customers being able to receive their own copies in digital format, simplifying their management and traceability over time. The Remote Offer enables our Personal Financial Advisers to:

- acquire new customers and open current accounts: the customer may view the contractual documents in a personal area of the public website of the Bank and sign it by generating One Time Password (OTP) codes received via text message;
- offer value added advisory services by sending the investment proposals in the personal area of the Fideuram Online, Alfabeto or Intesa Sanpaolo Private Banking websites, where the customer can read and sign them with the electronic signature.

There are many important benefits for our customers and Personal Financial Advisers:

- our Personal Financial Advisers are able to select the most appropriate communication channel for their customers' needs with a view to optimising the relationship, taking them through guided processes to generate the documentation and formulate a sales proposal;
- our customers can receive their copy of the contract in digital format and independently sign the documents directly in the personal area of the public website of the Bank or on Fideuram Online and Alfabeto.

MAIN IMPROVEMENT OBJECTIVES FOR 2021

TOOLS SUPPORTING ADVISORY SERVICES

Fideuram Alfabeto

The following is planned for Fideuram Alfabeto:

- the completion of distribution of the new platform to customersand the concurrent gradual retirement of the Fideuram Online platform;
- expansion of the functions available to customers for digital payments and the home banking and advanced trading functions;
- additional improvement in the security levels on the instruction functions through the implementation of Risk Based Authentication;
- expansion of the customer assets representation and analysis functions;
- introduction of the digital customer interaction functions;
- the introduction of the new My Key digital identity agreement for customers who are natural persons.

Advisory Platform

With the aim of consolidating its features, in line with the developments expected by the service model, the following actions are planned for the Advisory Platform:

- completion of the migration of the added-value features found on the obsolete applications which will be discontinued during 2021;
- integration of the analysis and monitoring metrics for customer portfolios and for financial instruments, supplied by the Aladdin service of BlackRock Financial Management;
- upgrading of the functions and reporting facilities supporting the Advanced Advisory Services model for the Fideuram and Sanpaolo Invest and the Intesa Sanpaolo Private Banking Networks, with the aim of realising the application synergies between the two entities of the Private Banking Division;
- development of new features for the analysis of portfolios and products based on the main indicators and ESG themes;
- further improvements to the Sales Proposal, to support new products and services that will expand the range on offer during the year;
- information enhancement and the possibility of increased customisation in reporting.

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Fideuram Mobile Solution

With the aim of making the operations of Personal Financial Advisers easier, the following developments are envisaged for Fideuram Mobile Solution:

- broadening the range of products and managed operations;
- its extension to all types of customers;
- complete discontinuation of carbonless copy paper;
- modification of operations to comply with the MiFID 2 Directive;
- the closure of obsolete acquisition systems.

Welcome

With the aim of making Welcome the sole entry point for the Networks to acquire new customers, the opening of current accounts and the transfer of funds, plans call for:

- completion of the customer perimeter and possibilities for use by natural persons;
- extension to legal entities;
- development of the advanced electronic signature towards the remote digital signature;
- completion of the possibilities for use of remote signatures.

Portal for Personal Financial Advisers

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

Key TV Communications

The objective of Key TV is to produce more and more info-training tools useful to Personal Financial Advisers and their relations with customers, in a constantly changing world. In-depth examination of current affairs issues, workshops on financial markets, meetings with economists and managers of the leading investment houses will continue. Institutional communication videos and focused educational programmes targeting customers will continue.

NETWORK SERVICES

MAIN OBJECTIVES FOR 2020	ACTIONS AND RESULTS ACHIEVED
FIDEURAM AND SANPAOLO INVEST ONLINE SERVICES The launch of the new Alfabeto 2.0 platform will revolutionise user experience by integrating all the banking, trading and asset analysis features in a single environment. Alfabeto 2.0 is part of the wider "Digital Bank" program in which all the smartphone applications will also be reviewed and developed.	During 2020, development of the new integrated platform of online services was completed, with access via the web and from smartphones: Fideuram Alfabeto. For the mobile version, three separate apps were released: Alfabeto Banking, Alfabeto Trading e Alfabeto Patrimonio (available in iOS and Android versions). The first 44 thousand customers were authorised to use Fideuram Alfabeto in December 2020. However, they will still be able to use Fideuram Online and the old Fideuram app for an initial period. The public websites of the Personal Financial Advisers were published at the end of 2020. These present at digital space where customers can consult always up-to-date information on the financial world and the offering of Fideuram products and services and, if authorised to use Fideuram Alfabeto, access the new integrated platform.
Further added adjustments are also planned to comply with developments in European regulations, including alignment of fees and commissions for cross-border payments and transparency as regards exchange-rate fees and commission on bank transfers.	New web solutions were implemented in December 2020 to comply with developments in the European regulations governing foreign currency credit transfers, to guarantee clear disclosures: • of the estimated cost of foreign exchange services charged to the customer; • of the total estimated amount of the credit transfer in the customer's account currency (including any fees and commissions charged to the customer for the transaction and foreign exchange conversion) and in the beneficiary's currency.
INTESA SANPAOLO PRIVATE BANKING ONLINE SERVICES Further improvement of the user experience on all digital channels, with maximum attention paid to authentication procedures and the usability of the platforms according to customer requirements, with a special focus on the development of apps.	The following projects were undertaken during the year: • introduction of the XME Banks Financial Aggregator service; • release of the new version of the Intesa Sanpaolo Investo app with the section dedicated to trading Funds and SICAVs; • release of the Payment disavowal feature in the app; • opening of the Parcheggi (parking) service on the Intesa Sanpaolo Mobile app; • developments aimed at bringing the digital channels into compliance with the provisions of Regulation (EU) 2019/518 concerning disclosures on credit transfers in foreign currency, measures similar to those carried out for the Online Services of Fideuram; • extension of online reports to include documents concerning third-party mutual funds.
WEBSITES Updating and development of the editorial content and information material about the products on the websites.	During 2020, partly in consequence of the emergency resulting from the Covid-19 pandemic, the digital channels and websites of Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking took on a key role, not only to distribute institutional or promotional content on new products and services but also to transmit information to customers. The impossibility of accessing branches or meeting face-to-face with the Personal Financial Advisers incentivised the use of all digital channels.

ONLINE SERVICES

The year 2020 proved to be a year of great innovation and developments for the online services provided to customers for both Fideuram and Sanpaolo Invest. Considering the ever-growing use of digital services, partly due to the ongoing pandemic, Fideuram reinforced the tools used to protect its customers, thus complying with the most recent regulatory requirements.
Certain automated features were adopted to assess, identify and mitigate fraud risks to make every payment instruction more secure. New methods were also provided, such as security questions, which significantly increase transaction security. The old physical key was definitively replaced by more modern systems for the digitalisation of authentication tools, O-Key Smart and O-Key SMS, flanked by the most modern biometric systems.
Two additional mobile payment services were introduced and made available to customers during the year: Google Pay and SwatchPAY!.
The multi-channel services of Intesa Sanpaolo Private Banking were provided with further, significant improvements in 2020, thanks to:

- XME Banks Financial Aggregator: XME Banks is the service that allows Intesa Sanpaolo Private Banking customers to view their relationships at other banks (accounts and cards) from inside a single app, ISP Mobile, or from inside a single internet banking website, the one offered by Intesa Sanpaolo Private Banking. After aggregating his or her own banks through internet banking or the app, a customer may access XME Banks to see all of his or her movements via a direct connection with the other financial institutions. The data are protected by high security standards. Since September 2020, customers can also use the Bonifico XME Banks credit transfer function for their current account/prepaid card with an IBAN that has already been aggregated. This is how they can send requests for credit transfers in Italy or outside Italy or instantaneous credit transfers to the outside bank where the relationship used to execute the transfer is held. Intesa Sanpaolo Private Banking does not apply fees or commission for the service. Customers might be subject to possible fees and commissions according to the provisions of the agreement between the customer and the latter.
- New version of the Intesa Sanpaolo Investo app: this new version of the app dedicated to investments offers the possibility of subscribing to the whole range of mutual funds and SICAVs available to Private Banking customers.
- Disavowal of payments in the app: since July 2020, the Intesa Sanpaolo Mobile app offers a special function permitting the disavowal of unauthorised payments, without it being necessary to visit a bank branch.
- Parking spaces: the Parcheggi Service, which can be used exclusively through the Intesa Sanpaolo Mobile app, allows paying for parking in blue lined parking spaces in participating municipalities. The use of the parking space can be paid for by entering a new car license plate number or by selecting one already contained in the list.
- Online account statements for third-party mutual funds: since November 2020, the documents available for consultation in the Archive section of the internet banking website and the Intesa Sanpaolo Mobile app also include the documentation of Funds and SICAVs of outside investment firms.

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

WEBSITES

Fideuram and Sanpaolo Invest

Consistently with its role as a communication channel dedicated to customers and visibility channel to prospective customers, the website gave ample space to disclosures on the promotion of new products and services in 2020. At the same time, in a year dominated by the events tied to the spread of Covid-19, it was the place to obtain information about projects and initiatives connected with management of the specific historical and social period being experienced by Italy. In particular, the website contained generous space for promotion of the important For Funding campaign to raise funds to be used in social solidarity projects and institutional communications concerning the measures implemented to facilitate relationships with our customers and guarantee the continued availability of our services at the highest level of security.

With regard to the communication of information about new products and services, great emphasis was dedicated to the new digital payment services and expansion of the offering of Fideuram Folios. Analogously, lots of space was dedicated to information and content concerning cybersecurity, to bring our customers promptly up to date on the must effective practices to operate in complete security.

The new institutional communication campaign was launched in 2020. It found the right place inside the Fideuram and Sanpaolo Invest website to provide all detailed information concerning our philosophy and corporate mission.

Intesa Sanpaolo Private Banking

The public health emergency that dominated most of the year triggered a process of great change in customer relations with the bank, and even for the private customers who are traditionally less accustomed to use digital channels, resulting in a period of more intense use of the website. This was partly due to the fact that the operational platform is accessed through the home page of the public website and that internet banking and the other channels of the new digital experience have enabled customers to continue managing their own transactions even at the times branches are closed.

During 2020, over 900 thousand users (+63% from 2019) visited the website, with about 1.7 million sessions and over 2.2 million pages displayed.

The consequences of the pandemic and the change in customer needs and habits are also reflected in the nature of the content that filled the editorial sections during the year. Voice was given to a series of initiatives implemented by the Intesa Sanpaolo Group in response to the public health emergency that has struck Italy. These include the donation of €100m announced by the CEO of Intesa Sanpaolo, Carlo Messina, and the support and promotion for the "Coronavirus Emergency: Assisting Those Who Need It Most" campaign, realised by the Group through For Funding, and by the Civil Protection Department, which made it possible to raise more than €2,250k, with over 14,300 contributors.

During the first few months of the lockdown, the institutional website also contributed to the dissemination of operational communications related to protection of customers' health and the branch access procedures. It was one of the channels used by Bank management and the Private Banking Division management to send several messages to customers during the worst and most complex times of this pandemic and during the calmer period of the Christmas holidays.

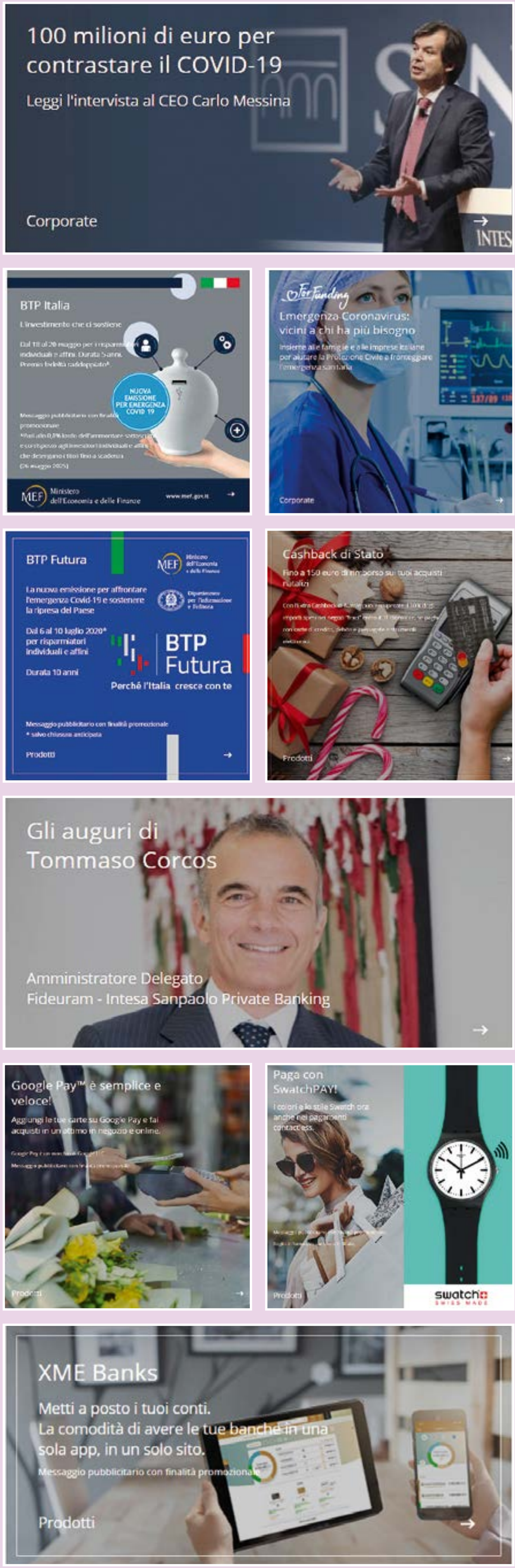
As far as the products are concerned, the website homepage served as the showcase for the placement of the BTP Italia and the two BTP Futura government bonds, which were issued on an extraordinary basis by the Ministry of Economy and Finance to support public health and the economic recovery.

Generous space was reserved in the homepage for the launch of the XME Banks Financial Aggregator and the promotion of several new digital payments, Google Pay and SwatchPAY!, the latter as the first bank in Italy together with Intesa Sanpaolo, that allow, in addition to the convenience of payment with instruments that are alternatives to physical cards and cash, also to benefit from the absence of contact, which has been so important during the last several months.

In the month of December, the home page also contributed to promotion of the Government Cashback programme, an initiative added by the Government to the Budget Law 2020 to incentivise the use of credit cards, debit cards and electronic forms of payment, with the aim of promoting the development of a more digital, rapid, simple and transparent system and to combat tax evasion.

Even the protection of security remains a key issue, and the footer of the public website hosted a new page dedicated to these themes.

Finally, there was further development of editorial content focusing on non-financial matters, associated with Wealth Management topics, with particular reference to the analysis of real estate market trends and the synergies with Gallerie d'Italia.



MAIN IMPROVEMENT OBJECTIVES FOR 2021

NETWORK SERVICES

Online Services

Fideuram and Sanpaolo Invest intend to continue in developing its services to customers, especially in the following areas:

- the spread of Fideuram Alfabeto to all customers and the gradual retirement of the Fideuram Online platform;
- development of the Alfabeto features for Personal Financial Advisers that target interaction with and management of customers;
- development of the Trading features available to Personal Financial Advisers.

Intesa Sanpaolo Private Banking intends to continue consolidating its experience on customers' digital channels:

- for natural persons, further improvement of the user experience on all digital channels, with maximum attention paid to authentication procedures and the usability of the platforms according to customer requirements, and offering new digital features, with a special focus on development of the possibility of signing the My Key digital identity agreement from a remote location;
- for legal entities, working on the transition to the new digital experience and to the My Key Business digital identity agreement.

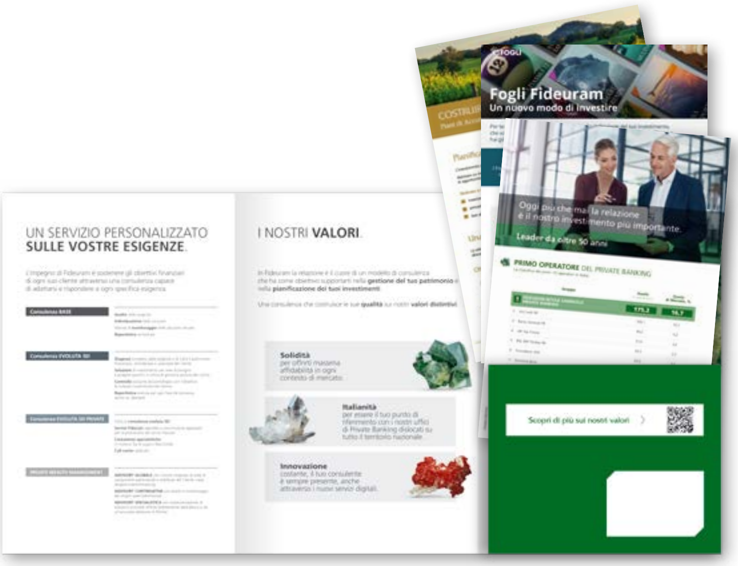
Website

During 2021 the websites will be involved in the communication initiatives connected with the start-up of the new Fideuram Alfabeto platform dedicated to banking, trading and assets analysis, with the aim of introducing and accompanying customers through all the new changes introduced with the spread of the new online platform.
The websites will continue to operate as important channels of communication with our current and prospective customers, and will be subject to continuous updates and development, in accordance with the development of communication requirements.
The mini-websites "Lavora con noi" ("Work with us") dedicated to the recruitment of new Personal Financial Advisers to be added to the Networks will also undergo renovation.
Further development and use of the Intesa Sanpaolo Private Banking website is planned to promote the main commercial changes that will characterise 2021 and to support the digitalisation process launched over the last years.

BELOW-THE-LINE COMMUNICATIONS

In 2020, below-the-line communications largely developed according to a new manner of communicating with customers tied to the context and with the realisation of new paper and digital media. In particular, various materials were created for institutional communication: a folder, "Invitation to Fideuram", with details and sections presenting the Group's numbers, products and services; a DEM (Direct e-mail marketing); a landing page containing detailed information that is accessed by using a QR code and link; a banner for social media that returns visitors to the landing page.

New paper and digital media were also realised for product communications on the theme "Building the future methodically. Pre-authorized contributions (PAC) plans and scheduled conversions". With this material, our traditional below-the-line storytelling creates a new vision. The transition from a close-up to a panoramic view transforms the product communication into a direct experience of the investment methodology. The realised products are the Digital Brochure, DEM (Direct e-mail marketing), landing page with product technical specifications, and financial education videos that explain the method lying at the basis of the PACs, and social media banners that take visitors back to the landing page.



Also supporting development of the product range, and continuously with the "sguardi" ("peeks") line, which has become established and recognised as distinguishing a direct and transparent product communication, consisting of the relationship between people, the Personal Financial Advisers and customers, a new brochure was developed to launch the fifth alternative investment fund of Fideuram, **Fai Mercati Privati Opportunità Reali** ("AIF Private Markets Real Opportunities"), and several product brochures were revised, including **Omnia**, with a change in the access threshold of the Ego Active family, **Fondo Pensione** ("Pension Fund") with the addition of the new Millennials segment, and **Fogli** (Folios) with the introduction of the new Personal line and a graphic revision of all dedicated materials.

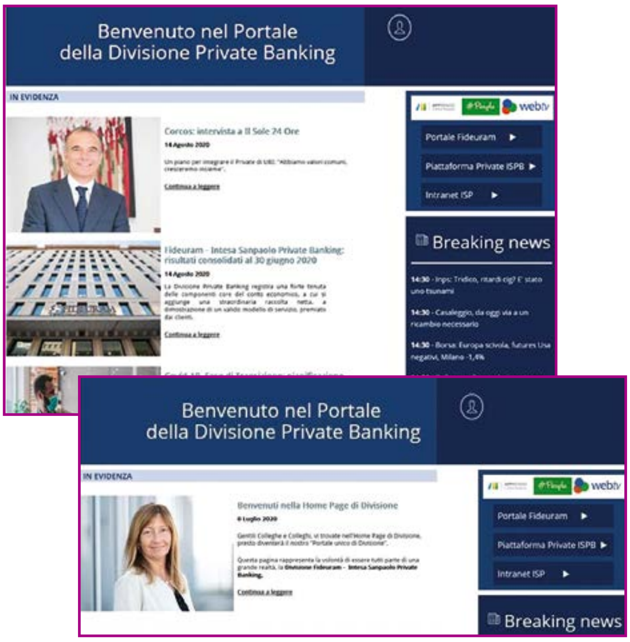
The external communication activity planned for two advertising campaigns, with one being a product campaign on alternative investments with print and digital releases between October and November 2020 to promote the launch of the new edition of Fai Mercati Privati Opportunità Reali, and the other an institutional campaign in December 2020. The institutional advertising campaign was especially relevant, with its protagonists being several of our Personal Financial Advisers, who thus became testimonials of the values of the brand. This was an authentic declaration of support for customers, based on an exclusive advisory service and sound trust relationship that begins with daily listening to build "a future of value". The media campaign included print, digital and billboard releases.

During 2020, Intesa Sanpaolo Private Banking pursued the goal of offering customers ever-more clear, transparent and comprehensive information on the service model, on the offered services and products, and on all the activities for disseminating and consolidating the brand identity, with a greater use of online channels.

There was an all-round focus on all aspects of institutional material and product documentation, geared to describing the range of services offered by the Bank to the various customer targets.
Updates were made to the institutional presentations and the WM presentation addressed to HNWI customers, featuring a specifically-designed format in line with the identity of the private bank.
Aspects of brand identity were monitored during the year under agreements with primary partners, including in the digital payment services sector. Institutional roll-ups were used for in-person events and partnerships, such as the hospitality that the bank offers to its leading customers in the skyboxes, where panels placed in highly visible areas were used.

INTERNAL COMMUNICATION

The project to create a single Portal for all employees in the Private Banking Division was realised in 2020. With a single sign-in, colleagues can now access a single home page containing the most relevant information regarding the Private Banking Division.
This is a way to establish a concrete sense of identity and belonging that has characterised Division employees since it was created.
The homepage is organised into different informational sections, which present, using graphics that are differentiated according to the relevance of the content, institutional news, HR news, selections of video from Key TV, and disclosures originating with the Group. It also contains links to the most popular platforms, access to the Group intranet and those of the individual companies, a breaking news section, and the press review.



GROUP INTERNAL COMMUNICATION

During 2020, the Intesa Sanpaolo Private Banking internal communication initiatives were created with the commitment to spread awareness of the private banking market and the service model adopted to satisfy the needs of customers in that market. In particular, they concerned:

- **Group Intranet**: in the dedicated section, with the updated framework of the organisation, projects and results of Intesa Sanpaolo Private Banking;
- **Intranet News**: timely updates on important aspects, such as messages from top management, results achieved, the positioning periodically observed in the private banking sector, the main initiatives and sponsorships realised "Blue Economy Summit 2020" in Genoa, the Private Banking Forum "Wealth for the future", and the Real Estate Market Report organised by Nomisma, the streaming event "Collegati al futuro" ("Connected to the Future") for the Network, and the roll-out of the Web TV clips;
- **Web TV,** the television channel used to distribute Bank information and initiatives.

Intesa Sanpaolo Private Banking also participated in **listening initiative**s of the Group to measure the internal climate concerning the impact of the pandemic and the corporate actions undertaken.
An article published in Mosaico, the online periodical of the Intesa Sanpaolo Group, was dedicated to the online conversations held by the Division on the preferred psychological approaches to be taken to deal with the consequences of the pandemic.

ORGANISATION AND INFORMATION SYSTEMS

ORGANISATION

The Organisation Department is responsible for directing the development of the organisational model of the Fideuram Group with respect to organisational units, sizing and processes, working with colleagues outside the department to ensure, inter alia, that project plans are respected and monitored, full information is relayed to top management and the departments concerned, and that any cross-project impacts are managed effectively. In line with the strategic objectives of the 2018-2021 Business Plan, the Organisation Department has been engaged in multiple planning initiatives.
The main initiatives managed in 2020 are illustrated as follows:

REGULATORY PROJECTS	CORPORATE PROJECTS
• Development of the MiFID 2 project and the Product Governance processes. • Regulatory developments in the insurance sector. • Regulatory compliance in the projects developed in synergy with Intesa Sanpaolo.	• Monitoring the impacts on the Division by the plan for merger of Banca IMI in Intesa Sanpaolo. • Coordination of the UBI Banca plan for integration of IW Bank and the UBI Top Private business unit in the Division.
MANAGEMENT PROJECTS	**COMMERCIAL PROJECTS**
• Adoption of the New Master File for the Intesa Sanpaolo Group ("Nuova Anagrafe delle Controparti del Gruppo Intesa Sanpaolo - NAG"). • Continuation of planning on the Upgrade of the Operational Models of the Networks. • Reinforcement of the actions and processes for monitoring operational activities to protect customers.	• Monitoring of the development of the Group Internet Banking platform and systems linked to it. • Continued reinforcement and monitoring of the organisational model dedicated to the High Net Worth Individuals and Mass and Affluent customers segment. • Adoption of the suite of in-house Aladdin apps of BlackRock Solutions supporting the Wealth Management activities and monitoring risk in investment services.

The Organisation Department also oversees the development and maintenance of the Group's internal regulations, consisting of Governance Documents: Articles of Association, Code of Ethical Conduct, Group Regulations, Authority and Powers, Guidelines, Department Charts and Organisation Charts, and operational regulations which govern its corporate processes: Rules, Operating Guides and Circulars.
The Organisation Department participated in the project for revision of the outsourcing processes after adoption of the new EBA Guidelines. It also coordinated the service level monitoring, through regular audits of the Key Performance Indicators (KPIs) for the services provided, sending periodic reports to Top Management on overall performance.

In response to the public health emergency resulting from the spread of the pandemic in 2020, contingency processes were introduced with the aim of guaranteeing the business continuity of the Network.

INFORMATION SECURITY AND BUSINESS CONTINUITY

The Fideuram Group has developed its own cybersecurity strategy through two main sets of measures, which outline a shift from an approach based on security of boundaries to the concept of security by design:

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

With reference to the critical events detected in 2020, the correct guidance and management thereof meant that no significant impacts occurred with any company in the Private Banking Division. What does merit mention is the emergence of cyber fraud, against which the Division has dedicated enormous resources to prevent and fight, while elaborating a remediation plan.

The following have assumed importance among the measures included in the plan:

- consolidation of the Cybersecurity Governance Model and its extension to all subsidiaries;
- continuation of adoption and adaptation to the division context of the new cybersecurity and business continuity regulatory framework;
- continuation of the "Third Party Security" project;
- planning and execution of the cybersecurity awareness programme;
- the analysis, planning and gradual implementation of technological target security measures;
- the execution of IT security audits.

The function is engaged, on an ongoing basis, in the operational coordination of the activities assigned to the Contact Person for the Private Banking Division's Sector Business Continuity

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

INFORMATION SYSTEMS
Among the tools for growth used by the Fideuram Group, technological innovation provides ever more effective support to the development of business and service models.
With the aim of fully exploiting the opportunities offered by new technologies, the system development and streamlining activities focused on three areas:

1. Activities in support of business;
2. projects to develop and streamline the architecture and digitalisation of our operating processes;
3. compliance with regulatory requirements.

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

- **Digital Bank**:
  - After the release and roll-out completed last year at Intesa Sanpaolo Private Banking of the NDCE (New Digital Customer Experience) platform and the new "Investo" Trading platform available on the web and mobile channels, the porting project of the platform was also completed on the Fideuram and Sanpaolo Invest Networks. Furthermore, the Alfabeto 2.0 solution was released and rolled out to an initial group of customers.
  - The "companion app" dedicated to Personal Financial Advisers was also realised in combination with the apps dedicated to customers: Alfabeto PB 2.0.
  - The Investo app was also improved with the "fund trading" feature for Intesa Sanpaolo Private Banking.
- **Expansion of the Product range**.
- **Integration/migration of Discretionary Accounts** of Intesa Sanpaolo Private Banking and Fideuram Asset Management SGR.

The following projects were completed in continuity and consistently with activities over recent years, as part of a broader process for architectural transformation and digitalisation of operational processes:

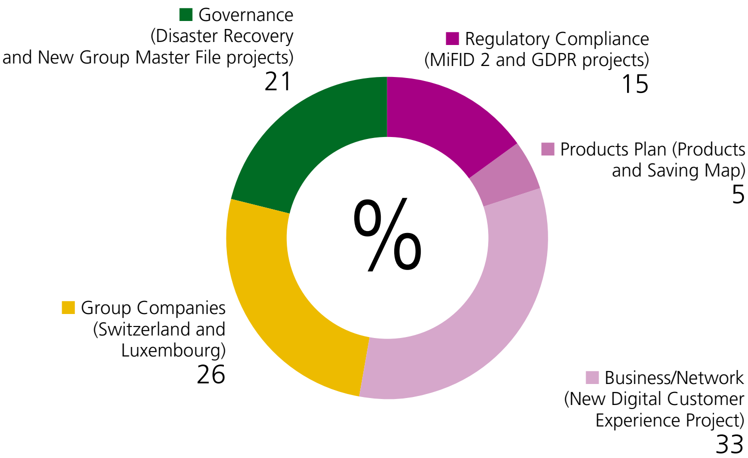
- **NAG - New Master File of Group customers.**
- **Welcome**: the app for onboarding of customers was further extended with new features to make the opening of current accounts easier and quicker by using paperless procedures.
- **Reinforcement of customer protection measures.**
- **Consolidation of the IT machine.**
- **Private Platform**: for the Intesa Sanpaolo Private Banking Network, the project to activate the new telephone channel for the collection of orders for securities and funds was fully integrated with the "private platform" tool dedicated to the Personal Financial Advisers.
- **OnLine Reports (OLR)**: this feature was activated for the Funds of Outside Firms for all operations of the network and direct channels with Intesa Sanpaolo Private Banking customers in order to further reduce the use of paper.

Finally, significant work was done in 2020 in terms of regulatory compliance concerning the MiFID 2 rules, GDPR rules, SFTR - Security Financing Transaction Regulation and Shareholder Rights Directive II.

Overall, Information Systems managed around 80 planning and development projects, always in compliance with business requests and commercial deadlines, with a total investment of approximately €50m.

BUSINESS OPERATIONAL SUPPORT ("BOS")
The role of providing support to the Networks was performed in a suddenly different and far more complex context in 2020. With the spread of the pandemic and need to operate extensively in smart working format, the organisation maintained service levels. The completion of a digitalisation project that was launched in previous years permitted rapid transformation of a big problem into an opportunity by boosting, when possible, its presence alongside the Personal Financial Advisers.
BOS played an active role in various projects, testing many newly-created or restyled product solutions of major applications: the New Group Masterfile (NAG), the Extension of the Operating Platform and Alfabeto 2.0. An important contribution was provided in managing the MiFID 2 project and active

Investments in information systems



participation in the creation of important releases for the Products Plan of the company. Moreover, the contribution towards distributing the Welcome app for onboarding customers on the Network continued.
The integration of operating services and resources of Fideuram and Intesa Sanpaolo Private Banking was finally completed during the year, in order to provide a single Division level service centre.
In addition, certain initiatives were undertaken in agreement with the Personnel to promote job rotation inside the firm (Smart Rotation) and also, with Procurement, purchases were made during peak work times (Smart Sourcing), which turned out to be precious, especially this year.
Several AML activities were assigned during the year, and for which the service levels were optimised. Additional automations are underway with a robotic approach that remains one of the principal levers for the improvement of services for the entire organisation.

COORDINATION AND OPERATIONAL STRATEGIES

In relation to Governance, the Coordination and Operational Strategies unit completed onboarding Fideuram Bank (Luxembourg) in the demand management, IT budget governance and project monitoring processes.
The Division's Project Portfolio is monitored effectively through management by the Projects Committee. For this purpose, the Project Management tools were further developed with the preparation of new views that favour an integrated and coherent representation of the information about the entire, end-to-end process.
The unit continued its Technical Secretariat role within the Chief Operating Officer Area, for across-the-board duties relative to the relations with external supervisory authorities (ABI, Bank of Italy and ISTAT) and internal bodies (Financial Management Governance and Audit). It actively participated in the updating of the IT Strategic Plan 2018-2021 and was the primary interface in respect of Intesa Sanpaolo's Governance structures on issues referring to Project Management. Moreover, it made contributions for the Quarterly Report and for the Global Governance Committee.

NETWORK AND CUSTOMER ASSISTANCE

The contact volumes reported by the Contact Centre dedicated to requests for assistance from the Networks increased compared to the previous year as regards requests for support provided to Personal Financial Advisers on the use of onboarding tools, biometric signature, MiFID developments, development of the Advisory Platform, in the process of managing regulatory and product compliance.

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

All the Audit and Financial Management Governance controls carried out on the Information Systems and Operating Services areas during the year confirmed that appropriate operational risk management was being implemented.

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

3.8.4 **Human** capital

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

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

PERSONAL FINANCIAL ADVISERS

	2020	2019	2018
Fideuram Network - No. of customers per Personal Financial Adviser	169:1	162:1	155:1
Sanpaolo Invest Network - No. of customers per Personal Financial Adviser	132:1	124:1	113:1
Intesa Sanpaolo Private Banking Network - No. of customers per Personal Financial Adviser	43:1	41:1	40:1
Intesa Sanpaolo Private Bank (Suisse) Morval Network - No. of customers per Personal Financial Adviser	33:1	33:1	31:1
Ratio of Client Assets to Personal Financial Advisers (€m)	45	42	36

MAIN OBJECTIVES FOR 2020	ACTIONS AND RESULTS ACHIEVED
Attention towards high-profile recruitment to enable the Group to make progress in offering excellent levels of professionalism that can focus on meeting even complex customer needs, by expanding the services provided, especially in terms of quality, effectiveness and competence.	In 2020 the recruitment activities suffered a slow-down due to the social distancing imposed by the public health emergency. Nevertheless, the resilience and professionalism of the Personal Financial Advisers associated with an efficient technological support meant that important results were achieved both in terms of the number of new recruits (172) and their improved quality.
Launch of the new Alfabeto Fideuram platform which will revolutionise the user experience of customers.	In 2020, in order to improve the user experience of customers, the new Alfabeto Fideuram digital platform was created which integrates all the banking, trading and asset analysis features. In addition to the web platform, there are also three new apps: Alfabeto Banking, Alfabeto Trading and Alfabeto Patrimonio. The applications were initially released to Digital Specialists, who contributed to consolidating the features and also to the training of other Personal Financial Advisers. Subsequently Alfabeto Fideuram was made available to all Personal Financial Advisers and to the employees of Fideuram and Sanpaolo Invest. In December 2020, over 40 thousand customers were authorised.
As regards the Advisory Platform, the release to the Fideuram and Sanpaolo Invest Networks of the Sales Proposal was completed, with adjustments in operations in line with the MiFID 2 Directive, strengthening of controls on adequacy, extension of contents and functions in support of Personal Financial Advisers' activities.	At the beginning of the year the release of the new Sales Proposal for the Networks was completed. A path of evolution and improvement of the Proposal was then undertaken, with the aim of completing the perimeter of the products and operations, and managing the new products and services that have expanded the offer. Targeted measures were carried out to bring the Sales Proposal into line with the MiFID 2 Directive with the aim of strengthening controls on adequacy. The reports that Personal Financial Advisers can print on demand from the Advisory Platform has been enriched with the introduction of new information, such as the display of liquidated products/contracts, and the book values of funds placed à la carte, shares and ETFs. The Advisory Platform allows Personal Financial Advisers to access the main features of Alfabeto PB, with the aim of providing the Networks with a single entry point from which to manage the customisations provided by the new internet banking and digital wealth management platform, Alfabeto 2.0.

SIZE OF NETWORKS

The Group's Networks (Fideuram, Sanpaolo Invest, Intesa Sanpaolo Private Banking and Intesa Sanpaolo Private Bank (Suisse) Morval Networks) totalled 5,741 Personal Financial Advisers at 31 December 2020, compared with 5,834 at the end of 2019, as shown below:

Group Personal Financial Advisers

(No.)

	BEGINNING OF PERIOD 1.1.2020	IN	OUT	NET	END OF PERIOD 31.12.2020
Fideuram Network	3,614	102	137	(35)	3,579
Sanpaolo Invest Network	1,254	38	72	(34)	1,220
Intesa Sanpaolo Private Banking Network	912	28	51	(23)	889
Intesa Sanpaolo Private Bank (Suisse) Morval Network	54	4	5	(1)	53
Total	**5,834**	**172**	**265**	**(93)**	**5,741**

Fideuram Network Personal Financial Advisers

(No.)

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1.1.2020 - 31.12.2020	3,614	102	137	(35)	3,579
1.1.2019 - 31.12.2019	3,662	177	225	(48)	3,614
1.1.2018 - 31.12.2018	3,635	166	139	27	3,662

Sanpaolo Invest Network Personal Financial Advisers

(No.)

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1.1.2020 - 31.12.2020	1,254	38	72	(34)	1,220
1.1.2019 - 31.12.2019	1,344	48	138	(90)	1,254
1.1.2018 - 31.12.2018	1,428	53	137	(84)	1,344

Intesa Sanpaolo Private Banking Network Personal Financial Advisers (*)

(No.)

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1.1.2020 - 31.12.2020	912	28	51	(23)	889
1.1.2019 - 31.12.2019	927	37	52	(15)	912
1.1.2018 - 31.12.2018	880	88	41	47	927

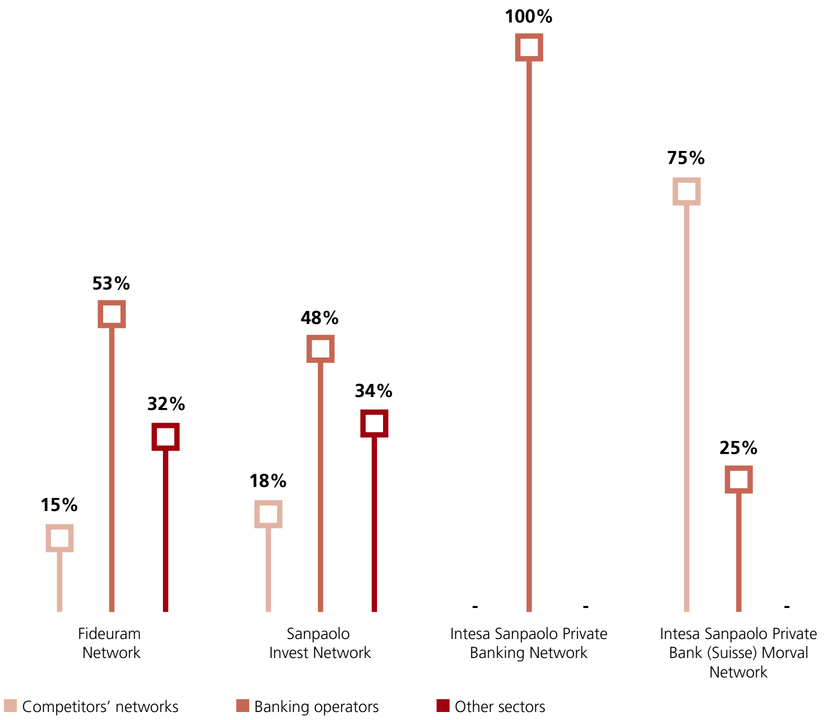
(*) At the end of 2020, the Intesa Sanpaolo Private Banking Network numbered 823 Personal Financial Advisers who are salaried employees registered in Italy's Unified Register of Financial Advisers and 66 freelance professionals on agency contracts.

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

(No.)

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1.1.2020 - 31.12.2020	54	4	5	(1)	53
1.1.2019 - 31.12.2019	62	6	14	(8)	54
1.1.2018 - 31.12.2018	47	21	6	15	62

Origin of professionals joining the networks, 2020



During 2020, our recruitment programme brought 172 new Personal Financial Advisers into the Group, 14% of which coming from competitor networks, compared with 268 in 2019. A total of 265 Personal Financial Advisers left the Group during the year, with 20% of them moving to competitor networks.

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

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

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

TURNOVER BY AGE AND GENDER, 2020

Fideuram Network

GENDER	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Men	79	2.7	124	4.2
Women	23	3.5	13	2.0
Total	**102**	**2.8**	**137**	**3.8**

AGE	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Under 30	20	34.5	3	5.2
30 to 50	57	5.5	22	2.1
over 50	25	1.0	112	4.5
Total	**102**	**2.8**	**137**	**3.8**

Sanpaolo Invest Network

GENDER	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Men	24	2.5	56	5.9
Women	14	5.1	16	5.9
Total	**38**	**3.1**	**72**	**5.9**

AGE	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Under 30	10	37.0	-	-
30 to 50	19	5.3	15	4.2
over 50	9	1.1	57	6.8
Total	**38**	**3.1**	**72**	**5.9**

Intesa Sanpaolo Private Banking Network

GENDER	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Men	25	4.3	34	5.8
Women	3	1.0	17	5.6
Total	**28**	**3.1**	**51**	**5.7**

AGE	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Under 30	-	-	-	-
30 to 50	15	3.9	12	3.1
over 50	13	2.6	39	7.8
Total	**28**	**3.1**	**51**	**5.7**

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

GENDER	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Men	4	12.1	3	9.1
Women	-	-	2	33.3
Total	**4**	**10.3**	**5**	**12.8**

AGE	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Under 30	-	-	-	-
30 to 50	1	5.6	3	16.7
over 50	3	14.3	2	9.5
Total	**4**	**10.3**	**5**	**12.8**

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

ORGANISATIONAL STRUCTURE

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

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

FIDEURAM
INTESA SANPAOLO PRIVATE BANKING

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

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

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

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

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

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

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

POSITION	RESPONSIBILITIES
AREA MANAGER	Coordinate the strategic/commercial guidance defined, in order to maximise the sustainable growth in the local area as part of the assigned Area. Convey the strategies and the expected targets in the Area. Share with the Managers under his/her supervision the sales activities in the local area in terms of actions, timing and priorities; transmit the company organisational methods to be implemented in the Area and check their effective execution. Supervise and ensure the dissemination of Best Practices identified in the Area for each development area. Periodically verify progress in different commercial development areas, discussing qualitative and quantitative results and progress of initiatives with Managers, specifying and monitoring any realignment actions necessary. Ensure values of professionalism, propriety and appropriate business behaviour are applied across area by Personal Financial Advisers. Communicate a return on the activities of a commercial nature carried out in the assigned Area.

Antonio Grandi
Fideuram Area 1

Maurizio Boscariol
Fideuram Area 2

Giorgio Botta
Sanpaolo Invest Area 1

Giuseppe Michieli
Fideuram Area 3

Claudio Regoli
Sanpaolo Invest Area 3

Claudio Natali
Sanpaolo Invest Area 4

Giorgio Pietanesi
Fideuram Area 8 e
Sanpaolo Invest Area 5

Gabriele Roccato
Fideuram Area 4 e
Sanpaolo Invest Area 2

Loris Ventura
Fideuram Area 7

Flavio Vanin
Fideuram Area 6

POSITION	RESPONSIBILITIES
DIVISIONAL MANAGER	Implement strategic/commercial guidance in order to maximise the sustainable development and support the professional growth of the Financial Advisers supervised in the assigned Area. Monitor the quality of the customer service provided by the Personal Financial Advisers and work on its improvement. Implement management actions for guiding and supporting the qualitative and quantitative growth and development of client assets. Coordinate management activities supporting Personal Financial Advisers to acquire and consolidate competencies and improve distinctive modes of behaviour. Coordinate management activities guiding and monitoring quality of service offered, along with customer perceptions of service quality.
REGIONAL MANAGER	Carry out activities as the business contact of the Personal Financial Advisers, implementing the support activities aimed at maximising the development and growth of the group of Personal Financial Advisers under his/her supervision. Implement management actions regarding the guidance and support of the group of Personal Financial Advisers supervised. Work to expand the group of Personal Financial Advisers through recruitment, with constant and careful attention to the professional and personal quality of the recommended candidates. Coordinates the professional growth of newly-recruited Personal Financial Advisers, providing support in the post-induction phase. Ensure the quality of the group of Personal Financial Advisers assigned, implementing all the management actions required to manage and monitor Network change processes, checking the medium to long-term strategic impact.

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

ROLE	RESPONSIBILITIES
PRIVATE BANKING AREA MANAGER	Ensure business growth and the achievement of economic, business and risk management objectives in their area through monitoring and coordinating the work of the Private Banking and HNWI Branches, supporting their actions where necessary. Ensure strong brand affirmation.

1st row at the top from left to right,
Cristiano Clagluna Head of Municipality and province of Turin Private Area - **Ciro Lupo** Head of Adriatic Area, Puglia, Calabria and Basilicata - **Luigi Rinaldi** Head of Lazio, Sardinia and Campania Private Area - **Giancarlo Rescalli** Head of the Northern Lombardy Private Area

2nd row in the middle from left to right,
Gianni Debernardi Head of the Valle d'Aosta, Piedmont and Liguria Private Area - **Mario Pellegrinotti Mari** Head of Tuscany and Umbria Private Area - **Mario Moroni** Head of North East Private Area - **Paolo Baggetta** Head of Emilia Romagna Private Area

3rd row down from left to right,
Santa Lucia Di Giorgio Head of Sicily Private Area - **Francesco Velluti** Deputy General Manager, Marketing and Network - **Selene Amadori** Head of Lombardy Adige Private Area - **Roberto Iaboli** Head of Municipality of Milan Private Area

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

The following tables show the 2020 data for each of the four Personal Financial Adviser Networks, analysed by rank, gender, average age and average length of service.

Fideuram Network

	MEN	WOMEN	TOTAL	AVERAGE AGE	AVERAGE LENGTH OF SERVICE
Area Manager	7	-	7	62	28
Divisional Manager	22	-	22	58	28
Regional Managers	89	4	93	57	22
Group Managers	313	23	336	55	17
Personal Financial Advisers	2,491	630	3,121	54	16
Total	**2,922**	**657**	**3,579**	**54**	**16**

Sanpaolo Invest Network

	MEN	WOMEN	TOTAL	AVERAGE AGE	AVERAGE LENGTH OF SERVICE
Area Manager	3	-	3	56	23
Divisional Manager	5	-	5	58	27
Regional Managers	35	1	36	56	19
Group Managers	112	16	128	55	18
Personal Financial Advisers	793	255	1,048	53	13
Total	**948**	**272**	**1,220**	**54**	**14**

Intesa Sanpaolo Private Banking Network

	MEN	WOMEN	TOTAL	AVERAGE AGE	AVERAGE LENGTH OF SERVICE
HNWI Branch managers	8	2	10	55	32
Private Banking Branch managers	69	22	91	54	28
Global Relationship Managers	15	6	21	54	29
Team Leaders	52	26	78	52	27
Executive Personal Financial Advisers	54	30	84	51	24
Personal Financial Advisers	338	201	539	49	19
Freelancers on agency contracts	52	14	66	61	29
Total	**588**	**301**	**889**	**51**	**22**

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

	MEN	WOMEN	TOTAL	AVERAGE AGE	AVERAGE LENGTH OF SERVICE
Manager / Area Manager	5	-	5	56	13
Personal Financial Advisers	28	6	34	49	7
Total	**33**	**6**	**39**	**48**	**5**

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

TEAM

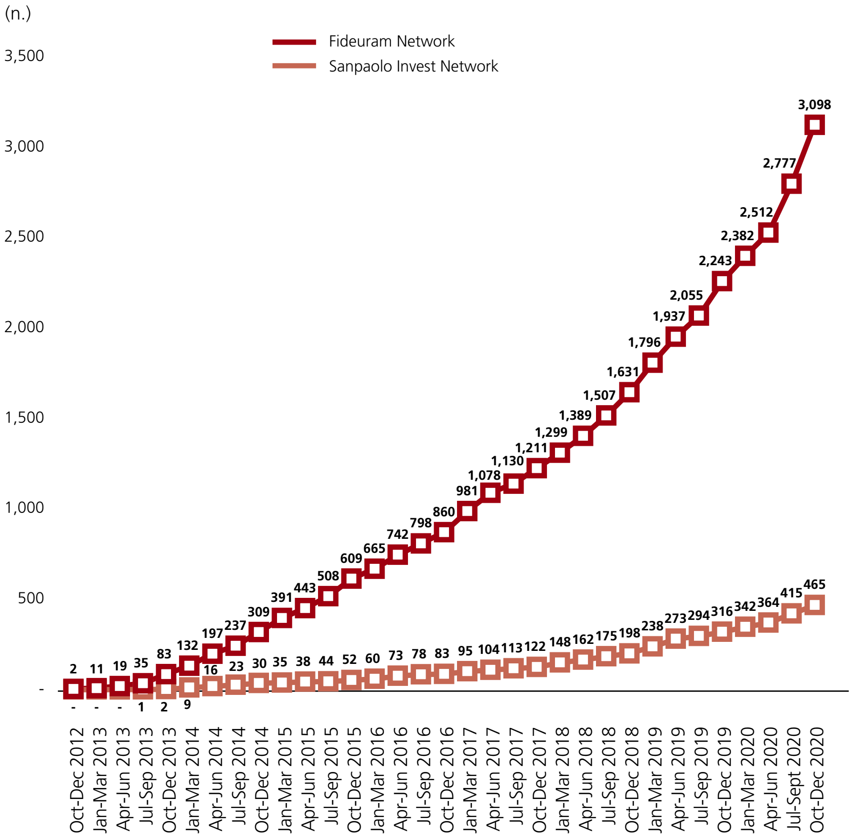
3,563
agreements signed since the launch of Team

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

Eight years on from its launch, 1,651 Personal Financial Advisers are working together in Team (about 36% of the Personal Financial Advisers in the Fideuram and Sanpaolo Invest Networks), jointly managing a total of around €16.6bn assets for over 119 thousand customers.

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

Number of agreements



1,448
positions as Team Leaders

and

1,524
positions as Team Partners

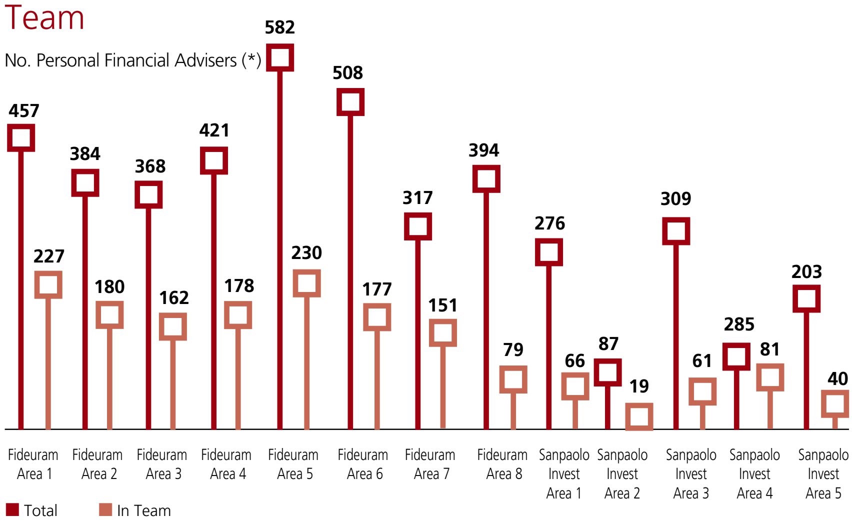
involving

1,651
Personal Financial Advisers

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

Team

No. Personal Financial Advisers (*)



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

CONTRACTUAL RELATIONS

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

This contract stipulates the basic collective provisions for our Personal Financial Advisers and further benefits which supplement their remuneration, social security and pension provisions, principally by linking them to the achievement of annual sales targets.

The agency contract came into effect for both Networks in 2018. This contract was submitted to all Personal Financial Advisers joining as from that date.

This contract seeks to primarily address the following purposes:

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

The Personal Financial Advisers at Intesa Sanpaolo Private Banking are direct employees of the Bank in the same way as other branch positions. Moreover, at 31 December 2020, there were over 66 agents. These agents are not employees and have stipulated an agency contract.

Fideuram and Sanpaolo Invest - Bologna Office

REMUNERATION AND INCENTIVES

Fideuram and Sanpaolo Invest

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

The remuneration paid to the Personal Financial Advisers is made up of the following:

- a recurring component, which is the most stable and routine part of their remuneration;
- a non-recurring component which is the part taken into account for bonus calculations, with the specification that the commission does not in itself constitute an incentive.

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

The recurring remuneration of Network Managers is made up of:

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

In addition to this recurring remuneration, and in line with market practice, the distribution Networks are rewarded with incentives designed to guide sales activities towards the achievement of specified targets that take the Group's long-term strategies and objectives into due account so as to reward the results actually achieved, taking risk (including legal and reputational risk) into full account and prioritising proportionality criteria that promote and foster respect for high standards of conduct and care for each customer's interests.

These incentives are both monetary (bonuses) and non-monetary (e.g. annual contests which award prizes in the form of trips or attendance at conventions, etc.). Dedicated Regulations are provided every year, notifying the Networks of the mechanisms that will be used to incentivise them to achieve their business targets.

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

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

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

Intesa Sanpaolo Private Banking

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

NETWORK EVENTS IN 2020

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

CLOSE TO THOSE IN GREATEST NEED AND CONNECTED TO THE FUTURE

We have had an extremely complex year both professionally and psychologically. The pandemic forced us to deal with new challenges and important tests, especially in a situation like ours whose lifeblood depends on personal relations. The need to experiment with new ways of communicating and being close to people allowed us to seize a new opportunity. In fact, we have made the most of digital technology by managing to cancel out the distances and to engage many more people than we have been able with face-to-face events. A paradigm shift accelerated by the pandemic urgency. During the year numerous digital communication events and initiatives were organised, including the plenary event "Connected to the Future" with all the Personal Financial Advisers of the Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking Networks and employees that involved over 7,500 participants.

The health emergency also strengthened our sense of responsibility. The Division supported the extraordinary fundraising initiatives of the Intesa Sanpaolo Group and its great commitment to supporting the country. In continuity with this commitment, Fideuram decided to give a further signal of solidarity. Following the cancellation of Superviaggio, the bonus trip for the best financial advisers of the Fideuram and Sanpaolo Invest Networks, the winning Personal Financial Advisers in fact expressed their desire to renounce their award, in favour of a donation in the health or social field. This led to a wider institutional project that allocated about €1m to third sector associations and to the main hospital authorities in five Italian regions.

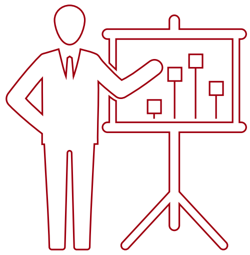
MAIN IMPROVEMENT OBJECTIVES FOR 2021

The Group is renewing its clear commitment to providing space for young talents with a view to generational renewal, while still maintaining a high focus on searching for and selecting the best senior professional profiles. The Group envisages that it will complete the distribution of Alfabeto Fideuram to customers, progressively discontinue the current Fideuram Online platform and expand the platform features geared to customers and Personal Financial Advisers.

For the Advisory Platform, we expect to complete migration of the added-value features found on the obsolete applications which will be discontinued during 2021. In addition, there will be further integration of the analysis and monitoring metrics for customer portfolios and for financial instruments, supplied by the Aladdin service of BlackRock Financial Management. The features and reporting function that support the Advanced Advisory Services model for the Networks will be upgraded, with a focus on ESG issues. Further improvements will be made concerning the Sales Proposal, to bring it into line with the MiFID 2 Directive and to support new products and services that during the year will expand the range on offer to the Sales Network. New information and the possibility of greater customisation in reporting will be made available to Personal Financial Advisers in support of their operations.

NETWORK TRAINING

394,090
Training hours



MAIN OBJECTIVES FOR 2020	ACTIONS AND RESULTS ACHIEVED
Fideuram and Sanpaolo Invest Networks	
MiFID 2: Consolidation of training framework.	During 2020, the Training of Personal Financial Advisers focused on consolidating the framework for analysing, assessing and measuring competencies within the scope of MiFID 2. The training courses were provided in webinar mode, unlike the usual classroom training, and were completed with training via Campus online.
Wealth Management Adviser Certification.	In 2020 the certification process of Executive Personal Financial Advisers continued via the web: the Personal Financial Advisers continued or completed their courses in order to meet the requirements needed to enroll in the exam and took the exam remotely with the examination commission from the Catholic University of Milan.
Fideuram Academy (Partners).	During 2020, the Academy section was created on Campus online with contributions made by our main business partners. The Academy's multimedia content addressed both financial education and current issues. Each of these was assigned validity for MiFID certification purposes
Developing in-area training, to increase and promote the use of digital applications and apps, to eliminate hard-copy content and sim-plify processes.	In 2020 we reached an average digitalisation ratio of 53%, for both Networks.

Continued overleaf>>

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MAIN OBJECTIVES FOR 2020	ACTIONS AND RESULTS ACHIEVED
Intesa Sanpaolo Private Banking Network	
Support the actions of enhancing branches, in terms of orga-nisation and managerial and sales development, through the gradual involvement of all Network figures, with particular reference to Managers and Team Leaders.	An initiative was activated in favour of the Net-work manage-ment aimed at addressing more effectively the management and sales relation-ship issues caused by the massive increase in the use of digital technologies following the public health emergency.
Promote and further foster the spirit of identity, sense of be-longing and integration.	The abilities in providing a reaction introduced by the Network in order to deal with the chang-es in the outside situation have strongly consoli-dated the level of cohesion, sense of belonging and awareness of being part of an organisation that has been able to show itself as a solid and reliable point of reference for its customers.
Disseminate ample knowledge on the subject of behavioural finance issues to enhance business management skills.	The info-training action in favour of the Net-work continued, aimed at raising knowledge about and providing greater insi-ghts into the main financial issues required in order to devel-op the business, also thanks to the prompt re-modulation into di-stance mode of the sessions generally provided face-to-face.
Continue efforts to raise awareness on the subject of opera-tional risk by promoting a qualified under-standing of the con-nections between sales activi-ties and corporate compliance.	The new three-year anti-money laundering plan was laun-ched, together with the activation of initiatives aimed at im-proving specific exper-tise in the field of regulations.

TRAINING PROGRAMMES AND INITIATIVES FOR THE FIDEURAM AND SANPAOLO INVEST NETWORKS

From March 2020 onwards, training courses were provided exclusively through the web.
The characteristics of the new programming were:
- short-term training units;
- limited possibility of interaction with participants;
- greater number of training sessions.

1. MiFID 2 Training
The assessment of MiFID skills identified a few training gaps and so two online courses lasting a total of 6 hours were prepared and made mandatory, with the following contents:
- monetary policy issues and financial markets;
- insight into the supervisory system, administrative sanctions and the related procedure.

2. CF Top and Executive Certification
As part of the efforts to build a common culture and to spread corporate values, the Certification of Skills Program continued in collaboration with the Cattolica University in Milan. For the Personal Financial Advisers involved, belonging to the Top and Executive segments, at least one hundred training credits need to be awarded and a written and oral examination needs to be passed in addition to reasoned comments on a case study.

3. Programs for the New, Senior and Executive segments
All Personal Financial Advisers from the Fideuram and Sanpaolo Invest Networks benefit from a structured program of courses and training initiatives delivered through annual programs.
The training paths for these segments were:
- Entry to the Profession – New Entries;
- Fideuram Course – Senior;
- Advanced Training Course – Executive.

Entry to the Profession
The program dedicated to new-entries was structured into four learning modules: Welcome Day, Service Model, The Digital Adviser, Sales Methods.

Fideuram Course and Advanced Training Course
In response to new organisational needs, the contents of courses dedicated to Executive and Senior Personal Financial Advisers involved a number of joint training sessions.
Topics covered included:
- Protection against unforeseen events in life planning;
- Geopolitical analysis and management of critical situations;
- Wealth tax and tax increases: defensive strategies;
- New Megatrends and ESG investments.

With the aim of supporting the digitalisation process, the Digital Pro course was established, dedicated to 1,800 Personal Financial Advisers, who showed a greater aptitude towards the world of digital advisory services.

DEDICATED TRAINING INITIATIVES

At the request of the management structure, personalised training initiatives were prepared based on specific local development needs. Some of these covered topics in the SEI Advisory Service, Role Growth, Resilience and Active Listening and Coaching on a group of GMs.

ONLINE LEARNING

The 2020 online training covered the following topic areas:
- Economic scenarios and markets;
- Instruments and products;
- Role of the Financial Adviser.

Some of the above courses also recognised credits for maintaining the EFPA certifications for about 600 certified Personal Financial Advisers.

Campus app
All the web activity found operational support in the Campus app that was launched during the past year to manage the running of final tests for the individual training units in an effective and streamlined manner.

Academy Fideuram (Partners)
During the year, the Academy section was created on Campus online with training contributions made by our main business partners. Each of these was assigned validity for MiFID certification purposes.

Training on applications
More and more digital tools are supporting the activities of the Personal Financial Advisers and in order to make them user-friendly, Fideuram organised a total of 600 hours providing:
- 191 training sessions dedicated to Personal Financial Advisers, including some specific sessions for Digital Specialists and the management structures (15 in the classroom and 176 webinars);
- 6 face-to-face training sessions dedicated to future Personal Financial Advisers (newly-recruited ones and PWA Assistants).

Until last year dedicated training classrooms were organised locally, but this year following the spread of the Covid-19 pandemic, distance training exceeded 90% of the total hours (in 2019 it was 30%), thus reaching all the Personal Financial Advisers of the Fideuram and Sanpaolo Invest Networks.
The main topics covered in distance learning were:
- **digitalisation** (114 webinars): concerning the proposal, customer onboarding and remote account signing; the use of platforms such as Skype for Business and the closure of outdated applications features;
- the **Alfabeto 2.0 platform** dedicated to customers.

TRAINING PROGRAMMES AND INITIATIVES FOR THE INTESA SANPAOLO PRIVATE BANKING NETWORK

The Sales Network succeeded in dealing with the situation changes due to the pandemic, with great professionalism and determination. The growing need to adopt methods of approaching customers mainly via technological means represented an important opportunity for the development of even wider and more articulated skills and new relational models, ensuring a high level of service even in a particularly complex scenario.

On the basis of these premises, the training action focused on the following main area of activity:

- **Managerial Empowerment**
  - In-house/Group initiatives, through the involvement of Network figures in across-the-board sessions aimed at the management, promoted both internally and at Group level.
  - "Energy in circulation", measure aimed at those with roles of responsibility, conducted immediately after the first phase of the public health emergency, to give new impetus to team dynamics and business relations.
- **Development of sales and relational skills**
  - "Team spirit and interoperability: key values of an advanced HNWI service", completion of the project launched last year with the aim of developing a professional model capable of systematically integrating all the best available internal competencies.
  - "Plan for Info-training meetings with Third-Party Companies" with the aim of providing a wide overview of market trends and the evolution of financial products, for the purposes of an effective sales proposal.
  - "Emotional dynamics in relationships in managing Private Banking customers", an event for new Personal Financial Advisers coming from a position as assistant or from the outside.
- **Development of specialist and organizational skills**
  - "Simplification of operational processes and risk control" in order to disseminate the risk culture and the most appropriate and consistent forms of sales approach.
  - Preparation for the exam of Personal Financial Adviser, a pre-condition for enrolling in the Register of Financial Advisers.
  - Language training, supported by a new platform on Apprendo with the possibility to enhancing one's knowledge of six languages (English, French, German, Spanish, Portuguese and Italian for foreigners).
- **Development of sales profile compliance skills**
  - Consob, for the annual refresher course for anyone providing customer advisory service, in relation with MiFID 2 regulation.
  - IVASS (the Italian Insurance Regulator: Istituto per la Vigilanza sulle Assicurazioni), basic and refresher training program in line with the requirements of the Italian Unified Register of Insurance Brokers (RUI).

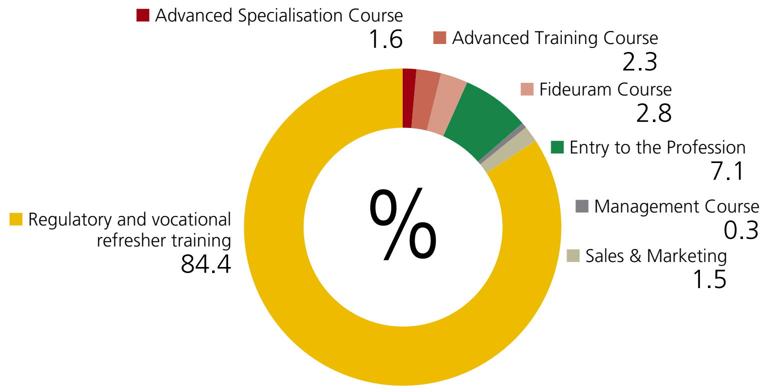
- Anti-money laundering, launch of the 2020-2022 three-year plan with the online release of the new version of the course for the Network staff "in contact with customers".
- Reporting Suspicious Transactions and Authorisations, through special meetings with the Group Delegate, which were attended by Network figures more actively involved in dealing with sensitive situations in this area.
- Legislative Decree no. 81/08 – Health and Safety, through remote classrooms focusing on the main topics related to the pandemic situation.

It is also worth noting the gradually increasing number of Agents, with expected further growth in 2021, who are regularly involved in the main sales training sessions and in those of a mandatory nature on compliance issues.

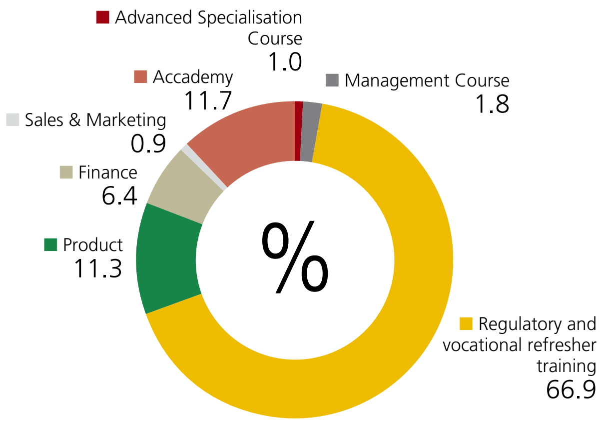
Personal Financial Adviser training is analysed in the graphs below, both with regard to online training and class-based training.

Group training hours in 2020, analysed by Training Area (%)

Class-based training



Online training



MAIN IMPROVEMENT OBJECTIVES FOR 2021

Fideuram and Sanpaolo Invest Networks Training

In the first part of 2021 all the activity will be organised in web mode until it is possible to return, at least partially, to face-to-face Campus activities.

The training objectives will include:

- Wealth Management Adviser Certification: the certification course, developed in conjunction with the Cattolica University of the Sacred Heart in Milan, will continue. We expect another 400 Executive Personal Financial Advisers to gain certification. A similar Certification program will also be initiated dedicated to Managerial figures.
- Academy Fideuram (Partners): other contributions from Partners are planned for the enrichment of the Academy.
- ESG: the in-depth study on sustainability issues will continue with the aim of increasing the expertise and social role of the Personal Financial Advisers.
- Digitalisation: the training activity will be consolidated to support the process of digitalisation in the Networks through the identification of training gaps and the creation of ad hoc courses.

Intesa Sanpaolo Private Banking Network Training

The main objectives for 2021 aim to:

- develop actions aimed at further consolidating digital skills with a view to managerial and sales supervision;
- guarantee high focus on corporate compliance and the risk culture in the business approach procedures;
- encourage professional relationships and the exchange of experience within the Division, in order to foster functional synergies for the development of individual skills and the pursuit of company objectives;
- welcome colleagues from UBI by enhancing their professionalism and facilitating their relational integration into the new organisational context.

EMPLOYEES

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

Total Group staff, including secondments to and from other companies in the Intesa Sanpaolo Group not included in the scope of consolidation of the Fideuram Group, as well as atypical staff, went from 3,179 at 31 December 2019 to 3,123 at 31 December 2020.

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

	2020	2019	2018
Private Banking	**2,794**	**2,852**	**3,008**
Fideuram - Intesa Sanpaolo Private Banking (*)	1,269	1,265	1,360
Intesa Sanpaolo Private Banking (*)	1,341	1,399	1,433
Sanpaolo Invest SIM	15	16	46
Intesa Sanpaolo Private Bank (Suisse) Morval	142	146	139
Morval Bank & Trust Cayman	10	10	10
Intesa Sanpaolo Private Argentina	6	5	5
Morval Vonwiller Advisors	11	11	15
Asset Management	**245**	**241**	**238**
Fideuram Asset Management (Ireland)	65	66	63
Fideuram Bank (Luxembourg)	66	65	66
Fideuram Asset Management SGR (*)	111	107	106
Intesa Sanpaolo Private Monaco	3	3	3
Fiduciary and treasury services	**84**	**86**	**89**
Financière Fideuram	4	4	4
Siref Fiduciaria	80	82	85
Total	**3,123**	**3,179**	**3,335**

(*) Data restated on a like-for-like basis to account for the merger of Morval SIM into Intesa Sanpaolo Private Banking effective from 1 January 2020, after which several resources were seconded to Fideuram and Fideuram Asset Management SGR.

Fideuram Group employees

	2020	2019	2018
Directors	89	93	94
Executive Management	1,869	1,918	2,014
Professional Areas	1,130	1,150	1,197
Temporary work agency and project work contracts	35	18	30
Total	**3,123**	**3,179**	**3,335**

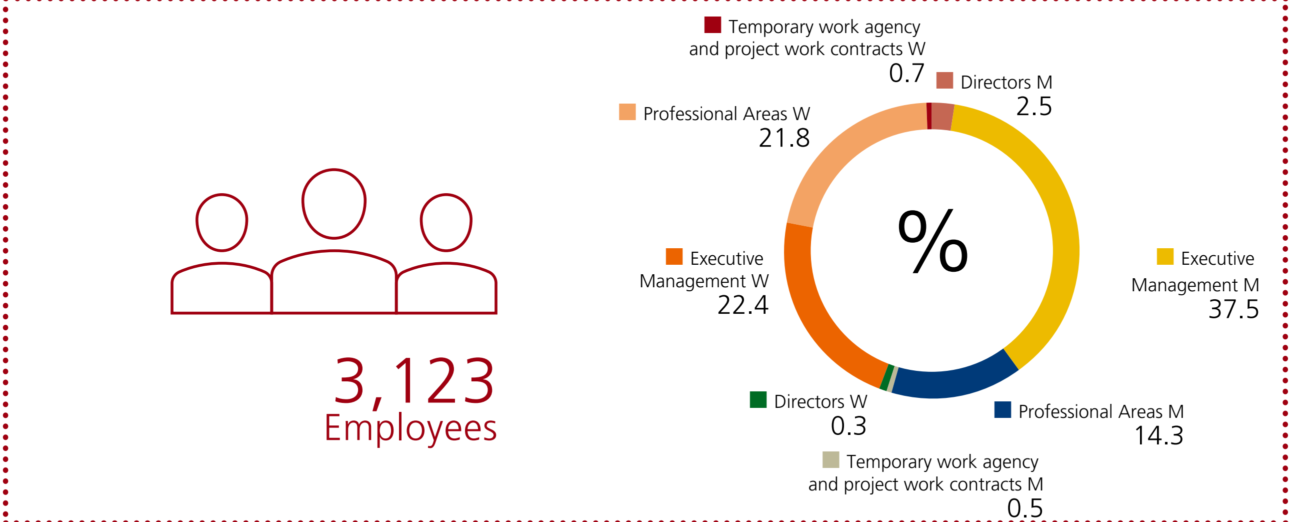
Men

	2020		2019		2018	
	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY
Directors	59	20	64	20	66	20
Executive Management	1,074	96	1,111	98	1,181	96
Professional Areas	353	95	364	93	383	97
Temporary work agency and project work contracts	17	-	7	-	11	-
Total	**1,503**	**211**	**1,546**	**211**	**1,641**	**213**

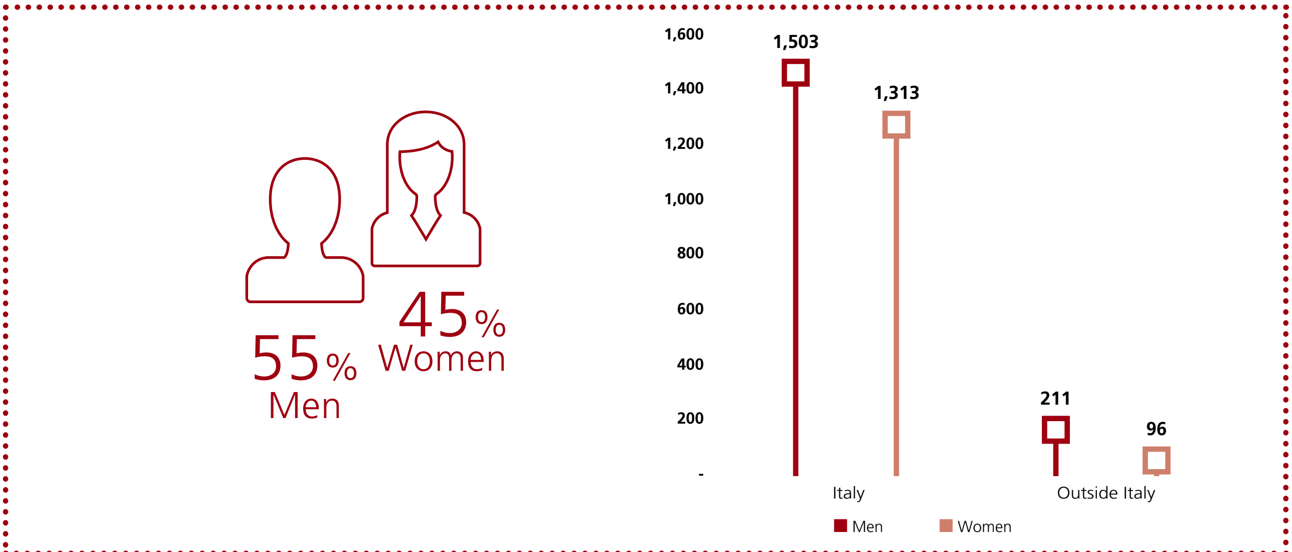
Women

	2020		2019		2018	
	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY
Directors	9	1	8	1	8	-
Executive Management	666	33	676	33	703	34
Professional Areas	620	62	628	65	650	67
Temporary work agency and project work contracts	18	-	11	-	19	-
Total	**1,313**	**96**	**1,323**	**99**	**1,380**	**101**

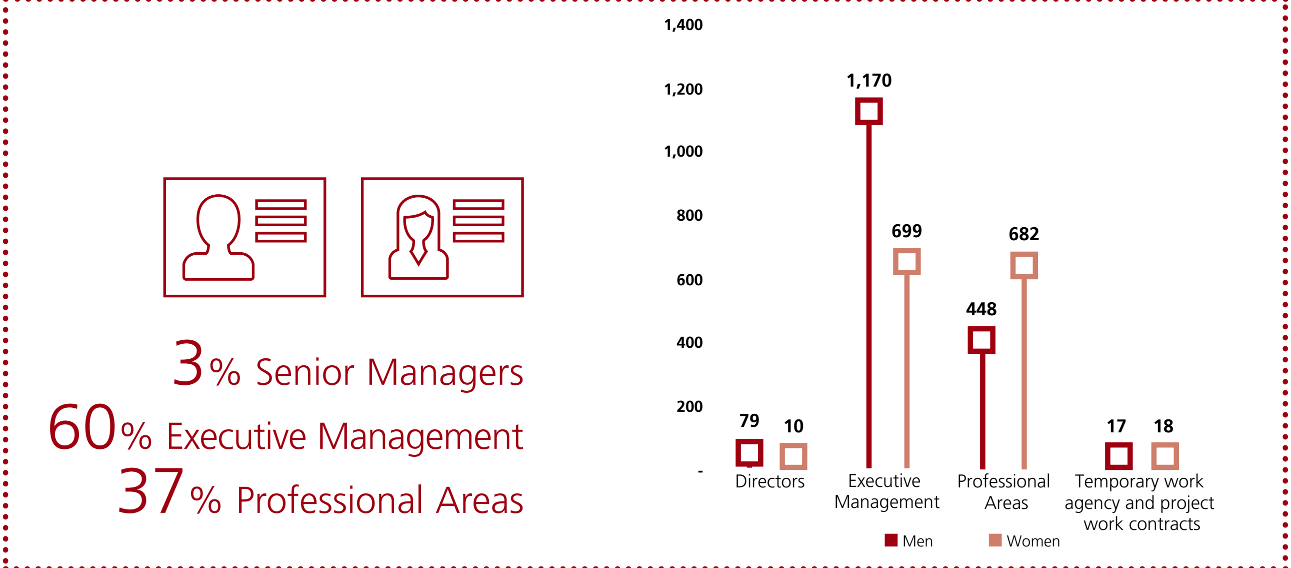
EMPLOYEES BY CATEGORY AND GENDER (%)



EMPLOYEES BY GEOGRAPHICAL AREA AND GENDER



EMPLOYEES BY CATEGORY AND GENDER



Staff contracts

98.8% of Group staff were employed on open-ended contracts (99.4% in 2019).

	MEN			WOMEN			TOTAL		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Open-ended	1,696	1,750	1,837	1,389	1,411	1,459	3,085	3,161	3,296
Fixed-term	1	-	6	2	-	3	3	-	9
Apprenticeship contracts	-	-	-	-	-	-	-	-	-
Temporary work agency and project work contracts	17	7	11	18	11	19	35	18	30
Total	**1,714**	**1,757**	**1,854**	**1,409**	**1,422**	**1,481**	**3,123**	**3,179**	**3,335**

	ITALY			OUTSIDE ITALY			TOTAL		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Open-ended	2,779	2,851	2,982	306	310	314	3,085	3,161	3,296
Fixed-term	2	-	9	1	-	-	3	-	9
Apprenticeship contracts	-	-	-	-	-	-	-	-	-
Temporary work agency and project work contracts	35	18	30	-	-	-	35	18	30
Total	**2,816**	**2,869**	**3,021**	**307**	**310**	**314**	**3,123**	**3,179**	**3,335**

Full Time/Part Time Split

A total of 240 employees, amounting to approximately 7.7% of all staff, were on part-time contracts. Women accounted for 87.1% of them, as this type of contract appeals to them due to the flexibility it offers them in organising their work and meeting family commitments.

	MEN			WOMEN			TOTAL		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Full-time staff	1,683	1,743	1,844	1,200	1,188	1,233	2,883	2,931	3,077
Part-time staff	31	14	10	209	234	248	240	248	258
Total	**1,714**	**1,757**	**1,854**	**1,409**	**1,422**	**1,481**	**3,123**	**3,179**	**3,335**

Personnel by age group

Personnel aged under 50 accounted for 54.9% of all staff at the end of 2020. 52.6% of employees were in the 30 to 50-year-old age group.

	DIRECTORS			EXECUTIVE MANAGEMENT			PROFESSIONAL AREAS			TEMPORARY WORK AGENCY AND PROJECT WORK CONTRACTS			TOTAL		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Under 30	-	-	-	-	2	5	53	70	91	17	7	11	70	79	107
30 to 50	20	21	23	821	804	882	785	768	794	18	10	18	1,644	1,603	1,717
over 50	69	72	71	1,048	1,112	1,127	292	312	312	-	1	1	1,409	1,497	1,511
Total	**89**	**93**	**94**	**1,869**	**1,918**	**2,014**	**1,130**	**1,150**	**1,197**	**35**	**18**	**30**	**3,123**	**3,179**	**3,335**

Average age of personnel

	2020	2019	2018
Men	49	49	49
Women	47	47	47
Directors	54	54	53
Executive Management	51	51	51
Professional Areas	44	43	43

48 years
Average age of personnel

Personnel by length of service

The largest group, in terms of length of service, was the general staff with more than 20 years of service, who accounted for 42.9% of all employees. 32.4% of employees had between 10 and 20 years' service, while the remaining 24.7% had under 10 years' service.

	DIRECTORS			EXECUTIVE MANAGEMENT			PROFESSIONAL AREAS			TEMPORARY WORK AGENCY AND PROJECT WORK CONTRACTS			TOTAL		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
up to 5 years	12	11	11	231	230	211	326	313	327	35	18	30	604	572	579
5 to 10 years	7	7	8	46	44	57	114	116	149	-	-	-	167	167	214
10 to 15 years	12	13	14	221	212	247	246	249	258	-	-	-	479	474	519
15 to 20 years	27	26	26	342	339	366	163	173	170	-	-	-	532	538	562
20 to 25 years	7	10	10	219	221	190	61	62	50	-	-	-	287	293	250
over 25	24	26	25	810	872	943	220	237	243	-	-	-	1,054	1,135	1,211
Total	**89**	**93**	**94**	**1,869**	**1,918**	**2,014**	**1,130**	**1,150**	**1,197**	**35**	**18**	**30**	**3,123**	**3,179**	**3,335**

Average length of service of personnel

	2020	2019	2018
Men	19	19	19
Women	19	19	19
Directors	19	19	18
Executive Management	22	22	22
Professional Areas	15	15	14

19 years
Average length of service

Education

51.9% of staff have a university degree and/or postgraduate qualification.

	MEN			WOMEN			TOTAL		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Degree, Masters or Diploma	907	908	925	713	709	724	1,620	1,617	1,649
Secondary School	726	770	841	643	660	700	1,369	1,430	1,541
Other	81	79	88	53	53	57	134	132	145
Total	**1,714**	**1,757**	**1,854**	**1,409**	**1,422**	**1,481**	**3,123**	**3,179**	**3,335**

TURNOVER

During 2020, 135 people joined the company, 86 of which involved transfers from companies within the Intesa Sanpaolo Group, while 49 were newly-appointed resources hired in the market. 65.2% of these new employees were men and 34.8% women.

A total of 191 employees left their posts, 33 as a result of transfers within the Intesa Sanpaolo Group and 158 due to termination of service. 68.6% of those leaving were men and 31.4% women.

Turnover by geographical area

	2020				2019				2018			
	JOINING		LEAVING		JOINING		LEAVING		JOINING		LEAVING	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
Italy	118	4.2	170	6.0	150	0.1	302	10.5	225	7.6	168	5.7
Outside Italy	17	5.5	21	6.8	22	7.1	26	8.4	74	27.5	29	10.8
Total	**135**	**4.3**	**191**	**6.1**	**172**	**5.4**	**328**	**10.3**	**299**	**9.2**	**197**	**6.1**

Turnover by age and gender

	2020				2019				2018			
	JOINING		LEAVING		JOINING		LEAVING		JOINING		LEAVING	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
Men	88	5.1	131	7.6	91	5.2	188	10.7	164	9.1	113	6.3
Women	47	3.3	60	4.3	81	5.7	140	9.8	135	9.4	84	5.9
Total	**135**	**4.3**	**191**	**6.1**	**172**	**5.4**	**328**	**10.3**	**299**	**9.2**	**197**	**6.1**

	2020				2019				2018			
	JOINING		LEAVING		JOINING		LEAVING		JOINING		LEAVING	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
Under 30	26	0.8	6	0.2	22	0.7	14	0.4	51	44.7	16	14.0
30 to 50	67	2.1	58	1.9	108	3.4	131	4.1	190	11.2	76	4.5
over 50	42	1.3	127	4.1	42	1.3	183	5.8	58	4.1	105	7.3
Total	**135**	**4.3**	**191**	**6.1**	**172**	**5.4**	**328**	**10.3**	**299**	**9.2**	**197**	**6.1**

Positive turnover (joined in 2020/staff at beginning of year) was 4.2%, while negative turnover (left in 2020/staff at beginning of year) was 6%.

Total staff turnover (joined+left/average staff) was 10.3% in 2020 (10.1% in Italy and 12.3% outside Italy).

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

CAREER DEVELOPMENT

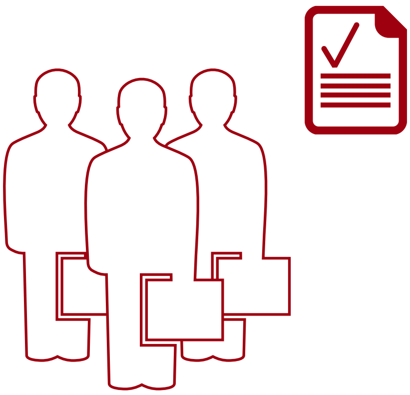
Career development is focused on merit, assessed in relation to results achieved, competencies possessed and individual ability.

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

Career development

	2020					2019					2018				
	MEN	%	WOMEN	%	TOTAL	MEN	%	WOMEN	%	TOTAL	MEN	%	WOMEN	%	TOTAL
Promotions to Director	-	-	1	1.3	1	1	1.5	1	1.6	2	1	1.2	-	-	1
Promotions within Executive Management	14	20.9	7	9.1	21	27	40.3	25	39.7	52	42	51.9	18	24.3	60
Promotions to Executive Management	8	11.9	13	16.9	21	18	26.9	12	19.0	30	14	17.3	11	14.9	25
Promotions within Professional Areas	45	67.2	56	72.7	101	21	31.3	25	39.7	46	24	29.6	45	60.8	69
Total	**67**	**100**	**77**	**100**	**144**	**67**	**100**	**63**	**100**	**130**	**81**	**100**	**74**	**100**	**155**

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



CONTRACTUAL RELATIONS

The National Collective Bargaining Agreement covers all our employees in Italy, who account for 90% of total Group staff.

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

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

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

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

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

RELATIONSHIPS WITH TRADE UNION ORGANISATIONS

In 2020, information and discussion meetings, focusing on matters of specific company interest, were held with the Trade Union Organisations.

We held the periodic (six-monthly and annual) meetings provided for in the National Collective Bargaining Agreement and in the Protocol on Group Industrial Relations to present our corporate data and position, and also specific problems were addressed regarding staff and work organisation in the local meetings held in accordance with the said Agreement.

Disciplinary actions

	2020	2019	2018
Written warning and verbal or written reprimand	9	17	2
Reduction in pay	-	-	-
Suspension from service without pay (from 1 to 10 days)	4	7	4
Dismissal for cause or justified reason	4	1	3
Disciplinary penalties for corruption of colleagues	-	-	-
Dismissals for corruption	-	-	-

The welfare agreements provide for a complex series of measures to support Group personnel and their families, including:
- A Time Bank that builds up a pool of paid leave contributed in part by the Group and in part by employees in the form of voluntary time donations for the benefit of colleagues who may need to take more than the contractual supplementary leave to cope with serious personal and/or family situations.
- Measures to incentivise the take up of paternity leave, leave for personnel with serious diseases to attend specialist medical appointments, leave to assist children with learning difficulties, and voluntary additional leave at 35% remuneration up to a maximum of 20 working days.
- the "inSUPERabili" project, coordinated by the Welfare Group, for which an interdepartmental team of HR Resources was created, which is entrusted with the task of designing and managing initiatives to promote awareness and training for the integration into the workplace and management of people with disabilities and/or chronic illness, enhancing their contribution and also developing the supporting welfare schemes;
- Flexible working from home, from Group hubs closer to home or at customers. On this point, in the face of contingencies related to the well-known Covid-19 pandemic emergency which imposed higher levels of safety, the use of flexible working among the workforce was particularly encouraged by the Company.

Approximately 49.3% of staff are members of a trade union. Employees spent the equivalent of 956 working days on trade union activities in 2020.
The Group's regulations - in line with those of the Intesa Sanpaolo Group - improve on the provisions of Italy's national collective bargaining agreements. In particular, there are special provisions regarding flexible working hours, reduced lunch breaks, area mobility, leave for family, personal or study reasons, part-time employment, pensions and insurance cover.

VULNERABLE EMPLOYEES

Staff belonging to categories of vulnerable persons as defined by Italian Law No. 68/1999 totalled 192, broken down as follows:

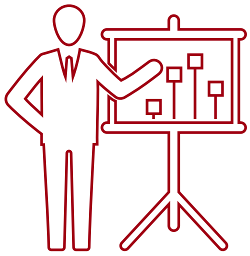
	2020	2019	2018
Disabled	154	152	147
Other	38	41	43
Total	**192**	**193**	**190**

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

Approximately 3,884 days of leave were granted in the year to employees with serious illnesses or to care for family members with serious diseases.

DEVELOPMENT OF HUMAN RESOURCES

134,243
Training hours



The remarkable complexity created by the health emergency, with its strong repercussions on company organisation, called for the adoption of increasingly flexible and innovative design and operating procedures. In the area of resource development, the additional acceleration in the strategy for exploiting learning technologies, undertaken in previous years, made it possible to address the challenges posed by the pandemic in a convincing manner, while still preserving a high standard of quality in the educational output.
In a context characterised by radical change in customary relationship dynamics, with strong increases in virtual dynamics, the ongoing work of the company to show closeness to its people was crucial and, through communication and awareness initiatives, it fostered understanding of the new scenario and facilitated forms of behaviour that were more workable, generating at the same time a climate within the company of cohesion and confidence.

An overview of the main training activities is shown below:

MANAGEMENT TRAINING PROGRAMMES

- **Inclusive Leadership**, an action aimed at bolstering the principles of Diversity&Inclusion, which in 2020, in addition to the Top Management of the Division,"included" further top figures from the Head Office Departments and the Sales Networks.
- **Digital Shadowing**, an initiative aimed at enhancing managerial skills in the field of digital relationships in the face of the growing use of virtual procedures as a result of the emergency situation.
- **Coaching**, a one-to-one and group mode of intervention, which is increasingly acquiring a fundamental role in the logics of management development. Even for this line of activity, previously predominantly managed in face-to-face activities, some remote alternatives have been effectively adopted, which have facilitated its smooth running, with the support of a dedicated app.
- **Enhancement of female talent**, with a significant level of enrolments in the "Female Acceleration Leadership" and "Mentoring for women" initiatives, promoted by Intesa Sanpaolo in collaboration with qualified external partners, with the aim of giving an increasingly strategic value to the role of women in the organisation of the company.
- **Digital Talks**, live online meetings with experts in the field of organisation, economy and culture, aimed at increasing the management's understanding of external scenarios, learning how to grasp the implications and possible opportunities in the exercise of one's role.
- **Evolution in the tools supplied to Managers**, through the enhancement of the APP "Scuola dei Capi" (School of Managers) in terms of new content and functions, and the provisionin #People, the portal dedicated to Staff, of a Dashboard which allows each manager to independently monitor the training progress of the members of their own departments, enhancing the quality of the manager-employee relationship in a "data driven" approach logic.

In addition, during training events for Management, the joint attendance of figures from the Head Office and the Network was encouraged, in a way of stimulating relational integration and professional sharing of ideas and views among the various components of the organisation.

PROFESSIONAL DEVELOPMENT INITIATIVES

- **Diversity&Inclusion**, an intervention for persons with operational roles for coordinating activities and people, aimed at spreading forms of managerial behaviour inspired by the logic of inclusion and enhancement of diversity.
- **Enhancing IT skills**, through an ongoing action of specialised training for figures that operate in this field within the sector, which is essential to deal effectively with the speed of change in this sector. The key projects, implemented via virtual procedures, covered the following topics:
  - DARWIN Operating System
  - Cloud and Multicloud;
  - Data Modelling, Data Governance and Data Quality.
- **Language training**, which has benefited from the introduction into the Group's APPRENDO training system of an online platform for the entire Group, available 24 hours a day, 7 days a week, with the opportunity of enhancing knowledge of 6 languages: English, French, German, Spanish, Portuguese and Italian for foreigners. The curriculum based on lessons with mother-tongue teachers in remote mode also continued, funded in large part with sector funds, involving more than 200 people.
- **IT Security**, a topic which is gaining increasing attention and about whose risk implications there has been a strong commitment in raising awareness through the activation of remote classrooms for resources involved in sensitive business processes, and online training content for a wider cross-section of the staff population.
- **Compliance**, with the usual significant action of updating knowledge on sectoral regulations required for proper professional supervision of the activities of each employee. The main topics covered, which are mostly available on the APPRENDO platform or, where appropriate, are studied in remote classrooms, were:
  - **Anti-money laundering**, with the launch of the interventions plan-

ned within the 2020-2022 three-year plan:

- **Reporting Suspicious** Transactions, meetings with the Group Delegate, which were attended by figures responsible for dealing with the activities involved in this topic.
- **CONSOB** for those supervising activities related to the provisions in the MiFID Regulation
- **Legislative Decree No. 231/01 and Anticorruption**, through the precise alignment of the educational content with the changes in legislation.
- **Privacy and Data Protection**, with focus on the "GDPR Processing Register"
- **Business Continuity**, whose focus on COOPE, an instrument to support the management of operational continuity information, has allowed the reference persons in the Division dedicated to using it, to further enhance its mechanisms and functions.

• **Tax**, with a plan for dissemination of the characteristics of the Collaborative Fulfilment with the Italian Revenue Agency as a distinctive feature for the Company on an organisational and reputational level.

• **Legislative Decree No. 81/08**, which, in addition to discussing the typical topics related to health and safety in the workplace, involved the implementation of specific initiatives on health emergency management, with the involvement, on various detail levels, of emergency team personnel and the entire population of employees.

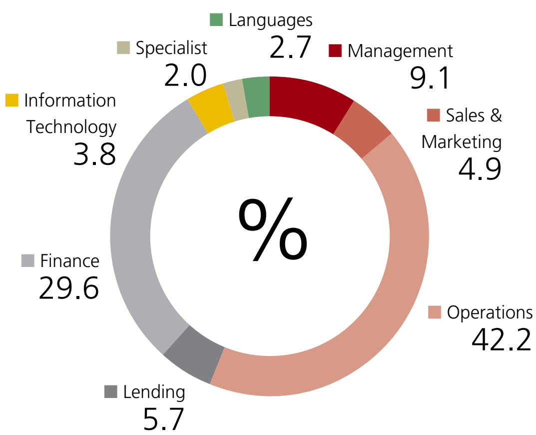
• School HR, a community which includes people working with management roles within the Group Human Resources structures, who take part in periodic meetings aimed at conveying in a uniform manner a common base of knowledge on policy, development processes and operational tools, which characterise the relationship between the Company and its employees.

• Specialisation courses, promoted across-the-board by Intesa Sanpaolo or, where necessary, activated directly by the Division, with the objective of enhancing specific competence profiles required for the supervision of particularly complex roles. These initiatives generally involve collaboration with qualified external institutions, capable of ensuring high standards of intervention and the achievement of the set development goals.

• Contribution to the realisation of educational content, with the participation of numerous colleagues from the Division in the construction and validation of training items to be delivered through the APPRENDO training platform. This activity, coordinated by the Learning Factory of the Group, represents an important opportunity for the participants to interact and share ideas and also helps to effectively promote actions geared to the common good and collective interest, through the enhancement of the best professional skills found within the organisation.

On the subject of solidarity and social sustainability, the Bank supported the celebration of 20 years since the birth of the Fideuram Blood Donors Group, supporting it through the portal with messages to inform about and to encourage further voluntary blood donations at the dedicated facilities in Rome.

Training by subject matter



Training by type of delivery

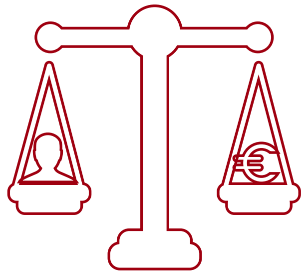
	2020	2019	2018
Class-based training	11,410	40,814	54,102
Distance learning	122,833	102,018	77,760
Total hours of training delivered	**134,243**	**142,832**	**131,862**
No. of participants	3,042	3,015	2,976
Average hours per participant (No.)	44	47	44

Training by category and gender
(average hours per person)

	2020	2019	2018
Directors			
Men	36	40	45
Women	54	67	57
Executive Management			
Men	51	55	51
Women	46	54	49
Professional Areas			
Men	36	35	33
Women	37	35	33

Health and safety training

	2020	2019	2018
Training hours (No.)	5,410	4,022	1,123
No. of participants	980	752	118



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

Dedicated corruption prevention training

	2020		2019		2018	
	No.	%	No.	%	No.	%
Directors	18	2.4	57	2.1	6	0.6
Executive Management	382	51.6	1,743	62.9	704	70.0
Professional Areas	340	45.9	970	35.0	296	29.4
Training hours	737		10,453		1,800	
Participants	740		2,770		1,006	

Training on Italian Legislative Decree No. 231/2001

	2020	2019	2018
Training hours (No.)	14,065	12,592	99
No. of participants	2,660	2,422	59

EMPLOYEE HEALTHCARE, PENSIONS AND SERVICES

Regarding human resource management policies and related tools, we offer a complete spectrum of benefits and concessions, including:

- supplementary pension scheme;
- supplementary health care;
- accident insurance covering activities at work and outside work;
- company obligations in the event of the death in service or total permanent disability of employees;
- special staff conditions for bank transactions and loans.

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

Parental leave

	2020	2019	2018
Number of employees who took parental leave	47	45	52
Men	13	10	7
Women	34	35	45
Number of employees who returned at end of leave	33	41	48
Men	11	10	9
Women	22	31	39
Number of employees who returned and were still employees of the bank for the next 12 months	38	47	31
Men	9	9	2
Women	29	38	29
Number of employees who have taken at least one period of compulsory parental leave	35	41	48
Men	11	10	9
Women	24	31	39
Parental leave return rate[1]	94%	100%	100%
Men	100%	100%	100%
Women	92%	100%	100%
Retention rate of returned employees who were still employees[2]	93%	98%	93%
Men	90%	100%	100%
Women	94%	97%	91%

1. Calculated as the number of employees who returned to work at the end of their leave over the number of employees who took parental leave.
2. Calculated as the number of employees who took parental leave in the previous year, returned to work in the subsequent 12 months and were still employees in the reference year over the number of employees who took parental leave in the previous year.

SUPPLEMENTARY PENSION FUNDS

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

The supplementary pension scheme offers employees the benefits of company contributions, the option of early withdrawals and tax relief at the marginal rate on contributions paid, and also the possibility of opening up a supplementary pension scheme position for dependent family members.

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

HEALTH AND SAFETY

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

During 2020, the management of the Covid-19 pandemic took a prominent role in the activities in the field of safety at work with the identification and implementation of measures to combat the spread of the pandemic and, in any case, at the Group level, a total of 11 inspections were conducted in the workplace aimed at the assessment of the risks to health and safety. During the year, 644 working days were lost due to work-related accidents involving 21 employees. Only 7 of these accidents happened in the workplace, while the remaining 14 happened while travelling between home and work.

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

There were no robberies on Fideuram premises in 2020.

Occupational Health and Safety: accidents at work

	2020				2019				2018			
	ITALY		OUTSIDE ITALY		ITALY		OUTSIDE ITALY		ITALY		OUTSIDE ITALY	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Number of workplace accidents that can be reported	4	2	1	-	3	7	-	-	9	9	-	1
Rate of workplace accidents that can be reported (*)	0.32	0.18	0.57	-	0.20	0.60	-	-	0.70	0.80	-	1.20
Number of workplace accidents with grave consequences	-	-	-	-	-	-	-	-	-	-	-	-
Rate of workplace accidents with grave consequences	-	-	-	-	-	-	-	-	-	-	-	-
Number of deaths due to workplace accidents	-	-	-	-	-	-	-	-	-	-	-	-
Rate of deaths due to workplace accidents	-	-	-	-	-	-	-	-	-	-	-	-
No. of hours worked	2,479,950	2,166,450	348,150	158,400	2,550,900	2,182,950	348,150	163,350	2,707,650	2,277,000	351,450	166,650

(*) The rates are calculated based on 200,000 hours worked. The adopted standardisation factor of 200,000 is as provided for by the Global Reporting Initiative (GRI) and is derived from 50 working weeks at 40 hours per 100 employees.

There were no claims submitted for occupational illness or serious accidents suffered by employees, while the main accident cases refer to falls or slips on work premises.

3.8.5 **Relational** capital

Relational capital includes the intangible resources referring to the Group's relations with key stakeholders, necessary to enhance its image and reputation with customers.

	2020	2019	2018
Fideuram and Sanpaolo Invest Networks - The average length of customer relationship (years)	13.3	13.2	13.0
Intesa Sanpaolo Private Banking Network - The average length of customer relationship (years)	13.5	12.8	11.8
Customer requests (no.) (*)	2,637	2,260	1,874
Client assets of in-house ESG products (€m)	867.7	301.2	115.4

(*) The requests include complaints and their possible recurrence, appeals to Alternative Dispute Resolution bodies (appeals to A.D.R.) and requests for clarification made following customer complaints to the Supervisory Authorities.

MATERIAL TOPICS	WHY TOPICS ARE MATERIAL	CORPORATE POLICIES
Management of customer portfolios Monitoring of Personal Financial Adviser-customer relationships Reinforcement of customer retention measures **Customer satisfaction** Effective management of customer reports and complaints to improve service **Development of sales Networks and quality of service offered** Customisation of product offering to meet customer needs Prompt and effective response to customer needs Financial education and promotion of a culture for responsible investment management	One of the principal aims of the Group is to nurture its customer relationships and their satisfaction. In this context, monitoring complaints assumes strategic importance since it allows one to identify the reasons for dissatisfaction and the actions that should be taken to protect customer relationships. Greater awareness of customers' financial expertise also contributes to the dialogue between Personal Financial Advisers and customers. The Group believes it is important to disseminate a financial culture among its existing and potential customers. For this purpose, it promotes institutional events and personalised meeting events where specific financial facts and concepts are presented.	The Group believes that proper relations with customers must be founded on shared corporate values and on respect for human rights in all products and services provided to customers. The Group bases its customer relationships on the principles of fairness and transparency, placing them at the centre of its own approach to maintaining a constant dialogue to grasp their real expectations, dedicating special attention to including more vulnerable social classes in financial transactions. The right to Privacy of personal and sensitive data, to non-discrimination on the basis of gender, age, ethnicity, religion, political and trade union affiliation, sexual orientation and gender identity, language or different abilities, and the right to health and safety of customers, chosen according to their importance and interpreted within the corporate context, are integrated in the Code of Ethical Conduct and applicable corporate regulations. In compliance with Bank of Italy regulations governing complaint management, customers may contact the Complaints Office with any complaints they might have.

CUSTOMERS

MAIN OBJECTIVES FOR 2020	ACTIONS AND RESULTS ACHIEVED
Further enhancement of the service platforms to seize new opportunities on listed markets and meet the changing needs of customers with particular attention to the value of sustainable finance.	In 2020, Fideuram strengthened its product and service platforms to come into line with the development in customer requirements and to seize the opportunities offered by the markets. In particular, a series of new concepts were proposed to respond to the change in growth prospects also linked to the pandemic crisis. In the field of investments, a number of themes, funds and management skills were selected; on the services side, the forms of progressive entry were reinforced in order to cope with the greater observed and expected volatility. • Development activities continued during the year for: • Fideuram Multibrand: the offer of "à la carte" funds, including in-house funds and those of third-party partners, was enhanced through the enrichment of the catalogue of solutions available to customers, favouring products in the selection aimed at capturing value through investment policies respectful of the principles of sustainability. • Fideuram Asset Management SGR's asset management platforms: in particular for Fideuram Folios, new bond and theme-based equity lines were added, including a line on the issues of structural change in the economy, and investment solutions differentiated according to the progressive investment mechanism and target equity strategy were strengthened, aimed at reducing the risk of market timing in a market context marked by high volatility, while for Omnia discretionary accounts, progressive investment proposals on global equity markets were initiated also through mechanisms to accelerate the purchase of the equity component. • For insurance products, some actions were taken with the Unit Linked products of Fideuram Vita Insieme with the inclusion of an optional supplementary guarantee in the event of death, and the proposal of internal funds for progressive investment in global equity markets. For the Private Banking version, an in-house fund with an ESG approach was also created.
Enrichment of solutions for HNWI and Private Banking customers with a particular focus on issues relating to investments on private markets.	During 2020, investment solutions were created that involved: • Managed assets, with the new investment program on private markets of the Fideuram Alternative Investments platform, FAI Mercati Privati Opportunità Reali, in collaboration with Partners Group and also made available through a foreign private insurance policy, and with the Sicav Fideuram Unicum Fund, a Luxembourg reserved alternative investment multi-compartment fund (RAIF) whose first AB Corporate fund for treasury management was outsourced to Fideuram Asset Management (Ireland). • Non-managed assets, with the selection of opportunities dedicated to high standing professional customers including two issues of Intesa Sanpaolo subordinated bonds and subscription to the offer of Labomar shares.

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MAIN OBJECTIVES FOR 2020	ACTIONS AND RESULTS ACHIEVED
Increase in the offering of products in response to customers' needs of safeguarding capital, also through the creation of new issues of principal-protected certificates.	In 2020, the Fideuram range of products on offer presented various controlled risk solutions with a view to safeguarding investments and in particular: • for non-managed assets, new solutions issued by Intesa Sanpaolo in the form of Equity Protection Certificates on equity indices and baskets of equity indices, with mechanisms for the protection of the invested capital on maturity and participation in the performance of the underlying securities, with or without a cap; • for managed assets, new solutions including two editions of the Foglio Obiettivo Protezione 2026, which allows participation in the growth of international markets with the aim of preserving the principal on maturity over a defined time horizon; • for life insurance assets, the relaunch of Fideuram Vita Garanzia and Valore 2, a Class I policy with VivaDue segregated management, and the inclusion of a new Class I policy for Private Banking customers.
Growing attention towards transparency in the information provided to customers.	In 2020, the Division consolidated its own service model in accordance with MiFID2 regulations and in terms of enhancing transparency and investors' protection, through: • raising the quality and quantity level of information to be provided to customers; • specifying, during the reporting phase, the costs that were actually incurred and their impact on the returns obtained by customers with information on the incentives received by the Group; • improving transparency in relation to the characteristics of the products, services provided and the costs charged for them; • the implementation of product governance processes ensuring product appropriateness in terms of their characteristics and target customers over their entire life cycle; • continuous and certified updating of the expertise and knowledge of staff assigned to providing advice and maintaining contacts with customers.
Complete renewal of the Alfabeto platform with the launch of Alfabeto 2.0.	During 2020, the new integrated platform of online services was developed with access via the web and from smartphones: Alfabeto Fideuram. With Alfabeto Fideuram, customer have at their disposal, in a single platform, the features of home banking, online trading, asset analysis – through a wide variety of displays – and the possibility to subscribe to investment proposals prepared by the Personal Financial Advisers. For the mobile version, three separate apps were released: Alfabeto Banking, Alfabeto Trading e Alfabeto Patrimonio (available in iOS and Android versions).

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MAIN OBJECTIVES FOR 2020	ACTIONS AND RESULTS ACHIEVED
Bringing the Sales Proposal into line with the MiFID 2 Directive with the aim of strengthening controls on adequacy with enhanced reporting.	At the end of January 2020, the release of the new Sales Proposal on the Fideuram and Sanpaolo Invest Networks was completed. Targeted measures were carried out during the year geared to bringing the Sales Proposal into line with the MiFID 2 Directive with the aim of strengthening controls on adequacy. Specifically: • an ex-ante block was made available which prevents Personal Financial Advisers from validating a proposal, when there are others not yet finalised; • controls over the costs applied were extended to the divestment and investment transactions signed or executed by the customer within proposals validated during the previous five working days, in relation to benefits received, performed during the assessment of the adequacy of the transactions; • controls were improved with the measurement of actual costs of products in the Sales Proposal applied to each individual customer; • a consistency check between the Effective Target Market of the product and the customer's investment characteristics, requirements and objectives was introduced during the selection of a new product. In 2020, the reports that Personal Financial Advisers can print on demand from the Advisory Platform was enriched with the introduction of new information, such as the display of liquidated products/contracts, and the book values of "à la carte" placed funds, shares and ETFs.
Organisation of local events for existing and potential customers, aimed at developing understanding about matters of current interest.	During 2020, due to the restrictions made necessary by Covid-19, customer events were mainly conducted on a remote basis. This gave continuity to the activities of promoting a financial culture and customer loyalty, despite the ongoing health crisis. The customer events focused on financial education topics of significant current interest, such as the protection and management of household assets, succession management and the transfer of assets under the latest tax regime, in all cases highlighting the importance of advisory support. Certain focuses were conducted on sustainability issues and major social, economic, environmental and technological developments that are generating major global changes and on what strategies should be adopted for the future.

The Group has developed its own distinctive customer service model over the years, characterised by the completeness and quality of support provided. The Group principally operates in the Private Banking and High Net Worth Individual segments, providing a service that offers substantial added value in the form of advisory support delivered through highly-professional Personal Financial Advisers.
Analysis and a close understanding of our customers enable the Group to extend and develop its services in line with its customers' evolving needs.

CUSTOMER PROFILE

Fideuram and Sanpaolo Invest Networks

	2020	2019	2018
No. of Customers (thousands)	767	740	718
Client assets (€m)	132,244	121,794	106,388

Intesa Sanpaolo Private Banking Network

	2020	2019	2018
No. of households (thousands)	38	38	37
Client assets (€m)	115,428	111,854	99,074

DISTRIBUTION OF CUSTOMERS BY AGE

The age profile of our customers has not changed significantly in recent years, with the majority being in the 53 - 67 age group (33% of customers with the Fideuram and Sanpaolo Invest Networks and 26% with the Intesa Sanpaolo Private Banking Network) and in the over-67 age group (30% of customers with the Fideuram and Sanpaolo Invest Networks and 53% with the Intesa Sanpaolo Private Banking Network), segments of the population that combine high income with substantial assets and property.

Fideuram and Sanpaolo Invest Networks(*)

No. of Customers (thousands)

	2020	%	2019	%	2018	%
up to 32 years	70	9	65	9	60	9
33-42 years	76	10	73	10	72	10
43-52 years	131	18	133	18	135	19
53-67 years	245	33	235	33	227	32
over 67	224	30	215	30	207	30
Total	**746**	**100**	**721**	**100**	**701**	**100**

(*) The figures do not include legal persons.

Intesa Sanpaolo Private Banking network

No. of households (thousands)

	2020	%	2019	%	2018	%
up to 32 years	5	13	5	13	5	14
33-42 years	1	3	1	3	1	3
43-52 years	2	5	2	5	2	5
53-67 years	10	26	10	26	10	27
over 67	20	53	20	53	19	51
Total	**38**	**100**	**38**	**100**	**37**	**100**

AVERAGE LENGTH OF CUSTOMER RELATIONSHIP FIDEURAM AND SANPAOLO INVEST NETWORKS

13 years

AVERAGE LENGTH OF CUSTOMER RELATIONSHIP INTESA SANPAOLO PRIVATE BANKING NETWORK

14 years

CUSTOMER RETENTION RATE

96%

NEW CUSTOMER RATE

7%

DISTRIBUTION OF CUSTOMERS BY LENGTH OF RELATIONSHIP

The average length of relationship, in 2020, was 13 years for the Fideuram and Sanpaolo Invest Networks and 14 years for Intesa Sanpaolo Private Banking. These statistics testify to the strong customer loyalty built over years of stable relationships with our Personal Financial Advisers.

Fideuram and Sanpaolo Invest Networks

No. of Customers (thousands)

	2020	%	2019	%	2018	%
0-1 years	88	12	87	12	89	13
2-4 years	128	17	122	16	116	16
5-7 years	102	13	100	14	93	13
8-10 years	80	10	76	10	67	9
11-20 years	178	23	180	24	193	27
over 20	191	25	175	24	160	22
Total	**767**	**100**	**740**	**100**	**718**	**100**

Intesa Sanpaolo Private Banking Network

No. of households (thousands)

	2020	%	2019	%	2018	%
0-1 years	1	3	3	8	2	5
2-4 years	5	13	6	16	6	16
5-7 years	5	13	5	13	5	14
8-10 years	4	11	4	10	4	11
11-20 years	15	39	14	37	14	38
over 20	8	21	6	16	6	16
Total	**38**	**100**	**38**	**100**	**37**	**100**

DISTRIBUTION OF CUSTOMERS BY GEOGRAPHICAL AREA

As in previous years, the majority of our customers in 2020 were residents of the Central and Northern Regions of Italy, where most of the country's wealth is concentrated (88% of customers with the Fideuram and Sanpaolo Invest Networks and 93% with the Intesa Sanpaolo Private Banking Network).

Fideuram and Sanpaolo Invest Networks

No. of Customers (thousands)

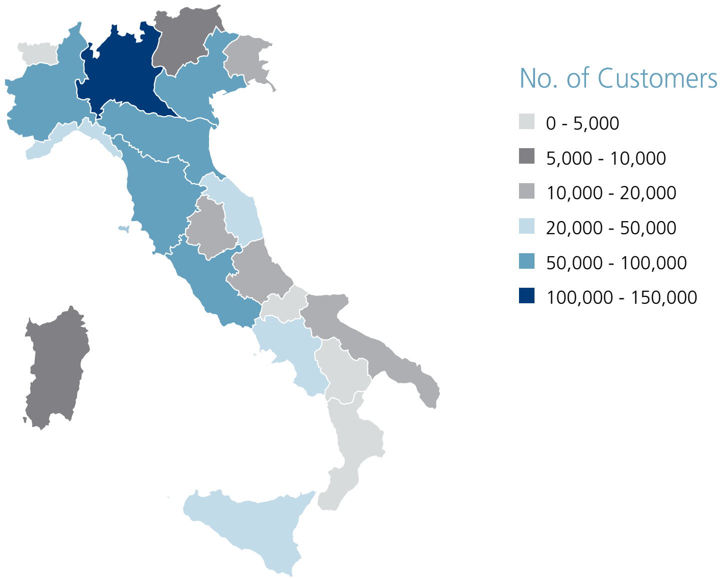
	2020	%	2019	%	2018	%
North-East	165	22	158	21	153	21
North-West	292	38	282	38	273	38
Central Italy	215	28	207	28	200	28
South	63	8	61	8	60	8
Islands	32	4	32	5	32	5
Total	**767**	**100**	**740**	**100**	**718**	**100**

Intesa Sanpaolo Private Banking Network

No. of households (thousands)

	2020	%	2019	%	2018	%
North-East	9	24	9	24	9	24
North-West	20	53	20	53	19	52
Central Italy	6	16	6	16	6	16
South	2	5	2	5	2	5
Islands	1	2	1	2	1	3
Total	**38**	**100**	**38**	**100**	**38**	**100**

Geographical distribution of Fideuram and Sanpaolo Invest customers



Geographical distribution of Intesa Sanpaolo Private Banking customers

EXTERNAL COMMUNICATIONS

Media relations have always played a prime role in the Group's external communications. Our community of stakeholders was again kept informed of the most important developments regarding the Group, the Networks and subsidiaries in 2020 through dedicated articles, interviews, press releases, editorials and other contributions published in leading newspapers. The relevant units put our results in the public eye, enabling us to provide detailed information on the trends that led to these results, along with insights into the projects and new developments we are working on, duly highlighting the Group's pioneering role in the provision of financial advisory and private banking services in Italy, as well as in the technological support we provide to our sales Networks.
The topics of greatest interest were:

- the economic and financial results achieved, the objective of integrating with UBI Top Private, the strategic partnership with REYL, which further confirm and consolidate the leadership of the Group and its Sales Networks;
- the importance of financial advice, the role of Personal Financial Adviser and ongoing relations with the customer, the methods of contact with the customer and with the Network and the "Connected to the future" digital convention;
- the technological and digital services released during the pandemic, with the significant investments, to facilitate closeness with the customer;
- the private market, the business model and customer segmentation, with a focus on wealth management and on investments with high social and environmental sustainability (ESG investments);
- the investment services, the distinctive service offered relating to managed assets, private insurance and ESG products;
- editorial content dedicated to events for customers conducted in webinar mode, and to sponsorships and sectoral institutional events;
- the advertising campaign used by Fideuram in its desire to celebrate the extraordinary work performed in a very complex phase of the public health emergency.

In 2020, members of the Group's management team took part in round tables and gave interviews so as to outline the most significant initiatives undertaken in a particular year, marked by the Covid-19 health emergency. The Group's fund managers gave numerous interviews to the specialist press and sector TVs, taking part in surveys and commenting on market performance and the main financial industry trends.

ADVERTISING

During the year, Fideuram's external communication activity involved two advertising campaigns, one on the topic of alternative investments with print and digital releases between October and November 2020, to promote the launch of the new edition of Fai Mercati Privati Opportunità Reali, and an institutional campaign in December 2020.

The institutional advertising campaign was of particular importance and starred some of our Personal Financial Advisers who have become the champions of the brand's values. They gave an authentic account of their close relationships with their customers, based on providing exclusive advice and a solid relationship of trust that is founded on everyday engagement to build "a future of value."
The media plan includes press, digital and billboard releases, which are set to continue during 2021.

Highly targeted use continued of the Bank's advertising page dedicated to the newly updated format of the Art Advisory service.

PROMOTING A FINANCIAL CULTURE

The Fideuram Group believes it is important to disseminate a solid financial culture among its customers. Increased financial awareness helps foster a common language and strengthen the dialogue between our customers and their Personal Financial Advisers, which has always been a cornerstone of the Group's mission and service model. Financial culture means awareness in relations, in setting objectives, in clarity of choice and in a shared understanding of the associated risks and opportunities. For these reasons, and in line with the tools that were available for use under the restrictions placed by the public health emergency, in 2020 we continued to arrange initiatives promoting financial culture for existing and potential customers. First of all, the organisation of events – this year held remotely – designed to provide information on topics of particular relevance and importance for customers. These events dealt with issues such as asset protection, the importance of advisory services, succession management and tax safeguards, behavioural finance, and solutions for investing in the real economy through private markets. There were discussions about sustainability issues and major social, economic, environmental and technological developments that are generating major global changes and on what strategies should be adopted for the future. The aim remains that of bringing the world of management close to the world of distribution with contributions from professionals from both inside and outside the Group, academics and managers from Fideuram and from its most prestigious partners. There is also a continuation of the communication project launched in the previous year which involves the weekly screening of a snippet on financial education produced by our in-house television, Key TV. These snippets, intended for transmission directly to customers, and not through social networks (Alfabeto Fideuram, LinkedIn etc.), have the objective of explaining in simple terms the sometimes complex language which the media generally use in addressing economic and financial issues.

Intesa Sanpaolo Private Banking continued to publish "**Private Top**", a monthly newsletter from the Intesa Sanpaolo Research Department including quarterly reports from Nomisma on the property market and from Eikonos Arte on the art market, addressed to those customers who have subscribed to the Private Top service. On a quarterly basis, an extract on the property market is published on the Bank's public website and an extract from the Art section, published on the company's intranet dedicated to the Art Advisory service.
The layout and management of the notices and messages of personalised statements was improved, which customers who have subscribed to our internet banking service can also consult online.

The preparation of ad hoc emails on the main regulatory and product innovations was also included. In compliance with the MiFID 2 Directive, the Portfolio Statement on Costs, Charges and Incentives was produced. This document, which is sent to customers, carries information on costs, charges, incentives and returns. The cover shows a chromatically-treated picture, in private banking style, of an architectural detail of our "Gallerie d'Italia – Piazza della Scala" museums in Milan, a symbol of art and culture in our country.

GROUP AWARDS

MORNINGSTAR AWARDS ITALY 2020

Fideuram Italia: Best Large Cap Stock Fund Italy in the Italian Equities category

In the 14th edition of Morningstar Fund Awards 2020, Fideuram Italia was awarded the prize as the best fund in the Italian Equities category for the fourth year running.
Luigi Degrada, the fund manager, made the following comments about the victory: "*Honestly speaking, I'm very happy and would like to thank Morningstar. The award is one of the most important in the sector and not only recognises the quality of the results but, thanks to the methods used, also rewards the constancy of these results. In the case of the Fideuram Asset Management SGR team this is worth even more, because this is the fourth year in a row that we have won the award. It's something that makes us extremely proud.*"

CFS RATING: THE 300 BEST FUNDS 2020

Fideuram Italia rated one of the best Euro Equities - Large Cap funds of the last 10 years

Fideuram Italia was also in 2020 among the Euro Equities funds that had achieved best performances over the previous ten years, based on CFS Rating parameters.

DIAMAN AWARDS

On 20 February, the eighth edition of the prestigious quantitative finance event known as the Diaman Awards was held in Galzignano Terme, with the presence of an increasingly international audience. Fideuram Master Selection Equity USA gained first place in the FoFs category.

ITALIAN CERTIFICATE AWARDS 2020

On 20 January, the XIV Edition of the Italian Certificate Awards took place in virtual mode, providing awards to the best Certificates, Issuers and Distribution Networks of 2020. The event was organised by *Triboo, Certificati e Derivati*, a leading information company specialised in the market for certificates and structured products in Italy, which publishes the Certificate Journal on a weekly basis, the first Italian magazine dedicated to the world of investment certificates. The contestants competing for prizes in the fourteen categories were financial intermediaries who succeeded in proposing the best or most original investment instruments. The awards were assigned by the public who voted between December 2020 and January 2021 and by a specialist jury composed of experts in the field of investments, again renewing this year the interest in the world of certificates. Fideuram - Intesa Sanpaolo Private Banking were assigned second place in the Special Award for Best Private Banking Distribution Network.

EUROMONEY PRIVATE BANKING AND WEALTH MANAGEMENT AWARDS

In the Euromoney Survey, based on the answers provided during 2020 by the management and specialists in Private Banking and Wealth Management, Intesa Sanpaolo Private Banking achieved second place in the ranking in Italy and is the first Italian private bank in the ranking, and significantly reinforces its position in the HNWI category in 2020 achieving first place, a position that it also confirms for customers with assets of over €1m.

CUSTOMER EVENTS

During 2020, 113 events were organised dedicated to customers, which for the most part took place online, due to the Covid-19 emergency. Before the pandemic, two events were organised in February attended by over 1,700 participants. The first event dedicated to the *FAI Mercati Privati Europei* product was entitled "Investing in the real economy through private markets" and was held in Milan, at Palazzo Parigi, with the intervention of the Partners Group, while the second event on Treasury Management was held in Verona, at Villa Quaranta, in partnership with the *Associazione Italiana Tesorieri d'Impresa* (Italian Association of Business Treasurers).

The other 111 events were organised online with in-house speakers, colleagues from the Private Wealth Management structure and professionals of Fideuram Asset Management SGR, and external speakers such as teachers, professionals, journalists and third-party Partners.

THE EXCLUSIVE SERVICES OF WEALTH MANAGEMENT

14 webinars organised with in-house speakers from Private Wealth Management and professionals from Fideuram Asset Management SGR with about 850 participants. The aim of these meetings was to analyse the main macroeconomic trends at global and European level, the impact of these trends on Wealth Management, to analyse the wealth of Italian families, the financial needs of new generations, the generational transition of Italian companies, the phases of the life cycle of SMEs and their international opening, the technological, demographic and environmental changes taking place and the methods and tools required to meet the planning and investment needs of family wealth.

BEHAVIOURAL FINANCE: AN ESSENTIAL TOOL AT THE TIME OF COVID-19

19 webinar meetings, with over 1,500 participants, organised in conjunction with Ruggero Bertelli, Professor of Economics of Financial Intermediaries at the University of Siena. During the meetings, emphasis was given to the fact that behavioural finance can help in supporting investment choices, by analysing the role played by emotions in this area and the importance of having at one's disposal a method for managing these emotions to avoid the systematic errors typical of this new context of uncertainty, indicating the benefits of financial planning and the role of the personal financial adviser.

GEOPOLITICS AND THE CHANGING WORLD: DYNAMICS AND SCENARIOS

11 webinars organised in collaboration with Aldo Pigoli, professor at the Catholic University of the Sacred Heart of Milan and member of the Faculty of ASERI - *Alta Scuola di Formazione in Economia e Relazioni Internazionali*, and Giuseppe Riccardi, Managing Director of Fondi&Sicav, in the presence of 680 participants. These meetings analysed the major social, economic, environmental and technological developments that are generating major global changes with a view to understanding the importance of these contemporary geopolitical dynamics and their impact on the economic and financial field, so as to use these interpretative solutions in orienting one's choices.

DEFENDING AGAINST WEALTH TAX AND TAX INCREASES

These 30 meetings, which involved about 1,500 participants, were organised in cooperation with Alessandro Gallo, a strategic consultant and expert in asset planning and director at Value & Strategies. In the meetings, discussions revolved around the impacts of possible fiscal policy measures affecting the assets of Italian households following the economic crisis due to the pandemic, suggesting certain defence strategies that are more coherent than individual hypotheses, illustrating the characteristics of wealth that is resilient to wealth tax and tax increases. Some of the meetings then focused on "thin welfare" and how to defend against containing public spending. After a presentation of the history of public spending trends in Italy and an analysis of possible developments, attention was focused on the family bond, the future social network in Italy with a thin welfare, proposing effective solutions of economic aid for various needs.

DIGITAL EVENTS WITH THIRD-PARTY PARTNERS

16 webinars, for a total of over 1,300 participants, organised with the presence of professionals from third-party Partners and a journalist acting as moderator. Many issues were covered, such as sustainability, major changes taking place in the socio-economic context and strategies that should be adopted for the future. There were 5 events dedicated to the dissemination of an ESG culture focused on what is meant by sustainability when we talk about our investments and how each of us is a protagonist with our own behaviours; the combination of technology and sustainability and the speed of the changes taking place; how to incorporate sustainability into portfolios without sacrificing returns and how sustainability can be the new compass for investments.
Before the lockdown, Intesa Sanpaolo Private Banking organised two events in the HNWI branch in Milan: one on the diffusion of the financial culture and the other for the presentation of the E-Novia Fund; all subsequent scheduled face-to-face events were cancelled, due to the health emergency. On 20 October, a streamed online meeting was organised with the American Ambassador Thorne.

FINANCIAL SYMPOSIA

Intesa Sanpaolo Private Banking had scheduled 16 appointments but, due to regulatory restrictions, only the Venice symposium at the Fondazione Querini Stampalia was able to take place.

INTESA SANPAOLO PRIVATE BANKING INVITATIONAL GOLF TOUR

The "Intesa Sanpaolo Private Banking Golf Tour" was played from May to October, and involved five Invitational tournaments. The tournaments were held at the Circolo Golf Club La Mandria, the Golf Club Villa D'Este, the Franciacorta Golf Club, the Circolo del Golf Dell'Ugolino, the Golf Club Castel Conturbia and at the Golf della Montecchia. Around 280 golfers took part, consisting of existing and potential customers.

SPORTS

Intesa Sanpaolo Private Banking invites its customers to its Sky Box at Inter, Milan, Juventus and in a few places for Torino, Parma, Bologna and Brescia, to follow the matches played in Serie A, the Champions League and the Coppa Italia. This year, due to the closure of the stadiums to the public, only 40 customers were our guests at two home games of AC Milan and Inter.

77TH ITALIAN OPEN

For the third year in a row, Fideuram was partner of the Italian Golf Open in its 77th edition, held at the prestigious Chervò Golf San Vigilio course from 22 to 25 October 2020.
In addition to being the Official Bank of the Italian Open 2020, Fideuram welcomed its guests again this year, during the four days of the tournament, in a hospitality area on the green at hole 18. In compliance with all health protocols, the prestigious competition this year was held without the public.
By confirming its partnership for the 2020 Italian Open, Fideuram wanted to convey a message of hope in a sports event played under maximum safety.
Because internationalism, the quest for excellence and determination in taking on new challenges are the values that link Fideuram to the biggest golf championship in Italy.

ART AND THEATRE

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

CUSTOMER ASSISTANCE SERVICE

Our Customer Assistance Service provides information on the Group's products and services, and on each customer's overall financial position, which can also be viewed on the Fideuram Online website.

During 2020, the volume of customer contacts increased significantly compared to the previous year, due again to coping with the effects of moving to PSD2 regulations (disposal of the O-Key physical device in favour of the virtual O-Key Smart and O-Key SMS) and the greater use and request for authentication to use the online platform as a result of restrictions imposed by the Covid-19 pandemic.

The volumes of calls were also impacted by the temporary abandonment of the page managing access codes (currently being redesigned) which meant that these types of requests were made to the freephone number. The page will be made available again during the first quarter of 2021 directly on the new Alfabeto Fideuram website. At the end of December, in fact, the roll-out of the new site was started with the first groups of customers and during early 2021, all customers will be invited to use the new online platform, replacing the current Fideuram Online website.

The level of service, defined as the percentage of calls processed out of the total received, registered a fall on those days when the flows of incoming calls were much higher than the normal average. In order to accompany customers in the change, the team of operators dedicated to the service was reinforced and will be further adjusted in size according to the trend of call volumes.

The percentage of authenticated calls fell to an average of 53% during 2020.

Significant support was provided by fraud prevention assistance through daily monitoring of suspicious transactions that were intercepted and promptly checked with customers and Personal Financial Advisers.

532 k

Contacts with customers

CUSTOMER FEEDBACK

In 2020, a total of 2,637 customer requests were received, addressed mainly to the Group's Italian companies, indicating an increase of +17% compared to 2019. In particular, 2,433 complaints and reiterations were received, 159 appeals to out-of-court resolution Bodies and 45 statements to the Supervisory Authorities.

As part of the requests received from customers, 158 refer to misconduct by Personal Financial Advisers (-64% compared to 2019).

During 2020, the outcomes of 2,472 complaints and reiterations were defined, of which 934 were accepted and, of these, 236 involved disbursements.

Response times, except for complaints relating to unlawful conduct, continued to be below the maximum times specified by the relevant legislation, with an average of 26 days for banking service complaints (60 days legal maximum), 40 days for investment service complaints (60 days legal maximum) and 57 days for fiduciary service complaints (60 days legal maximum).

40 days

Average processing time for investment service complaints (*)

(*) Compared with 60 days maximum legal requirement.

With reference to the number of appeals submitted to the alternative dispute resolution bodies, there was an increase compared to the previous year, both in terms of those submitted to assessment by the "Financial and Banking Arbitration Body (Arbitro Bancario Finanziario)" (43 compared to 40 in 2019) and those submitted to the "Financial Disputes Arbitration Body (Arbitro per le Controversie Finaziarie)" (27 compared to 17 in 2019).

Breakdown of complaints, statements and appeals by type

(No.)

	2020	2019	2018
Loans	45	34	13
Payment systems	625	437	494
Organizational systems, website, other	534	506	279
Insurance products	101	56	38
Current accounts and securities custody account	524	331	393
Investments	808	896	657
Total	**2,637**	**2,260**	**1,874**

During the year, 12 privacy complaints were received, down from 19 received in the previous year.

TRANSPARENCY WITH CUSTOMERS

The regulations on the transparency of banking transactions and services allowed us to present the information we provide our customers in every phase of their relations in a manner that is clearer and easier to understand. The principles of language simplicity and transparency of information represent the guiding principle for a timely update of the transparency documents available to the customer, in accordance with the constantly changing legislation, with the aim of analysing all the products in the catalogue and improving their readability. The in-house training provided for branch staff consists both of traditional tools and innovative solutions, including Intranet communications, supplementary material supporting training catalogue courses, Web TV and e-learning modules.

MAIN IMPROVEMENT OBJECTIVES FOR 2021

Customers
Our main improvement objectives include the following:

- Further strengthening of the offer available to customers both through the growth of the investment solutions available in the Fideuram catalogue, and through the strengthening of the services that accompany them with a specific commitment concerning sustainable finance (ESG).
- Further enhancement of the service platforms to seize new opportunities on listed and private markets and meet the changing needs of Private Banking and HNWI customers.
- Increase in the offering of products in response to the needs of safeguarding capital by customers, also through the creation of new issues of principal-protected certificates.
- Constant growth in the level of disclosures to customers in relation to the characteristics of the products and services provided.
- Distribution of Alfabeto Fideuram to all customers (Fideuram and Sanpaolo Invest), progressive discontinuation of the Fideuram Online platform and expansion of the features geared to customers and Personal Financial Advisers.

Advisory Platform
With the aim of consolidating its features, in line with the developments expected by the service model, the following are planned:

- Integration of the analysis and monitoring metrics for customer portfolios and for financial instruments, supplied by the Aladdin service of BlackRock Financial Management.
- Upgrading of the functions and reporting facilities supporting the Advanced Advisory Services model for the sales Network with the aim of introducing highly innovative, distinctive and high-added-value elements for all customer categories.
- Development of new features for the analysis of portfolios and products based on the main indicators and ESG themes.
- Further improvements to the Sales Proposal.
- Information enhancement and the possibility of increased customisation in reporting.

Events
The organisation of events online and locally, as compatible with the current health restrictions, dedicated to existing and potential customers and geared to developing a greater understanding of current issues, and providing insights into topics on financial education, with particular emphasis on the subject of sustainability.

SUPPLIERS

MAIN OBJECTIVES FOR 2020	ACTIONS AND RESULTS ACHIEVED
Greater possibility of selecting suppliers which are more sensitive to social and environmental issues.	More Intesa Sanpaolo suppliers were used with particular attention to social and environmental aspects.
Extension to the range of environmentally-sustainable purchases.	More eco-sustainable products were purchased where compatible with the recent period of health difficulties.

PROFILE OF SUPPLIERS

In 2020, the Group had business dealings with 1,325 suppliers, for a total value of approximately €182M. The territorial distribution of suppliers is concentrated almost entirely in Italy (95%).

	2020	2019	2018
Suppliers' turnover (€m)	182	189	233
No. of suppliers	1,325	1,502	1,584

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

SUPPLY CHAIN MANAGEMENT

The Fideuram Group attributes particular emphasis to social and environmental responsibility and the effects generated by managing purchases of goods and services on society, on human rights and workers' rights, on business ethics and on the environment.
The supply chain is based on transparency, correctness, integrity and fairness, the principles expressed in the Code of Ethical Conduct that suppliers need to view when registering with the New Supplier Gate (Nuovo Portale Fornitori - NPF) of Intesa Sanpaolo and which, in the event of signing a supply or service contract, they agree to comply with.
The Intesa Sanpaolo procurement centralisation process allowed us to unify rules and processes, by applying the Purchasing Rules and Guidelines used by all Group companies, aligning the social and environmental awareness and responsibility processes of every department involved in the sourcing process, from requests for quotations to calls for tenders and supplementary information.
This made the process of identifying suppliers more consistent through the signing of contracts and agreements and the adherence to the Framework Agreements with the same suppliers of Intesa Sanpaolo.
This application and e-sourcing system, called the Intesa Sanpaolo Supplier Gate, allowed the Group companies to be able to select Intesa Sanpaolo qualified suppliers, beginning with their registration on the application, while considering not only the suppliers' technical, economic and financial characteristics, but also verification of their business ethics and respect for human rights and the environment. The traditional suppliers and those applying for the first time were made aware of the need to go through the accreditation process on the portal in order to be engaged in the procurement process.
During 2020, the negotiations begun in the previous year were continued with effects of an ethical, social and environmental nature according to requirements of functionality, quality and safety and not just a mere competitive comparison of tenders according to technical and economic characteristics.
However, due to the health situation in progress since the early months of 2020, the aforementioned negotiations suffered a significant reduction in quantitative but not qualitative terms, managing to apply and maintain the same ethical, environmental and economic standards.

SELECTION POLICIES

The Group continued its work improving quality standards by selecting suppliers on the basis of legal and ethical integrity, technical and professional suitability, reliability with respect to data confidentiality and commercial competitiveness.
During 2020, the attention of the Group in the procurement process was directed towards suppliers which could guarantee the best balance between price and quality of service and were able to meet expectations in terms of social and environmental responsibility. In the interests of fairness, it was decided to enable market comparisons not based simply on a request for a better quality-price ratio, but also to work with qualified suppliers in terms of ethical and sustainable criteria. Indeed, from the time they register in the Supplier Gate, the suppliers fill out mandatory questionnaires dedicated to environmental sustainability issues, with simultaneous or deferred uploading of the documentation and certificates confirming their fulfilment of the declared commitments.
This procedure makes it possible to monitor the entire supply chain and obtain a comprehensive evaluation of the supplier's ratings on all social, economic, financial, and environmental aspects and also to have constant updates throughout the validity of the contract, including the period subsequent to the awarding of a procurement contract, so as to plan for appropriate actions in the event of rather unsatisfactory assessments. Therefore, by accessing the Supplier Gate system, one has the possibility of consulting and involving suppliers in the procurement process, which have a positive assessment and are approved by Intesa Sanpaolo's Office for Supplier Qualification, Coordination and Monitoring.

Suppliers are selected by comparing bids submitted by multiple tenderers. The award criteria used are the following: Request for Proposal, Request for Information and, if it is impossible to conduct market comparisons, Direct Negotiations. Market comparisons are not mandatory for non-recurring purchases that are not connected with other initiatives and have a value of less than €75k or which are covered by framework agreements or contracts.

The list of suppliers to be involved in a purchase process when making a market comparison or choosing the supplier with which to start direct negotiations is prepared by taking into account the various needs of the Group. The list of suppliers for a Request for Proposal must be authorised in advance by the Office for Supplier Qualification, Coordination and Monitoring of Intesa Sanpaolo.
Prior authorisation of the supplier by that Office is required for all types and categories of merchandise, regardless of their amount. At least three suppliers are required in market comparisons (five in the event of comparisons with an estimated value exceeding €50k). In certain cases (e.g. lack of availability of alternative suppliers, existence of corporate links between suppliers invited), exceptions can be made regarding the number of suppliers involved.
During 2020, some delegated powers were granted by Intesa Sanpaolo, to allow the procurement process to be run independently for some product categories up to a value of €25k, according to the guidelines and rules on procurement. For all purchases above €25k, the procurement process is managed by Intesa Sanpaolo.
In addition, certain product categories such as expenses related to Integrated Logistics (transportation, postage, stationery and supply office materials, forms and envelopes, warehousing, file storage system, press centre and newspaper and magazine subscriptions) and those of the Real Estate department were assigned to Intesa Sanpaolo which performs procurement without limits on the amount.
The Request for Proposal assumes a technical assessment, a subsequent economic assessment and a joint analysis of the two assessment components (best proposal that meets the combination of technical assessment and price).
The technical assessment must always be completed and formally documented prior to opening the economic proposals; where provided, it will also have to include social and/or environmental responsibility aspects. Unless different criteria are formally set out at the launch phase, that assessment is expressed through an opinion of appropriateness or inappropriateness of the solution.
Conversely, the strategy with Request for Information enables the purchaser to obtain information, solutions and pricing in the form of approximate quotations and define the sourcing strategy to be applied.
The winning bidder is selected upon completion of all the procedures required for the request strategy adopted, in accordance with the award criteria specified and when agreement has been reached on the contractual conditions.
In 2020, we used a substantial number of suppliers with whom Intesa Sanpaolo has Framework Agreements or Framework Agreement Prices, enabling the Fideuram Group to achieve greater savings through economically advantageous rates.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Fideuram Group performs:

- comprehensive evaluations of its suppliers, analysing their compliance with international and local environmental regulations and their commitment to activities designed to protect the environment (such as certifications and adoption of environmentally friendly technologies);
- the environmental assessments of the products used in daily work activities (such as efficiency criteria of IT products and their levels of recyclability);
- a targeted action on energy consumption relating to office equipment such as PCs, monitors, printers, photocopiers, servers, IT systems and equipment that supports services, geared to the gradual replacement of office machinery with other more energetically-efficient items and the adoption of a specific policy;
- the implementation of Intesa Sanpaolo guidelines on the specifications for white copier paper, using the services of the same supplier, which ensures the same type of supply;
- the purchases of environmentally-sustainable stationery products, such as paper, note pads, binders, pens, pencils, ATM rolls and post-its;
- during the supplier selection process, check of compliance with the minimum sustainability requirements and the standards of the International Labour Organization covering fundamental human rights, child labour, freedom of association, health and safety, and business ethics.

MAIN IMPROVEMENT OBJECTIVES FOR 2021

Our main improvement objectives include the following:

- greater possibility of selecting suppliers which are more sensitive to social and environmental issues;
- extension to the range of environmentally-sustainable purchases;
- possibility to apply Plastic Free projects;
- periodic checks through the filling in of vendor rating questionnaires;
- feasibility analysis for the definition of an ethical/sustainability rating with a view to reputational rating.

THE COMMUNITY

Charitable initiatives (or donations) mean exclusively cash donations without any expectation of receiving any compensation or benefit of any kind in return. Therefore, all those activities – in whatever form the conditions are agreed – which directly or indirectly promote and enhance the image of the Group, do not represent donations.
In defining the principles of conduct in relations with the community, the Code of Ethical Conduct of Intesa Sanpaolo, implemented by the Fideuram Group, specifies the need to identify "the requirements and needs of the community and not only in a material sense," and to support them, amongst other things, "through charitable donations".

Fideuram - Bergamo Office

Generally speaking, recipients of donations can be:

- legally recognised entities, which do not pursue profit, established and organised according to the rules governing the so-called non-profit sector;
- social enterprises, established pursuant to Italian Legislative Decree 155/2006, as long as the donation, within the sphere of the social enterprise, is destined to support particularly significant social or cultural initiatives;
- third parties (e.g. local entities or bodies including public ones, such as regional, provincial or municipal authorities, community cultural associations, schools, tourism promotion boards, etc.) provided that the project meets the above definition for charitable initiative and has the sole objective to pursue one or more of the aims set out below.

Potential beneficiaries of donations are classified according to the aims they pursue and in relation to the area in which they operate, i.e. by way of example:

- social area (e.g. health and research; education and training, voluntary service, protection of rights, solidarity, protection of minors);
- religious area;
- cultural, artistic, historical and archaeological heritage promotion;
- environmental protection.

Conversely, the following institutions are excluded as potential beneficiaries of donations:

- political parties and movements and related organisation;
- trade union organisations and assistance agencies;
- service clubs, such as Lions, Rotary, etc.;
- associations with profit aims and recreational groups, private schools and legally-recognised schools, except for specific initiatives with particular, social, cultural or scientific importance.

In order for a donation to be made, the ethical values of the beneficiaries must be consistent with those specified in the Code of Ethical Conduct, directed towards people, the respect for human rights, economic and social solidarity, sustainable development, conservation of the environment and artistic heritage and support for culture.

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

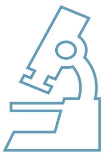
- may be given to organisations whose procedures, including accounting procedures, make it extremely easy to verify the consistency between the declared objectives and the ones they pursue i.e. they prepare financial statements (without prejudice to the requirement for these entities to comply with the primary and secondary rules and the principles of correctness, rigour, integrity, honesty, fairness and good faith);
- cannot be for initiatives with a commercial and promotional value, e.g. for initiatives of promotion, enhancement and reinforcement of the Group's image, which are realised by entering into contracts or agreements;
- cannot be used for projects that already receive some form of sponsorship;
- must be granted using a form of rotation, so as to ensure as broad, varied and flexible use of resources as possible;
- cannot be given to the same applicant more than once within the same calendar year;
- cannot be granted for more than four consecutive years to the same applicant, except for those projects that have an obvious long-term duration;
- cannot be granted to bodies involved in litigation, known to the Group, on issues relating to the non-respect of human rights, peaceful coexistence, environmental protection and vivisection;
- cannot be granted to natural persons.

The Group's charitable and other donations totalled €1.2m in 2020 and were distributed to a number of respected bodies operating in the health care, scientific research, arts, sports and humanitarian/aid sectors.

The pandemic has weakened the world economy but strengthened our sense of responsibility; for this reason, the Fideuram Group wanted to give a strong signal of solidarity in support of the country, by signing up to the fundraising initiative launched by the Intesa Sanpaolo Group.

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

INITIATIVES TO SUPPORT HEALTH CARE, RESEARCH AND THE ARTS



The Group supported the following organisations within the scope of Health Care, Scientific Research and the Arts:

- **Associazione Italiana Sclerosi Multipla Onlus** to sponsor the research stipend in the project "Registro Italiano sulla sclerosi multipla" (Italian Register of Multiple Sclerosis), a fundamental tool in epidemiological research on multiple sclerosis.
- **Fondazione Biblioteca Astense**, the Civic Library of Asti, named after Vittorio Alfieri and officially opened to the public on 18 March 1873 in the Civic College. The library premises remained unchanged from 1903 to 2014, when it moved back to its original premises in the Palazzo del Collegio, after suitable renovation work. The new premises, inaugurated in January 2015, was named after the Asti writer Giorgio Faletti, president of the Library from September 2012 to July 2014.
- **Aspen Institute Italia**, a private, independent, international, non-partisan and non-profit association characterised by in-depth studies, discussions and the exchange of knowledge, information and values.
- **Fondazione Querini Stampalia**, the Querini Stampalia scientific foundation aims to promote effective studies and useful disciplines in order to spread a culture of science and literature in Venice.
- **Associazione Società della Musica**, was officially founded in Mantua in 1995 with the aim of promoting listening to classical music, with particular attention to the chamber repertoire. The concert seasons have always welcomed some of the most famous and well-established international artists, also dedicating significant spaces to talented young musicians, favouring solo and chamber music, the sort of music suited to small theatres, modest halls and a motivated audience, eager to acquire (or reacquire) the treasures that lie within these genres.
- **Società del quartetto di Vicenza**, a non-profit association that for over a century has been organising and promoting seasons of concerts, music festivals and individual concert events, including the famous Vicenza Opera Festival.

This year, in agreement with the Personal Financial Advisers who won the "Superviaggio" of the Fideuram and Sanpaolo Invest Networks, the most important annual award given to the best advisers, it was decided to donate to charity the equivalent value of the trip that had to be cancelled due to the pandemic, leaving the winners to decide which non-profit organisation should receive the donation. In addition, it was decided that certain deserving hospital authorities in five Italian regions would be supported in this period of health emergency:

- Lombardy - Sacco Hospital in Milan.
- Veneto - Integrated University Hospital Authority in Verona.
- Emilia Romagna - Sant'Orsola in Bologna.
- Lazio - Lazzaro Spallanzani Hospital in Rome.
- Campania - Ospedali dei Colli in Naples.

HUMANITARIAN AND AID INITIATIVES

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

- **Fondazione Rosa Pristina**, which pursues social, humanitarian and research purposes, operating in the fields of care, health and education.
- **Associazione We Will Care Onlus**, founded in 2016 to offer free psychological support to cancer patients, their family members and nursing medical staff. The association promotes support for people who are, or have been, ill with cancer, enhancing their own resources and independence at every stage of the treatment path.
- **Fondazione Casa della Carità**, which believes in the dignity and uniqueness of every person, in the value of listening, in the importance of relationships, and which is committed to upholding the rights of all citizens and combating what Pope Francis calls the culture of waste, which harms both people and the environment.

SPONSORSHIP INITIATIVES

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

During 2020, Fideuram was the sponsor of a great event of international importance, the 77th Italian Open Golf Tournament, a sporting event held at the Chervò Golf Club San Vigilio in Pozzolengo.
In addition, in the financial field it was sponsor of some institutional events such as ConsulenTia, held from 4 to 6 February at the Auditorium Parco della Musica in Rome, of the AIPB Forum "XVI Forum of Private Banking: wealth for the future" held on 23 November in Milan, in live streaming, and of Il Salone del Risparmio, whose face-to-face edition was postponed to next year due to the Covid-19 emergency and, pending which, some digital conferences were organised to give continuity to dialogue and interaction with industry professionals.

During the year, Intesa Sanpaolo Private Banking supported the following initiatives:

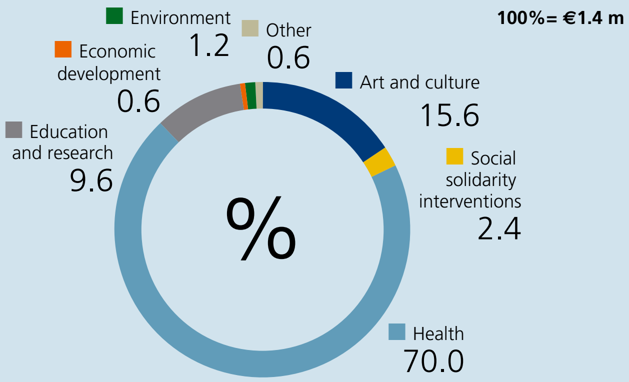
- the 34th Maratona des Dolomites (Dolomites Marathon), scheduled from the 5 to 7 July in Badia was deferred to July 2021. The most important amateur cycling marathon race in the world has been running in the Dolomites since 1987. Participation is by drawing lots from over 32,000 applications.
- Miart, scheduled from 10 to 13 September in Milan, was postponed to September 2021. Usually a Preview is organised, reserved for 100 of our guests with the participation in the opening Vernissage for 600 guests. The Group's presence is usually characterised by having the centrally located stand, guided tours of the main galleries, availability of our art advisors, exhibition of works by a young artist and 3 theme-based meetings.
- The 88th Piazza di Siena, scheduled from 28 to 31 May 2020 at Villa Borghese in Rome was postponed to May 2021. The debut of Piazza di Siena as a stage for equestrian competitions dates back to 1922. Shortly thereafter, in 1926 the Italian Federation of Equestrian Sports (FEI)

included the Roman Event in the international calendar and so the official numbering of the Official International Equestrian Competition in Rome starts with that year.

- AIPB XVI Forum took place on 23 November in Milan. The Italian Private Banking Association organises an annual forum to take an in-depth look at financial issues. This year the event was streamed live with the participation of about 600 people.
- Blue Economy Summit from 29 June to 3 July in Genoa. It is a national event dedicated to the great opportunities for regional growth and development, employment and vocational training, originating from the sea and the industries that gravitate around it.
- The 3rd Report on the Real Estate Market organised by Nomisma took place on 25 November in Milan. This company of economic studies proposes every year an event to take an in-depth look at real estate scenarios. Usually the presentation takes place with a live audience at the Cariplo Convention Centre, but due to health restrictions, it was held with a live stream with the participation of more than 600 people.

In 2020 the Group's total contributions to local organisations via donations (€1.2m) and sponsorships (€0.2m) were made entirely in cash. The graph shows the Group's donations to the community by field of activity:

Group contributions by sector, 2020



Our donations, calculated following the guidelines of the London Benchmarking Group (LBG), are classified by objective as follows:

- 12.7% "local investments", which include long-term strategic partnerships;
- 74.4% "donations", which meet specific needs and requests made by associations and non-profit entities;
- 12.9% "marketing initiatives", which support events that promote our brand and business.

SUSTAINABLE FINANCE

The Private Banking Division specialises in offering advisory services to meet the financial, pension and insurance needs of Private Banking and HNWI (High Net Worth Individual) customers. Listening and dialogue with the customer, aimed at the ongoing improvements to the quality of the service offered, are combined with the commitment to spread awareness about appropriate financial culture, to raise the knowledge and awareness of the customer with regard to investment choices also with regard to aspects of social and environmental interest.
The progressive integration of ESG criteria is taking place across the range of products on offer (non-managed assets, own and third-party funds, personalised management mandates, in-house insurance funds and private insurance policies) with the aim of offering a complete spectrum of opportunities.
During 2020, in fact, the range of products available to customers included the confirmation of choices made in the past and the introduction of new solutions to enrich the investment opportunities in the ESG area, arranged with various management approaches (equities, balanced and flexible) and technical forms (mutual and alternative investment funds, discretionary accounts, open pension fund, insurance products and non-managed assets) with a cross-coverage of various sectors and geographical areas. At 31 December 2020, the in-house product assets with an ESG characterisation amounted to over €867.7m, up by €301.2m compared to the previous year.

INVESTMENT FUNDS

THE FONDITALIA OFFERING

During 2020, the Fonditalia sustainable finance offering focused on the management of the sub-funds Fonditalia Ethical Investment and Fonditalia Millennials Equity. For these two sub-funds, Fideuram Asset Management (Ireland) obtained certification from PWC for their correct and coherent inclusion of ESG factors in the investment process of SRI (Socially Responsible Investment) products, in line with the ISAE 3000 standards of the International Auditing and Assurance Standards Board (IAASB), the international standard for checks on the reporting of non-financial information.

- **Ethical Fund: Fonditalia Ethical Investment**
  Fonditalia Ethical Investment, the sub-fund of Fonditalia active since 1 October 2012, is the investment solution of Fideuram Asset Management (Ireland) that promotes environmental, social and governance (ESG) aspects.
  Initially established as a flexible bond sub-fund, it then enhanced its mandate by including equities and greater use of third-party funds. This product takes an approach that combines ESG principles at the comprehensive portfolio level, with objectives of positive impact on people and the planet at the level of individual investments. In fact, issuers are selected according to financial and social and environmental performance criteria, which are both absolute and relative to the reference sectors or geographical areas. Moreover, bonds, stocks and funds that intentionally invest capital to solve some major social and environmental challenges are chosen. This last component has grown over time, especially in the bond sub-fund, ultimately becoming the largest part of the portfolio. This sub-fund invests mainly in green bonds, social bonds and sustainability bonds (whose capital is invested in renewable energy, education, vaccines, public housing, health, micro-finance, and similar areas), in theme funds (ecology, food and water) and in companies that provide access to financial services for more vulnerable social groups. Each element in the portfolio is important as a financial opportunity and also because of its positive impact on the community.

The sub-fund invests in:

THEME-BASED BONDS	These are bond issues intended to finance specific environmental projects (green bonds), or goals such as reducing poverty, education, natural food, access to medical care, and similar challenges.
ESG GOVERNMENT BONDS	Sovereign debt securities that are chosen with a negative exclusion filter and positive sustainability criteria.
MICROCREDIT INSTITUTIONS	Equity instruments issued by financial institutions that actively provide services to more vulnerable social groups.
SUSTAINABLE STOCK FUNDS	Stock funds that invest in firms which promote environmental and social sustainability.

The product has undergone significant development in terms of the markets and instruments covered since it was launched. The positive externalities generated by the investment activity have increased through its providing access to financial instruments with new features and due to the effort in creating value for the customer within a framework of controlled volatility. The instruments used today include the bonds of countries and companies distinguished for focusing special attention on social and environmental matters, supranational bonds that support developing countries, shares and units in companies and funds that seek financial returns combined with social or environmental benefits and other financial instruments with a positive social and/or environmental impact.
To ensure uniformity between investment choices and the ethical principles which the company aspires to, Fideuram Asset Management (Ireland) adopted a Sustainable and Responsible Investment Policy during 2020.

- **Fonditalia Millennials Equity**
  Fonditalia Millennials Equity promotes environmental, social and government (ESG) characteristics through investment in equity instruments issued by companies with a well-defined business model to successfully capture the consumer preferences of the Millennials generation (particularly sensitive to ESG issues).

The Fund integrates financial analysis with environmental and social analysis on the basis of the following criteria:

- exclusion of companies (negative screening) that do not comply with the principles of the United Nations Global Compact and that record a part of the revenues from activities deemed harmful to people and the environment (i.e. fossil energies, weapons, pornography);
- ESG valuation on portfolio securities, in order to assign a sustainability rating, based on quantitative analysis of data from external sources and a qualitative review by specialised analysts. The voting system excludes those securities that do not reach the minimum required rating;
- creation of a structure of maximum weighting in the portfolio that grows according to the sustainability rating of the firms in which it invests;
- continuous monitoring of risk situations (disputes or facts relevant in terms of ESG) in order to allow the management team to perform constant monitoring that can, in the event of particular relevance of the facts, result in a red flag and a subsequent assessment on the merits of a discontinuance of investment in the company involved;
- establishment of a minimum sustainability rating target for the portfolio (for the portion that is covered by rating).

FIDEURAM MULTIBRAND

The process of systematic enhancement of the range of products on offer continued for Fideuram Multibrand, the platform for the direct distribution of funds in open logic. This includes the selection of traditional investment funds with an ethical and social value of third-party companies that boast a consolidated and acknowledged experience in this field, improving the coverage of the various types of investment (geographical and theme-based equities, and bonds, in particular of a corporate and flexible nature) and allowing customers greater freedom in the composition of their own portfolios in compliance with ESG principles. In 2020, in particular, the placement was launched of some sub-funds of partners specialised in theme-based products created with a responsible approach in line with the Sustainable Development Goals sanctioned by the United Nations (such as the solutions of the SICAV CPR Invest of the Amundi Group).

DISCRETIONARY ACCOUNTS

The growing attention to ESG issues by the Fideuram Group is also found in the business of Fideuram Asset Management SGR. With regard to Omnia Discretionary Accounts, for some years now several customised management lines have been developed in collaboration with Mainstreet Capital Partners and geared to investment in financial instruments that incorporate environmental, social and sound governance criteria; in addition two Ego High Conviction lines developed in collaboration with Lombard Odier Investment Managers have been included in the catalogue, using a "Sustainable Equity High Conviction" strategy and aimed at Private Banking customers.

During 2020, the commitment to developing investment solutions that meet the criteria of ethics and sustainability continued with the creation of new customised management lines and with the selection of additional ESG funds intended to enhance the investable universe of Fideuram Folios and Omnia Discretionary Accounts available to the fund manager for the construction of portfolios.

Intesa Sanpaolo Private Banking, in addition to offering its customers the ability to define the lines of Customised Discretionary Accounts with a "sustainable" focus, offers the GP Mix Sustainable, a discretionary account line, characterised by a process of investment aimed at building a balanced and diversified portfolio in international markets.
The investment process of the lines combines the fundamental and economic analyses with specific sustainability assessments that aim to pursue financial objectives in the same way as social and environmental results.
The selection of countries and industries is based on assessment criteria that recognise their contribution towards positive social development and protecting the planet.
In the direct and indirect choice of financial instruments, asset managers prefer, though not exclusively, Governments, companies and supranational organisations that are aligned with the Sustainable Development Goals promoted by the United Nations.
The assessment and selection of corporate securities takes into account the policies and behaviour of issuing companies with respect to major social, governance and environmental issues, as well as their ability and intentions to pursue sustainable development goals, also through the products and services offered.
In particular, the assessment of bonds and funds that invest in bonds issued by governments, supra-national companies and organisations is based on, but not limited to, a combination of:

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

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

INSURANCE AND PENSION PRODUCTS

UNIT LINKED FIDEURAM VITA INSIEME

Even for insurance policies of Class III of Fideuram Vita, a similar journey was undertaken for a revision, focusing on sustainability and long-term trends as a source of greater protection of invested capital. The investable universe was therefore enriched with the selection of additional external funds of the group and of third-party partners and with the introduction of products from new partners with a strong ESG vocation. In particular, in 2020 the FVI High Conviction 100 in-house fund was created for Fideuram Vita Insieme in collaboration with Lombard Odier.

FONDO PENSIONE FIDEURAM

The progressive adjustments in the investment process towards ESG criteria continued. In 2020, the ESG exclusion criteria applied in 2019 only to equity components in portfolios, were also applied to the component invested in corporate bonds. The first step, which took place last year, involved the management of the equity component of the sub-funds with the adoption of ESG exclusion criteria (negative screening), which led to the identification of sectors and companies as ineligible (e.g. coal mining, conventional and non-conventional weapons production, gambling, adult entertainment, tobacco). About 740 companies were therefore identified globally for exclusion, with the only partial exception referring to companies that produce conventional weapons with a weight in their turnover below 30%. In 2020, the Fideuram Millennials was also created, the new fund of the Fondo Pensione Fideuram, built with the same characteristics as Fonditalia Millennials Equity.

NON-MANAGED ASSETS

The search for sustainable investment solutions also affected non-managed assets. Since 2018 Fideuram, together with the issuers of the Intesa Sanpaolo Group, has created five equity protection certificates with underlying ESG type indices, which aim to reward companies that are sustainable in terms of their governance and social and environmental approach. Last in order of time is the certificate EP 100% of the capital on iStoxx Europe 600 ESG placed in 2020. Intesa Sanpaolo Private Banking went in the same direction.

MAIN IMPROVEMENT OBJECTIVES FOR 2021

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

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

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

THE FINANCIAL SYSTEM AND OTHER INSTITUTIONS

Fideuram and its subsidiaries are members of a number of industry associations in their respective fields, including the Italian Banking Association (ABI), Italian Association of Investment Advisory Companies (Assoreti), the Italian Association of Joint Stock Companies (Assonime), the Italian Private Banking Association (AIPB), the Italian Association of Fund Managers (Assogestioni) and the Italian Fiduciary Services Association (Assofiduciaria).

CORPORATE EVENTS

CONSULENTIA (ROME)

The event ConsulenTia 2020 "Il nostro valore al servizio di grandi sfide" ("Our value serving great challenges"), organised by the Italian National Association of Financial Advisers (Associazione Nazionale Promotori Finanziari - ANASF), was held in Rome at the Auditorium Parco della Musica from 4 to 6 February. More than 3,100 persons attended the event, with the participation of over 50 partners and over 50 speakers. Fideuram was once again among the sponsors of the event in 2020 and was also present with a stand in the exhibition area. Growth and sustainability were the key words of this three-day event organised by ANASF. The 2020 Edition was attended by the main financial adviser networks and some major asset management companies, which presented their market strategies. It was an important moment for sharing views on the profession, a point of reference for the players in the sector.

SALONE DEL RISPARMIO

Also in 2020 Fideuram was a partner of the XI edition of Il Salone del Risparmio "Visions for a world at zero rates. From liquidity to the real economy." This edition, due to the Covid-19 health emergency, was postponed to 2021 and will be held at the MiCo in Milan in June, with the aim of it being the first edition that can combine digital and physical attendance. Despite the shift to the following year, the dissemination work on the most relevant issues for the sector continued during 2020, through initiatives and tools implemented by Assogestioni with all the members and sponsors of the Salone. Thus it remained alongside operators to help them meet their information and training needs that are particularly high in phases of uncertainty. Through the initiative called "Aspettando l'11° edizione de Il Salone del Risparmio" (Waiting for the 11th Edition of Il Salone del Risparmio), some conferences were held on an online streaming platform, with over 5,000 participants, allowing the Association and companies in the industry to continue their dialogue and interaction with industry professionals. As a path of approach to Il Salone del Risparmio 2021, a series of conferences was organised by Assogestioni in collaboration with FocusRisparmio entitled "R-Evolution: The future has a great future" divided into five events: "The R factor in support of the post-Covid world", opened by the President of Assogestioni Tommaso Corcos; "Recovery goes through liquidity"; "Investing in the future: the roads of megatrends"; "Passive management to the challenge of future evolution"; "The drive of sustainability to build the future."

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

In November, a live-streamed event was held, entitled "XVI Forum of Private Banking: Wealth for the future", in which Fideuram was also a sponsor. During the 16th edition of the Private Banking Forum, moderated by journalist Fabio Tavelli, the president of AIPB, Paolo Langé, and other important guests including the President of Assoreti and Managing Director of Fideuram, Tommaso Corcos, made speeches. The speeches revealed that Italian Private Banking remains a healthy business, appreciated by its customers and with growth margins over the next two years.

3.8.6 **Natural** Capital

Natural capital includes the processes and environmental resources which contribute to generating goods and services for the Group's business.

THE ENVIRONMENT

Following Intesa Sanpaolo's environmental guidelines and rules, the Fideuram Group's environmental policy aims to contain and rationalise energy consumption with the reduction in pollutant emissions, paper consumption, waste production and management, and water, electricity and gas consumption in order to make a positive contribution to sustainable development consistent with environmental protection and awareness of current climate changes. The growing attention paid to the possible consequences of climate change has led to a greater awareness among the financial institutions on the need to develop a specific understanding of the risks and opportunities associated with it.
Climate change represents a complex challenge that will inevitably have a severe impact on the future of the planet and society. Climate change is the reason behind the increase in extreme natural events and has permanent effects that may result in considerable economic, environmental and social costs. Such events, that can generate a loss of wealth and revenue for businesses and households, have a potential impact on the financial system. Banks have a key role and prominent responsibilities with respect to the climate change issue because they can guide loans and investments towards businesses that are environmentally virtuous and work from a perspective of improved awareness and containment of risks.
This is the context in which the Fideuram Group develops its commitment, which is manifested in the desire to:

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

ATMOSPHERIC EMISSIONS

The correct and systematic quantification and reporting of greenhouse gas (GHG) emissions enables the Fideuram Group to check the results of the actions it undertakes to reduce emissions, so as to contribute towards a reduction in global pollution.
During 2020, the decrease in electricity and heating consumption led to a reduction in the consequent GHG emissions.

(tCO_2 eq.)	2020	2019	2018
SCOPE1 EMISSIONS			
Direct emissions: total	2,142	2,508	2,882
SCOPE2 EMISSIONS			
Total indirect emissions Market	341	325	1,078
Total potential indirect emissions Location	5,524	6,006	6,538

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

The reported indicators are:

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

ENERGY

The aim to limit the Group's consumption continues through operational streamlining and energy efficiency initiatives. In particular, the actions taken have involved the replacement or modernisation of refrigeration units, the installation of high-efficiency lighting in branches, offices and signboards, and the installation of systems that turn on and switch off lights and automatically adjust lighting levels, systems that automatically turn off computers at night, new low-energy printing methods with reduced consumption of electricity, the installation of thermostatic valves on radiators and initiatives to reduce excessive temperature levels in heated spaces. Electric power consumption totalled 64,487 GJ, and natural gas (methane) consumption totalled 30,502 GJ during 2020, both down compared to last year. The percentage of electricity procured from sustainable sources rose from 96.4% to 98.2%, in line with Group targets.

Fuel oil consumption rose from last year to 2,361 GJ.

		2020	2019	2018
ELECTRIC POWER CONSUMPTION				
Total electric power consumption	GJ	64,487	67,530	70,657

		2020	2019	2018
NATURAL GAS CONSUMPTION				
Natural gas consumption (methane)	GJ	30,502	31,267	37,048

		2020	2019	2018
FUEL OIL CONSUMPTION				
Fuel Oil Consumption	GJ	2,361	1,369	2,328

PAPER

100 %
Use of environmentally-friendly paper

In 2020, Group companies consumed a total of 168 tonnes of paper. One hundred per cent of the paper used is environmentally friendly (66% was Forest Stewardship Council (FSC) certified paper from sustainably-managed sources, and 34% recycled) with a pro capita consumption of 39 kg (53 kg in 2019).

The upgrading of our digital document system continued in 2020 with the consequent dematerialisation of a larger quantity of documents through expansion of the range of application of that system, and the use of online statements and reporting for customers. Paper consumption benefited from the limited access of employees to their offices due to the restrictions necessitated by the public health emergency and use of the biometric signature by the Personal Financial Advisers and also by other units.

		2020	2019	2018
Total paper consumption	tons	168	187	200
Pro-capita paper consumption	kg/ employees	39	53	60

OTHER RESOURCE CONSUMPTION

Water consumption

Water resources are mainly used by the Group for civil purposes. The water used came from the public water supply or other water supply companies. Water consumption totalled 96,427 m^3 in 2020, with pro-capita water consumption of 22 m^3.

		2020	2019	2018
Total water consumption	m^3	96,427	91,129	114,093
Pro-capita water consumption	m^3/ employees	22	26	32

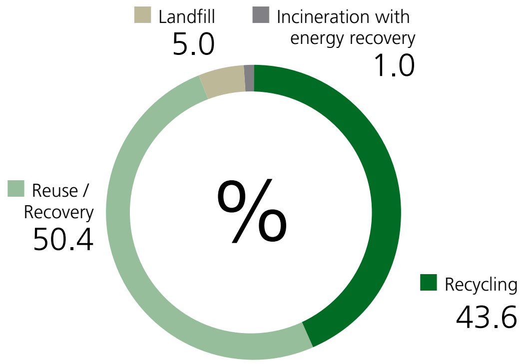
Waste

The Group scrupulously implements Italian waste disposal regulations with a view to more effectively controlling the disposal of special waste. The system makes it possible for the entire waste chain to be computerised, simplifying procedures and compliance, and reducing costs. The Group also complied with municipal waste disposal directives, adopting suitable processes and procedures for separate waste collection. Most of the waste collected by separate waste collection was paper and cardboard. During 2020 the Group generated 98 tonnes of waste (33 kg per employee), including 96 tonnes of non-hazardous special waste and 2 tonnes of hazardous waste. The reduction in toner waste during 2020 stemmed from the lower use of multifunction printers by employees due to the public health emergency, the use of latest generation devices that use significantly less toner and use of the biometric signature.

		2020	2019	2018
Total waste	tons	98	134	111
Total waste pro-capita	kg/ employees	33	38	32
Total special waste (non-hazardous)	tons	96	131	109
Total hazardous waste	tons	2	3	2

Used toner cartridges and hazardous and/or special waste (fluorescent tubes and batteries etc.) were disposed of separately and appropriately, in accordance with current regulations, using specialist companies and maintaining the related compulsory registers and documentation.

Total weight of waste by disposal method



MAIN IMPROVEMENT OBJECTIVES FOR 2021

Our main improvement objectives include the following:

PAPER, WASTE, TONER

- Introduction of the possibility of using recycled paper for certain types of documents in addition to the certified paper already in use.
- Raising awareness of the use of digital and electronic signatures with a consequent reduction in the consumption of toner and paper and reduced output of material to be disposed of.
- Proposal for moving centralised management of paper supplies to local management.
- Raising internal and external staff awareness of the need to increase the use of documents in digital format.
- Continuation of the initiative to achieve the paperless process with the creation of editable PDF documents.

ENERGY

- Increase the installation of electrical systems and latest generation air conditioning systems permitting the containment of energy consumption and the reduction and replacement of existing systems in the branches and offices of Personal Financial Advisers.

LEAN BANKING PROJECTS

The pandemic, which struck Western countries in the first few months of 2020, led the producers of goods and services to implement significant changes in the organisation of work.
In this context, Fideuram benefited from the choice made several years ago at Intesa Sanpaolo Group companies to complement work at company facilities to smart working. Thus, beginning in March 2020, it was able to fully integrate teleworking at all of its central offices, which represent the fulcrum of its management, administrative and governance activities, without negatively impacting the commercial activities of the Sales Networks.
In addition, the adoption of smart working gave added impetus to the pursuit of full digit targets, which the Group had planned to achieve much more gradually, facilitating the search for Lean Banking solutions to facilitate the organisation and management of teleworking, even in the absence of traditional devices like printers and photocopiers.
Therefore, solutions with innovative and leaner procedures for recording, tracking and digitally archiving transactions were implemented, which on the one hand permit the realisation of significant results in terms of procurement costs for paper and forms and, on the other hand, greater attention to environmental issues (disposal of toner and consumables).
The use of digital platforms by Personal Financial Advisers was confirmed to be an irreplaceable tool during the lockdown period. In particular, implementation of the remote process for opening current accounts contributed significantly to speeding up the time need to open relationships, reducing paper consumption and cutting the cost of printing and transporting forms.
Customer preferences contributed significantly to the major results achieved in the dematerialisation process. Customer requests for authorisation and access to the online channels made available by the Group (Home Banking, Alfabeto) have increased significantly.

MAIN IMPROVEMENT OBJECTIVES FOR 2021

The goal is to consolidate the actions taken on the organisation of work and in relations with the Sales Networks and customers. Specifically:

- accelerate digitalisation strategies;
- consolidate the operational model and actions introduced after the crisis triggered by the public health emergency to design a new operating model allowing the Group to become leaner over the long term;
- determine structured paths for development of previously adopted sustainability principles, consistently with the path outlined in the Intesa Sanpaolo Group Corporate Social Responsibility policy.

3.9 Events after the reporting period and outlook

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

After the issue of the related authorisations, on 1 January 2021 the partial demerger between group companies of an Intesa Sanpaolo Private Banking business unit in favour of Fideuram Asset Management SGR took effect. The unit in question consists of the Managed Assets organisational unit responsible for providing the asset management service, meaning the portfolio management activity pursuant to Art. 1, subparagraph 5, d), of the TUF (Italian Finance Consolidation Act).

Upon completion of the acquisition of UBI Banca S.p.A. by Intesa Sanpaolo, the European Central Bank authorised on 27 January 2021:

- the partial demerger of UBI Banca in favour of Intesa Sanpaolo Private Banking concerning the business unit of the demerged company consisting of the divisional unit called "TOP Private Banking" organised for the activity and services in favour of high net worth customers and companies, with an amendment to Article 5 of the By-Laws of Intesa Sanpaolo Private Banking aimed at acknowledging the share capital increase used to serve the demerger;
- the partial demerger of UBI Banca in favour of Fideuram concerning the acquisition by Fideuram of the 100% stake in IW Bank, together with the business unit of UBI consisting of the units dedicated to providing the service activities in favour of IW Bank called "Ramo Service IWB";

As part of the strategic initiatives aimed at reorganising the foreign activities of the Private Banking Division and in line with the Group target model, the Board of Directors of Fideuram on 5 March 2021 approved, within its respective area of responsibility and subject to authorisation from Intesa Sanpaolo, the transfer to Fideuram Bank Luxembourg of UBI Trustee S.A., a wholly-owned subsidiary of UBI Banca, with registered office in Luxembourg, specialised in fiduciary services dedicated to High Net Worth Individual and Ultra High Net Worth Individual customers. The transfer which is expected to take place during the first half of 2021, will involve the acquisition by Fideuram Bank (Luxembourg) of the entire share capital of UBI Trustee, based on a fair value valuation of the company made by Intesa Sanpaolo.

At the end of January 2021, client assets totalled €257.1bn. Managed assets totalled €175.2bn (with an increase over the average figure for 2020) and will be able to sustain the growth in recurring net fee and commission income in 2021 as well. The managed asset inflow development policies, the size of the client assets together with the cost controls and constant focus on risk management may allow our Group to end 2021 with an increase over the net profit for 2020.

Fideuram - Intesa Sanpaolo Private Banking is a sub-holding company of the Intesa Sanpaolo Banking Group

Fideuram heads the Intesa Sanpaolo Group's **Private Banking Division**, comprised of the companies providing the Group's **financial advisory, asset management** and **fiduciary services.**

4. Governance

4.1 The values and history of the Group

Fideuram has adopted the Intesa Sanpaolo Group's Code of Ethical Conduct as part of a comprehensive vision of social and environmental responsibility centred on strong relationships with its stakeholders.

MATERIAL TOPICS	WHY TOPICS ARE MATERIAL	CORPORATE POLICIES
Brand reputation Adequacy of controls over the distribution networks **Risk management** Anti-competitive and antitrust policies Management of business-related risks **Compliance** Regulatory compliance Appropriate updating on developments in the reference regulatory framework **Corporate Governance** Transparency and clarity in management of decision-making processes Conflict of interest management Policies and initiatives to limit the risk of incidents of corruption occurring Remuneration and compensation policies for members of the Board of Directors	The Fideuram Group deems it of fundamental interest that its own activities be operated in full compliance with the rules and with internal and external regulations and codes of conduct as a cornerstone for the trust placed in us by customers.	The Fideuram Group has prepared a Model of Organisation, Management and Control compliant with Italian Legislative Decree 231 of 8 June 2001. The Group prepared the Model in light of existing laws, regulations, procedures, and control systems, to the extent that they also provide appropriate measures to prevent crimes and unlawful conduct in general, including the acts listed by the decree. The Group has taken the greatest care in defining its organisational structures and operational procedures, both in order to assure efficient, effective, and transparent management of its activities and assignment of responsibilities, and to reduce dysfunctions, malfunctions, and irregularities to a minimum.

The Code of Ethical Conduct is a voluntary self-regulatory tool and an integral part of the Corporate Social Responsibility management model. It contains the mission, corporate values, and principles that govern relations with stakeholders, beginning with the corporate identity, and is an integral part of the regulatory framework that governs the various levels of Fideuram Group operations. The Group's internal Code of Conduct is issued in accordance with the values and principles contained in it. That Code defines the fundamental rules of conduct for directors, employees and independent contractors in view of fulfilling and protecting those values.
The model for implementation of the Code of Ethical Conduct is based on the self-policing of the organisational units that pursue and defend the reputational value of socially responsible conduct. The annual reporting of non-financial information contained in the Integrated Annual Report of the Fideuram Group, presents to the stakeholders the initiatives and indicators connected with topics of importance to them, fulfilling the commitments made in the Code of Ethical Conduct.
Any violations of the Code that do not involve fraudulent acts or violations of specific provisions of law are subject to mandatory measures based on a constructive approach aimed at heightening individual sensitivity and care for the values and principles affirmed in the Code.
Reports on violations of the Code are handled at the level of Intesa Sanpaolo in collaboration with the structures involved.

Our growth strategy aims to create value that is solid and sustainable from economic, financial, social and environmental standpoints, built on the trust of our stakeholders and based on the principles of our Code of Ethical Conduct and on the values that have always distinguished Fideuram's culture and tradition.

Dedication to quality of service
Attention to taking care of and improving every aspect, both tangible and intangible, of the Group's service.

Centrality of the Individual
Understanding and valuing individual potential in the relations between our Personal Financial Advisers and our Customers, and between Fideuram and our Personal Financial Advisers.

Professional excellence
Continuous improvement of our knowledge and ability to use it in providing advisory services.

Systematic approach
Commitment to developing solutions that comprehensively meet customer needs.

Openness to the new
Readiness to embrace socioeconomic change and make this an added value of the service we offer.

The Code of Ethical Conduct, set up as a real "Charter of Relations" with all stakeholders, has contributed to explaining the values and principles of conduct resulting from that Code, and specifically in regard to:

- support for the human rights affirmed in the Universal Declaration of Human Rights and subsequent international conventions;
- protection of the fundamental rights contained in the eight conventions of the ILO (International Labour Organization);
- recognition of the principles set out in the 2006 United Nations Convention on the Rights of Persons with Disabilities;
- contribution to the fight against bribery and corruption, by supporting the guidelines issued by the OECD and prescribing zero tolerance for any episodes that might occur.

The Intesa Sanpaolo Group recognises the fundamental principle enshrined in the Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights, which obligates businesses and individuals to respect, protect, and promote human rights and fundamental freedoms. Intesa Sanpaolo adheres to the UN Global Compact and is a member of the UNEP Finance Initiative (UNEP FI), whose principles pursue sustainable development with environmental protection.

In view of implementing these concepts in the Private Banking Division, Intesa Sanpaolo has issued a document entitled "Principi in materia di Diritti Umani" (Human Rights Standards).

Consequently, Fideuram is committed to promoting respect for human rights in all situations where it recognises any effects of its own activity. The implementation and gradual extension of human rights protection is monitored through:

- analysis of the areas of impact on and contingent risks to human rights, which emphasises the most exposed areas in light of the International Bill of Human Rights and the eight principal ILO conventions;
- training sessions for employees tailored to their assigned tasks, roles, and responsibilities;
- reporting of non-financial information, which calls for engaging the participation of stakeholders and defining improvement targets, associated measurement indicators, and results of monitoring activity.

1968

Fideuram was acquired by Istituto Mobiliare Italiano (IMI) in order to operate in the mutual fund sector, taking over the business of International Overseas Services (IOS). Fideuram offered Italian investors the Fonditalia and Interfund "historical" Luxembourg mutual funds through a Network of approximately 300 Personal Financial Advisers.

1984

Fideuram started offering its first Italian mutual funds: Imirend and Imicapital.

1992

Banca Fideuram was formed through the merger of two companies in the IMI Group: Banca Manusardi, which was listed on the Milan stock exchange, and Fideuram.
The shares continued to be listed under the new company name.

Net profit	€12.3 m
Client assets	€14,505 m
Personal Financial Advisers	2,206 (No.)

1996

Net profit	€78.0 m
Client assets	€20,317 m
Personal Financial Advisers	2,729 (No.)

Banca Fideuram was included in the MIB 30 Italian blue-chip index.

1997

Banca Fideuram launched a personalised financial planning service benefiting from an advanced technological platform to the advantage of its customers.

Net profit	€107.4 m
Client assets	€25,440 m
Personal Financial Advisers	2,813 (No.)

1998

Net profit	€152.0 m
Client assets	€32,167 m
Personal Financial Advisers	3,168 (No.)

Establishment of the subsidiary Fideuram Bank (Luxembourg).

2002

Banca Fideuram acquired Sanpaolo Invest SIM.

Net profit	€145.4 m
Client assets	€46,729 m
Personal Financial Advisers	3,520 (No.)

2006

Net profit	€224.4 m
Client assets	€67,591 m
Personal Financial Advisers	4,216 (No.)

Eurizon Financial Group (controlled directly by Sanpaolo IMI) launched a public purchase offer to buy all the shares in Banca Fideuram.

2007

Following Eurizon Financial Group's successful public purchase offer, Borsa Italiana delisted Banca Fideuram shares from its Electronic Stock Exchange and Banca Fideuram was brought under the full ownership and direct control of Intesa Sanpaolo with the reorganisation of the Eurizon Group's business.

Net profit	€225.5 m
Client assets	€68,574 m
Personal Financial Advisers	4,280 (No.)

2008

Net profit	€176.1 m
Client assets	€60,507 m
Personal Financial Advisers	4,209 (No.)

Banca Fideuram celebrated a history of 40 years' leadership in its sector. A history in which the Bank's role developed from the sale of financial products to the provision of investment advisory services.

2009

The Group launched the SEI Advanced Advisory Service.
The first two Private Banking Centres were opened in Turin and Milan.

Net profit	€178.4 m
Client assets	€67,801 m
Personal Financial Advisers	4,292 (No.)

2010

Net profit	€216.6 m
Client assets	€71,591 m
Personal Financial Advisers	4,349 (No.)

Fideuram Vita was formed as part of the Intesa Sanpaolo Group's project to reorganise its insurance and pensions segment. Banca Fideuram took a 19.99% stake in the share capital of the new life insurance company, while Intesa Sanpaolo holds the remaining 80.01%.

2011

Banca Fideuram launched its Fideuram Mobile Solution project, further streamlining the operations of its Personal Financial Advisers and enabling them to dedicate even more time to customer relations.

Net profit	€175.1 m
Client assets	€70,949 m
Personal Financial Advisers	4,850 (No.)

2012

Net profit	€205.1 m
Client assets	€79,296 m
Personal Financial Advisers	5,082 (No.)

Launch of the Fideuram Campus, the Personal Financial Adviser Training School. The Banca Fideuram Group launched its first ethical investment solution for the Italian market, Fonditalia Ethical Investment, conceived in conjunction with the Italian Multiple Sclerosis Society/Foundation (AISM/FISM).

2014

The direct management of the Group's Luxembourg funds was transferred to Fideuram Asset Management (Ireland), which became the only management company for the Group's funds outside Italy.
The reorganisation of the Intesa Sanpaolo Group led to the creation of a Private Banking Division, including Banca Fideuram and its subsidiaries, with the mission of serving high-end customers (Private Banking customers and High Net Worth Individuals).

Net profit	€401.9 m
Client assets	€90,161 m
Personal Financial Advisers	5,044 (No.)

2015

Net profit	€747 m
Client assets	€188,898 m
Personal Financial Advisers	5,846 (No.)

To enable the Intesa Sanpaolo Private Banking Division to control and coordinate all the companies necessary to provide outstanding service to high-end customers, Banca Fideuram acquired controlling stakes in Intesa Sanpaolo Private Banking, Sirefid and Intesa Sanpaolo Private Bank (Suisse) – becoming the operational sub-holding company of the Division.
As part of the project reorganising the Private Banking Division, Banca Fideuram changed its name to Fideuram - Intesa Sanpaolo Private Banking.

2017

The new London Branch of Fideuram Asset Management (Ireland) was opened.

Net profit	€871 m
Client assets	€214,214 m
Personal Financial Advisers	5,950 (No.)

2018

Net profit	€834 m
Client assets	€213,069 m
Personal Financial Advisers	5.995 (No.)

The Private Banking Division launched the international development project through the establishment of a hub in Switzerland, with the acquisition of the Morval Vonwiller Group.
Siref Fiduciaria was created from the merger of Fideuram Fiduciaria into Sirefid.

2019

In January, the merger of Intesa Sanpaolo Private Bank (Suisse), Morval Vonwiller Holding and Banque Morval led to the establishment of Intesa Sanpaolo Private Bank (Suisse) Morval.
The transfer to Fideuram of the equity investment in Morval SIM by the Swiss bank was completed at the end of the year, in preparation for the merger of Morval SIM into Intesa Sanpaolo Private Banking.

Net profit	€906 m
Client assets	€242,715 m
Personal Financial Advisers	5,834 (No.)

2020

Net profit	**€817 m**
Client assets	**€257,231 m**
Personal Financial Advisers	**5,741 (No.)**

In the international development project of the Private Banking Division, the liquidation of Morval Vonwiller Assets Management Co. Ltd. and Southern Group was completed, and the liquidation of Morval Bank & Trust Cayman and Intesa Sanpaolo Private Monaco SAM commenced during the year. Additionally, an agreement was reached to set up a strategic partnership with REYL & Cie , a Swiss bank that controls the banking group by the same name, and an agreement was finalised for the sale by Fideuram Bank (Luxembourg) of the business unit operating depository bank activities and Fund Administration to State Street Bank.

The merger of Morval SIM into Intesa Sanpaolo Private Banking took place in September.

The Project for Partial Demerger of UBI Bancain favour of Fideuram S.p.A. and Intesa Sanpaolo Private Banking was approved in November.

4.2 Organisational structure

Fideuram's governance model provides for the following company bodies:

- the Shareholders' Meeting, which expresses the shareholder's wishes;
- the Board of Directors, appointed by the Shareholders' Meeting for a period of three financial years and vested with all management powers regarding the Bank;
- the Chairman of the Board of Directors – appointed by the Board of Directors from among its members – who is the Bank's legal representative in dealings with third parties and in legal proceedings;
- a Managing Director, appointed by the Board of Directors, which determines his/her powers in accordance with the By-Laws;
- the General Management that, pursuant to the By-Laws, comprises a General Manager, if appointed, and one or more persons who may be appointed Joint General Manager and/or Deputy General Manager. In accordance with the duties and competencies assigned by the Board of Directors, they execute the decisions taken by the Board of Directors and delegated bodies, managing the Bank's current business, organising its activities and deciding the appointment and assignment of personnel. The General Management, each member of which is appointed by the Board of Directors, currently comprises a General Manager (position filled by the Managing Director) and two Joint General Managers;
- the Board of Statutory Auditors, appointed by the Shareholders' Meeting for a period of three financial years and made up of three Statutory Auditors and two Acting Auditors, which acts in a supervisory role regarding compliance with the law, regulations and By-Laws, respect for the principles of good management, and, in particular, regarding the suitability of the organisational, administrative and accounting solutions adopted by the Bank and their operation in practice. The Board of Statutory Auditors also performs the duties of a Supervisory Board pursuant to Italian Legislative Decree 231/2001.

The powers and operating procedures of the Company Bodies are set out in laws and regulations, in the By-Laws and in resolutions of the competent bodies. The Board of Directors has approved the Fideuram "Regulations governing the operation of the Board of Directors with respect to multiple appointments", in compliance with the internal regulations implementing the Bank of Italy Supervisory Regulations.

The statutory audit is carried out by an independent auditing firm that meets the requirements of Italian law. Fideuram has appointed KPMG S.p.A. as the independent auditors for its separate and consolidated financial statements for the 2013 to 2021 financial years. Nevertheless, the Shareholders' Meeting of the Bank held on 30 March 2020 approved, in accordance with Group instructions, the premature and consensual termination of the mandate for statutory account audits with KPMG S.p.A. and assignment of the mandate for statutory account audits for the years 2021-2029 to EY S.p.A., as the new auditor of the Intesa Sanpaolo Group beginning in 2021.

Intesa Sanpaolo has made provision for the position of Manager responsible for the preparation of the company accounts at each Group company. For the activities performed in compliance with legal obligations, the Manager Responsible, a position that is currently held at Fideuram by the Chief Financial Officer, complies with the Guidelines issued by Intesa Sanpaolo and relies on the organisational units under his supervision, including the Financial Management Governance Unit, which assist him in carrying out his duties.

Company Officers

Shareholders' Meeting

Board of Directors

Board of Statutory Auditors

Independent Auditors
KPMG S.p.A.

Related Parties Committee

Chairman
GIANGIACOMO DOMENICO LUIGI NARDOZZI TONIELLI

Members
GIOVANNI BATTISTA BISOGNI
PIERO LUONGO

General Management

General Manager
TOMMASO CORCOS

Joint General Managers
FABIO CUBELLI
LINO MAINOLFI

Chief Financial Officer
DOMENICO SFALANGA

Board of Directors

Chairman
PAOLO MOLESINI
(Non-Executive)

Managing Director
TOMMASO CORCOS

Directors
PAOLO MARIA VITTORIO GRANDI
(Acting Deputy Chairman Non-Executive)

GIANGIACOMO DOMENICO LUIGI NARDOZZI TONIELLI
(Deputy Chairman Independent Non-Executive)

GIOVANNI BATTISTA BISOGNI
(Independent Non-Executive)

ELENA DAVID
(Independent Non-Executive)

CLAUDIA DE BENEDETTI
(Independent Non-Executive)

DANIELE PIETRO GIUDICI
(Independent Non-Executive)

ELIANO LODESANI
(Non-Executive)

PIERO LUONGO
(Non-Executive)

GIUSEPPE RUSSO
(Non-Executive)

Secretary to the Board of Directors
FILIPPO MAMMOLA

Board of Statutory Auditors

Chairman
GIULIO STEFANO LUBATTI

Statutory Auditors
MARCO ANTONIO MODESTO DELL'ACQUA
ELISA BAUCHIERO

Acting Auditors
ALESSANDRO COTTO
FRANCESCA MONTI

4.3 Ownership structure

The Bank's fully paid-up share capital pursuant to article 5 of the By-Laws is €300,000,000.00 divided into no. 1,500,000,000 ordinary shares with no par value, wholly owned by Intesa Sanpaolo S.p.A., which is responsible for the Bank's management and coordination as the parent company of the banking group of that name.

Fideuram - Intesa Sanpaolo Private Banking - Registered Office, Turin
Permanent Secondary Office, Milan
Administrative Headquarters, Rome

4.4 Role of sub-holding company

Intesa Sanpaolo plays a management and coordination role, issuing directives and formulating instructions to govern company operating procedures and ensure that aligned organisational and management rules are adopted, ensuring levels of integration suitable for achieving shared strategic goals with a view to maximising value and optimising the synergies of belonging to the Group, leveraging the characteristics of its different members.

The Private Banking Division within the Group brings together the companies providing financial advisory, asset management and fiduciary services. As part of the Business Plan 2018-2021, it has undertaken a project to develop its presence on the international market.
The Division's mission is to serve the high-end customer segment, creating value with products and services conceived for excellence, while ensuring the increased profitability of client assets through constant development of our product range and service delivery solutions, focusing on products with a high service content and introducing innovative remuneration schemes.
In line with the mission and objectives Intesa Sanpaolo has assigned the Private Banking Division, Fideuram has been made the sub-holding company of its subsidiaries in the Division. In this capacity, Fideuram heads an integrated group of companies both in and outside Italy that specialise in the distribution and management of financial products. Alongside the distribution of financial products, the Group also distributes insurance and pension products provided by Fideuram Vita S.p.A., an insurance company in the Intesa Sanpaolo Group.

Intesa Sanpaolo Private Banking - HNWI Branch, Milan

4.5 Company management

Composition and role of the Board of Directors

The Bank's Board of Directors comprises 11 members, appointed by the Ordinary Shareholders' Meeting of 20 April 2018, which was expanded with the increase in the number of its members and the appointment of a new Director by the General Shareholders' Meeting on 24 February 2020. The term of office of all members ends with the Shareholders' Meeting called to approve the financial statements for the 2020 financial year.
Within the Bank's Board of Directors, the title of Executive Director may only be applied to the Managing Director and General Manager, in consideration of their assigned duties and powers of executive management and for the direction of the Bank's business and of the Personal Financial Adviser Networks.

Five of the other Directors meet the requirements of independence specified in the amended version of article 13 of the By-Laws. These Directors:

a) do not have significant influence over the Company or its subsidiaries or its parent companies or companies in which it has a joint controlling interest or are not employed by and do not have ongoing consultancy or remunerated work, or commercial, financial, or professional relations that could compromise their independence;

b) are not or have not been during the last three financial years Executive Directors or key managers of the Company or its subsidiaries, parent companies or companies in which it has a joint controlling interest, or have not been directors of the Company for more than nine financial years during the last twelve financial years;

c) are not relatives up to the fourth degree of consanguinity or affinity of any people in the situations specified at letter b) above.

Pursuant to said article 13 of the By-Laws, the Board of Directors issued a specific regulation setting the maximum number of appointments outside the Intesa Sanpaolo Group that may be held by Directors (five for Executive Directors and ten for Non-Executive Directors).

On the basis of the declarations of the individual Directors concerned, all the Directors respect the limits on the total number of appointments they may hold.

In accordance with article 17 of the By-Laws, the Board of Directors is in charge of the Bank's ordinary and extraordinary management, excepting in those matters where Italian law restricts decision-making power to the Shareholders' Meeting. In particular, the Board of Directors has the authority to make decisions concerning, inter alia, general management policy, strategic policy and operations, business and financial plans and the system of corporate governance, the approval and amendment of internal regulations, the appointment of General Management, the appointment/dismissal of company audit unit managers, and the purchase and sale of equity investments.

The Board of Directors likewise has the authority to make decisions concerning the following:

- mergers and spin-offs in the cases and following the procedures provided for by applicable laws and regulations;
- the establishment and closure of secondary registered offices;
- reductions in the share capital when shareholders withdraw;
- amendments to the By-Laws in accordance with regulatory provisions.

The Board of Directors must be kept constantly informed of all decisions taken by the delegated bodies through information provided at regular intervals by the Managing Director and General Manager.

The Board of Directors also receives and examines the regular information provided by the company audit units, the Group Business Continuity Plan Manager and the Supervisory Board established pursuant to Italian Legislative Decree 231/2001. Meetings of the Board of Directors, which the By-Laws stipulate must as a rule be held at two-month intervals, are normally held every month.

The Board of Directors also retains sole responsibility for the following duties:

- examining and approving the strategic business and financial plans of the Bank and its subsidiaries, the Bank's corporate governance system and the Group structure, as well as formulating directives governing relations with subsidiaries;
- approving the budget and separate and consolidated monthly, quarterly, half-year and annual financial statements;
- assessing the suitability of the organisational, administrative and general accounting systems of the Bank and of its strategically significant subsidiaries put in place by the Managing Director and General Manager, paying particular attention to the internal audit system and management of conflicts of interest;
- delegating authority to the Managing Director and General Manager, and revoking such authority, specifying the limits to and procedures for the exercise of said authority;
- deciding, with the agreement of the Board of Statutory Auditors, the remuneration of Directors with special positions or duties;
- drawing up guidelines for the internal audit system in conjunction with the Internal Audit Committee, and annually assessing the system's suitability and effective operation;
- deciding, in accordance with Group policies, the remuneration of the members of General Management;
- evaluating general performance, taking into consideration, in particular, the information received from the delegated bodies and regularly comparing the results achieved with those planned;
- examining and providing prior approval for strategically, economically or financially significant transactions by the Bank and its subsidiaries, paying particular attention to situations in which one or more Directors have a potential direct or indirect conflict of interest, or, more generally, to transactions with related parties;
- reporting to the Shareholders at the Shareholders' Meeting on the work carried out and planned.

13
Meetings in 2020
96% average attendance at meetings

Composition of the Board of Directors

OFFICE	MEMBERS	DATE OF APPOINTMENT	% OF MEETINGS ATTENDED	NUMBER OF OTHER OFFICES HELD IN THE INTESA SANPAOLO GROUP	EXECUTIVE	NON-EXECUTIVE	INDEPENDENT AS PER BY-LAWS
Chairman	Paolo Molesini	20/04/2018	100%	3	-	X	-
Acting Deputy Chairman (*)	Paolo Maria Vittorio Grandi	20/04/2018	69%	-	-	X	-
Deputy Chairman (**)	Giangiacomo Domenico Luigi Nardozzi Tonielli	20/04/2018	100%	-	-	X	X
MD/GM	Tommaso Corcos	24/02/2020	100%	2	X	-	-
Director	Giovanni Battista Bisogni	28/03/2019	85%	-	-	X	X
Director	Elena David	20/04/2018	92%	-	-	X	X
Director	Claudia De Benedetti	20/04/2018	100%	-	-	X	X
Director	Daniele Pietro Giudici	20/04/2018	100%	-	-	X	X
Director	Eliano Lodesani	20/04/2018	85%	2	-	X	-
Director	Piero Luongo	20/04/2018	100%	3	-	X	-
Director	Giuseppe Russo	20/04/2018	100%	1	-	X	-

(*) Mr Paolo Molesini, former Managing Director and General Manager of the Bank, was appointed Chairman by the Board of Directors on 24 February 2020.
(**) Mr Paolo Maria Vittorio Grandi, former Chairman of the Bank, was appointed Acting Deputy Chairman by the Board of Directors on 24 February 2020.

Chairman

In accordance with the provisions of the By-Laws, the Chairman is empowered to act as the Bank's legal representative. In addition, the Board of Directors has assigned the Chairman duties of direction and coordination and non-managerial powers that are instrumental in the operation of the Bank, including:

- supervising the Managing Director and General Manager's implementation of the resolutions of the Board of Directors;
- acting on the decisions of the Board of Directors, having taken due note of the opinion of the Managing Director and General Manager, with respect to the Bank's share capital and the purchase and sale of equity investments;
- proposing the appointment and dismissal of members of General Management to the Board of Directors, in consultation with the Managing Director and General Manager, and specifying their duties and responsibilities;
- formulating and managing media communications, branding and charitable activities, in consultation with the Managing Director and General Manager.

CHAIRMAN

Paolo Molesini

Non-Executive Director

% attendance at meetings of the Board of Directors **100%**

Length of service / first appointed: **24 February 2020**

Other significant offices held:

- Chairman of Sanpaolo Invest SIM S.p.A.
- Deputy Chairman of Intesa Sanpaolo Private Banking S.p.A.
- Director of Intesa Sanpaolo Private Bank (Suisse) Morval
- Chairman of Assoreti
- Chairman of the Fondazione Querini Stampalia

Managing Director and General Manager

The Managing Director and General Manager is responsible for the operational management of the Bank and of the Personal Financial Adviser Networks, with full powers of ordinary and extraordinary management in accordance with the general planning and strategic policies decided by the Board of Directors, with the sole exception of those powers which by law may not be delegated and those restricted to the Board of Directors or other company bodies.

MANAGING DIRECTOR AND GENERAL MANAGER

Tommaso Corcos

Executive Director

% attendance at meetings of the Board of Directors **100%**

Length of service / first appointed: **24 February 2020**

Other significant offices held:

- Intesa Sanpaolo Group, Head of Private Banking Division
- Deputy Chairman of Intesa Sanpaolo Private Banking S.p.A.
- Chairman of Eurizon Capital Real Asset
- Chairman of Assogestioni
- Deputy Chairman of the Corporate Governance Committee established by ABI, ANIA, Assonime, Confindustria, Assogestioni and Borsa Italiana S.p.A.

General Management

In line with the powers delegated to the Managing Director and General Manager, and in line with the broader system of delegation in place in the Private Banking Division, the Board of Directors of the Bank has appointed two Joint General Managers, assigning them responsibility for Operational and Financial Coordination, and Fideuram Business Coordination, respectively.

Each Joint General Manager is invested with specific powers to enable them to perform the duties assigned to them in their areas of responsibility and their corporate duties: powers to act proactively in an advisory and inquiry capacity, submitting proposals to the Managing Director and General Manager, and executive powers to implement the resolutions of the Board of Directors and the instructions of the Managing Director and General Manager.

Composition by gender

Composition by age group

Composition by professional expertise of the Directors

4.6 Remuneration policies

Fideuram has adopted a traditional management and control system. Consequently, the Shareholders' Meeting has sole authority to decide the remuneration policies for Directors.

In accordance with article 2364 of the Italian Civil Code, the Shareholders' Meeting is, moreover, responsible for determining – in accordance with Group guidelines – the annual remuneration of the members of the Board of Directors it has appointed, together with any compensation payable for attending Board meetings.

The Shareholders' Meeting is also responsible for approving (i) the remuneration policies for employees and for human resources that are not salaried employees of the company, (ii) share-based compensation arrangements, and (iii) the criteria for determining the remuneration due in the event of early severance of employment or early termination of office, including any limits established for such remuneration.

The Shareholders' Meeting may also set, with the qualified majorities defined by Supervisory Regulations, a ratio between the variable component and fixed component of individual staff remuneration exceeding 1:1 but not exceeding the maximum limit set by those regulations.

In accordance with the Supervisory Regulations, the remuneration policy document is drawn up by our parent company for the entire banking group to ensure its overall consistency, provide the necessary guidance for its implementation and to verify its correct application at Group level.

The remuneration of Directors with special positions or duties is decided by the Board of Directors in accordance with article 2389 of the Italian Civil Code and in compliance with the By-Laws and the remuneration policies approved by the Shareholders' Meeting, having taken due note of the opinion of the Board of Statutory Auditors.

The Managing Director, as General Manager, and the Joint General Managers, are entitled to a fixed gross salary and a variable bonus, linked to the achievement of targets set in advance by the Board of Directors, in accordance with the guidelines of parent company Intesa Sanpaolo and the Supervisory Regulations regarding remuneration and bonus policies and practices.

Details of the remuneration paid to the Directors are provided in the Notes to the Financial Statements.

Fideuram - Alvino Naples Office


Fideuram - Catania Office

4.7 Internal audit system

The internal audit system is an essential core component of the Bank's corporate processes, designed to ensure – through managing the related risks – that the Bank and its subsidiaries are managed properly with a view to achieving their stated goals and, at the same time, to safeguarding their stakeholders' interests.

Fideuram combines profitability with the informed undertaking of risks through the monitoring and management of the risks connected with the company's processes and the proper management of the Bank and its subsidiaries.

The internal audit system operates in accordance with the relevant European and Italian laws and regulations in force and, in particular, the related provisions of the Bank of Italy's supervisory regulations, the Italian Finance Consolidation Act and the provisions implementing it issued by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) and the Bank of Italy, as well as the internal regulations of the Intesa Sanpaolo Group.

The Bank's internal audit system, which has been organised in accordance with the law, Supervisory Regulations and international best practices, is based on a set of rules, duties, resources, processes, procedures and organisational units that aim to ensure alignment with company strategies and the achievement of the following objectives:

- due implementation of company strategies and policies;
- risk containment within the limits specified in the Bank's Risk Appetite Framework (RAF);
- protection of the value of assets and protection against loss;
- effectiveness and efficiency of corporate processes;
- reliability and security of corporate information and IT procedures;
- risk prevention regarding the Bank's involvement, including unintentionally, in unlawful activities (particularly with regard to money laundering, the lending of money at exorbitant interest rates and the financing of terrorism);
- compliance of operations with the law, supervisory regulations and internal policies, procedures and regulations.

The internal audit system plays a crucial role and involves the entire company organisation (company bodies, departments, and personnel at all levels). It is formalised by a body of "Governance Documents", which govern the running of the Bank (including the By-Laws, Code of Ethical Conduct, Group Regulations, Policies, Guidelines, Organisation Charts and the Organisational Model pursuant to Italian Legislative Decree 231/2001), and operational regulations which govern its corporate processes, single activities and related controls.
In line with the provisions of the Supervisory Regulations on internal audits (Bank of Italy Circular No. 285/2013, Title IV, Section 3), Intesa Sanpaolo approved its "Integrated Internal Audit System Regulations", which specify the internal audit system for the entire Banking Group. The Bank, which is subject to said Supervisory Regulations, has consequently both adopted the aforesaid regulations and approved its own regulations that reflect the specific nature of its operations and comply with the guidelines and decisions of Intesa Sanpaolo.

This regulations document constitutes the reference framework for the Bank's internal audit system, setting out the auditing principles and rules for the documents issued in compliance with specific Supervisory Regulations. In particular, it sets out the reference principles and specifies the tasks and responsibilities of the company bodies and units with audit duties that variously contribute to the proper functioning of the internal audit system. It also sets out the coordination procedures and information flows which promote the integration of the system.

More specifically, the company rules outline organisational solutions that:

- ensure there is sufficient separation between operating and audit units and avoid situations where there could be a conflict of interest in the allocation of responsibilities;
- are able to appropriately identify, measure and monitor the main risks assumed in the various operating areas;
- ensure that there are reliable information systems and suitable reporting procedures in place at the various different levels with governance and control responsibilities;
- enable any issues encountered by the operating units, as well as by the audit units, to be promptly reported to the appropriate levels so that they may be dealt with immediately;
- ensure appropriate levels of business continuity.

From an operational standpoint, the internal audit and risk management system comprises three levels:

1. Line audits performed by the operational and business units.
2. Risk and compliance audits which aim, inter alia, to ensure:
   - the due and effective implementation of the risk management process;
   - compliance with the operating limits assigned to the various units;
   - compliance of company operations with applicable regulations, including those regarding self-regulation.
   The units responsible for these audits ("Level II units") contribute to the development of the risk management policies and process. Fideuram's Level II units include the Risk Management Unit, headed by the Chief Risk Officer Area of the Bank, the Compliance and Anti-Money

Laundering Units, headed by the Chief Compliance Officer of Intesa Sanpaolo, and our parent company's Internal Validation Service, which performs the risk management function duties specified in the related regulations in its areas of competence.

3. Internal audits ("Level III units") that aim to identify any breaches of the procedures or of the regulations, as well as to periodically assess the completeness, suitability, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure of the other components of the internal audit system and information system (ICT Audit), at predetermined intervals to suit the nature and severity of the risks. Fideuram's Level III units include the Audit functions performed by the Chief Auditing Officer of Intesa Sanpaolo.

The company audit units that perform the required activities enjoy the necessary autonomy and independence from the operating units and have unrestricted access to company data, archives and assets in the performance of their respective duties.

These units are organisationally separate from one another. In order to ensure their independence, these units:

- have the authority, resources and competencies required to perform the duties assigned to them;
- have a budget over which they have independent control;
- have access to all company data and external data (e.g. regarding outsourced activities);
- have a sufficient number of human resources with the necessary technical and professional competencies, who receive ongoing training.

Fideuram's Integrated Internal Audit System Regulations also provide for the establishment of an Audit Coordination Committee which acts as a technical body made up of management professionals at the Bank, with the purpose of strengthening interdepartmental cooperation and coordination regarding the Division's internal audit system.

The Committee operates within the guidelines drawn up by the Company Bodies and on the basis of the operational and functional powers assigned to it by the Bank's Board of Directors.

AUDIT COORDINATION COMMITTEE

This body has the responsibility of:

- monitoring implementation and maintenance of the integrated internal audit system on a continuous basis, facilitating coordination among the audit functions and guiding the joint actions taken for this purpose;
- participating with the audit functions in the planning of activities and sharing their results and actions, facilitating standard assessment of joint findings;
- coordinating discussion of the assessments made by the corporate audit functions, including in order to decide on mutually compatible times, standards and content;
- once every six months, on the basis of the reports and activities performed by the corporate audit functions, coordinating preparation of the Integrated Tableau de Bord for the Company Bodies of the Bank on the audits of the Bank and its subsidiaries, the results of those audits, the weaknesses found both at the level of the Bank as a whole and at the level of each individual subsidiary, and the measures to be taken to eliminate any deficiencies found;
- identifying the most important issues to be brought to the attention of the Managing Director and General Manager;
- in the case of problems found by several corporate audit functions or falling in the same operational or risk areas, addressing the significant issues and monitoring the progress of related remedial actions;
- facilitating coordination among the audit functions in defining and updating the methods used in cross-project situations, while pursuing effective integration of the risk management process;
- facilitating the dissemination of the risk culture and audit culture in the Division.

SUPERVISORY BOARD

Fideuram adopted the "Organisational, Management and Control Model in accordance with Italian Legislative Decree 231 of 8 June 2001" (most recently updated as approved at the Board of Directors Meeting of 21 December 2020), designed to prevent the possibility of committing the offences specified in the Decree and, consequently, to rule out the Bank's administrative liability. The duty of supervising the operation, effectiveness and suitability of the Model and compliance with it, of preventing the offences specified in Italian Legislative Decree 231/2001, and of updating the Model, is entrusted to a Supervisory Board vested with autonomous powers of initiative and control that is autonomous, independent, professional and operates with continuity of action. The work, operation and duties of the Supervisory Board are, in addition to being specified in the Model, also governed by the related "Regulations governing the Supervisory Board established in accordance with Italian Legislative Decree 231/2001" as most recently approved by the Board of Directors on 12 June 2018. The Supervisory Board duties provided for by Italian Legislative Decree 231/2001 are assigned to the Board of Statutory Auditors. The Bank made this choice in accordance with the guidance given by lawmakers and the Supervisory Authority.
Article 14 of Law 183/2011 specifically permits joint stock companies to assign the duties of the Supervisory Board to the Board of Statutory Auditors in order to streamline their corporate controls. The members of the Board of Statutory Auditors are, therefore, also members of the Supervisory Board, which can also include acting auditors, who are permitted to stand in for statutory auditors - solely for performing the duties of members of the Supervisory Board - in those cases provided for by the Model, when there are causes for the suspension of statutory auditors or statutory auditors are temporarily prevented from attending or their term of office has come to an end. No acting auditor has ever needed to stand in for a statutory auditor to date. The Supervisory Board sends a dedicated report at least every six months to the Board of Directors on the suitability of and compliance with the related Organisational, Management and Control Model. The Supervisory Board held 12 meetings in 2020.

AUDITING

The Audit Department reports directly to the Board of Directors.

BOARD OF DIRECTORS

AUDIT DEPARTMENT

- it is tasked with auditing the proper conduct of operations and processes within the Bank and its subsidiaries, assessing the overall internal audit system and its suitability for ensuring the effectiveness and efficiency of company processes, the protection of the value of assets and protection against loss, the reliability and integrity of accounting and management information, and the compliance of operations both with the policies established by the company's governance bodies and with internal and external regulations;
- it focuses above all on identifying any anomalous or risky behaviour, any breaches of the applicable laws and regulations in Italy and abroad, as well as any failure to respect internal and Group procedures and regulations, formulating recommendations regarding the implementation of the measures required to eliminate any highlighted phenomena;
- it supports the Supervisory Board in monitoring compliance with and the suitability of the rules in the Organisational, Management and Control Model, in accordance with Italian Legislative Decree 231/2001, calling in the competent units required for mitigation actions if any problems are encountered.

CENTRAL DEPARTMENTS AND SUBSIDIARIES AUDIT UNIT

It carries out internal audits of the Bank's central departments (including with respect to ICT processes) and subsidiaries (for which it performs internal auditing activities under outsourcing agreements), as well as for monitoring the proper performance of internal audits.

FIDEURAM NETWORKS AUDIT UNIT

It plans and carries out audits on the work of the Personal Financial Advisers in the Fideuram and Sanpaolo Invest networks and branches.

DOMESTIC AND INTERNATIONAL PRIVATE BANKING AUDIT UNIT

It performs internal audits of the processes and Branches of Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Bank (Suisse) Morval and Siref Fiduciaria, checking the effectiveness of the internal audit system.

The audit activities of Fideuram are managed through a unit dedicated to the Private Banking Division of the Area of the Chief Audit Officer of Intesa Sanpaolo. Audit activities are performed on the basis of specific service contracts for Fideuram and its subsidiaries: Sanpaolo Invest, Fideuram Asset Management, Siref, Fideuram Asset Management (Ireland), Fideuram Bank (Luxembourg), Financière Fideuram, Intesa Sanpaolo Private Banking and Intesa Sanpaolo Private Bank (Suisse) Morval. In particular the operational activities of audits of ICT processes are performed in collaboration with the ICT Domestic Network unit of Intesa Sanpaolo.

The Chief Audit Officer of Intesa Sanpaolo holds for the entire Group, and thus also for Fideuram, position of Manager of the Internal Whistleblowing Systems.
The Head of the Audit Department of the Private Banking Division, most recently appointed by the Board of Directors at its meeting on 20 June 2019, enjoys the necessary autonomy and independence from the operating departments and reports directly to the Board of Directors and Board of Statutory Auditors.

The Internal Audit Department takes a third level approach to auditing the overall functionality of the internal control system, informing the Company Bodies of possible improvements, particularly those concerning the Risk Appetite Framework (RAF), the risk management process and the tools for measuring and controlling those risks.

The Department has access to all the activities performed both at the central offices and at the branch locations. When important activities are assigned to third parties for performance of the internal control system (e.g. data processing), the Internal Audit Department has to be able to access the activities performed by those parties as well. The Head of the Audit Department submits an annual report to the Board of Directors and Board of Statutory Auditors on the audits carried out on the important operational functions that have been outsourced.

The Internal Audit Department uses staff possessing adequate professional knowledge and expertise defined by the Institute of Internal Auditors (IIA).

In performing its own duties, the Internal Audit Department uses structured risk assessment methods to identify the existing areas of greatest interest and principal new risk factors. According to the findings of the risk assessment process and resulting priorities, and to any specific requests for more information made by top management or Company Bodies, the Department prepares and submits an Annual Plan of activities to the Board of Statutory Auditors for preliminary review and then to the Board of Directors for approval.

The summary evaluations of the internal control system resulting from the assessments were periodically reported to the Board of Statutory Auditors and the Board of Directors. When any significant issues having financial or reputational impact are found, the Head of the Audit Department promptly notifies them to the Chairman of the Board of Directors, the Chairman of the Board of Statutory Auditors, and Top Management, presenting the related information at the earliest possible meeting of the Board of Statutory Auditors and, where necessary, of the Board of Directors.
The main weaknesses found and their evolution were added to the Tableau de Bord (TdB) Audit, highlighting the current mitigation actions, the relevant persons in charge of them, and the scheduled deadlines, for the purpose of systematic monitoring.

The Head of the Audit Department of the Private Banking Division assured continuing activity and self-evaluation of its own efficiency and effectiveness, consistently with its own internal plan for "quality assurance and improvement" prepared in accordance with the recommendations of international standards for professional audit practice.

In regard to the Organisational, Management and Control Model compliant with Italian Legislative Decree 231/2001, the Audit Department also provides constant and independent supervision of the proper conduct of the Group's operations and processes, monitoring maintenance of the value of activities, including those connected with ethical commitments and social responsibility. The Head of the Audit Department of the Private Banking Division also reports half-yearly to the Supervisory Board on the results of the actions carried out in this respect.

COMPLIANCE

The Compliance Department reports directly to the Managing Director and General Manager:

MANAGING DIRECTOR AND GENERAL MANAGER

COMPLIANCE DEPARTMENT

it assures monitoring of the risk of non-compliance both in regard to the operational risk component and the reputational risk component, including the risk of penalties, losses or damage resulting from misconduct with customers or which place the integrity and regular functioning of the markets at risk (“conduct risk”).

The Fideuram Group considers compliance risk management to be of strategic importance, in the conviction that respect for the law and regulations, together with high standards of propriety in all business relations, are essential in banking, which is by its very nature built on trust. Compliance risk management is assigned to the Compliance Department, which is autonomous and independent of the operating units, and also organisationally and operationally separate from both the Audit Department and the Risk Management Department. This function has been outsourced to Intesa Sanpaolo, where it is performed by the units of the Chief Compliance Officer Governance Area.

The Compliance Model is governed by the “Group Compliance Guidelines”, which specify the reference regulatory frameworks, compliance roles, responsibilities and macro processes with a view to mitigating compliance risk through the combined action of all bank staff.

In particular, the Compliance Department is responsible for determining our compliance risk management guidelines, policies and methodology rules. The Compliance Department is also responsible for identifying and assessing compliance risk, including through coordinating other units and departments, proposing organisational interventions for mitigating compliance risk, ensuring the alignment of the company bonus system, assessing the compliance of innovative projects, transactions and new products and services in advance, providing consultancy and support for management bodies and business units on all matters where compliance risk is significant, monitoring ongoing compliance conditions, and fostering a corporate culture focused on honesty, propriety and respect for the letter and spirit of the law and regulations.

The Compliance Department submits the following periodic reports on the suitability of the compliance management provided to the Company Bodies:

- half-yearly: a report on the audits carried out, the resultant findings, any weaknesses identified and the interventions proposed for eliminating them, and a report on the completeness, suitability, functionality and reliability of the internal audit system in the areas of their competence;
- yearly: a Work Plan identifying and evaluating the main risks to which the Bank is exposed, and planning the related management interventions. This Work Plan takes into account any deficiencies noted in the audits and any new risks identified.

If any particularly critical issues are identified, a report must be sent promptly to the Bodies.

The activities during the year were focused on regulatory alignment measures and reinforcement of the auditing model. The monitoring of compliance risk was also assured by holding training courses as necessary and clearing new products and services. With regard to audits of the Networks, work continued to reinforce both the periodic monitoring activities – through the implementation of new indicators to guarantee the proper performance of investment services, and monitoring customer transactions to prevent any market abuse.

Corruption risk monitoring

The Fideuram Group has for many years deployed dedicated tools for managing and preventing the risk of corruption and extortion offences.

In addition to what has been mentioned in the Code of Ethical Conduct, the Group Internal Code of Conduct and the Organisational, Management and Control Model pursuant to Italian Legislative Decree 231/2001 on the administrative liability of entities, there is an extensive body of internal regulations, with which all employees must be familiar and comply. These regulations impose detailed rules for the corporate processes that might be instrumental to the commission of those sorts of offences. In particular, the Group Anti-Corruption Guidelines have been adopted. These identify the principles and sensitive areas and define the roles, responsibilities and macro-processes relevant to the management of corruption risk. The principles and contents of the Guidelines are elaborated in the detailed regulatory framework of the Group. The corporate audit units assure that the audit and behavioural guidelines set out in the Organisational, Management and Control Model pursuant to Italian Legislative Decree 231/2001 in regard to corruption are always consistent with the internal regulations in force at any time, while also assuring compliance with those regulations.
All employees are required to take a specific training course to ensure the dissemination of knowledge of anti-corruption principles and conduct.

Intesa Sanpaolo Private Banking - HNWI Branch, Bologna

Anti-money laundering

In compliance with the regulations issued by the Bank of Italy and in implementation of the Intesa Sanpaolo Guidelines, the Anti-Money Laundering Unit is assigned responsibility for anti-money laundering, combating terrorism financing and embargo management activities. It is independent of the operating units and organisationally and operationally separate from the Audit Department. This function has been outsourced to Intesa Sanpaolo, where it is performed by the Anti-Financial Crime Head Office Department, which is part of the Chief Compliance Officer Governance Area.

The Anti-Money Laundering function is responsible for managing compliance risk where anti-money laundering, terrorism financing and embargo management are concerned, acting as follows:

- formulating the general compliance risk management guidelines;
- continuously monitoring Italian and international reference regulatory developments with the support of the relevant units, verifying the suitability of the corporate processes and procedures in place for ensuring compliance with the applicable laws and regulations, and proposing appropriate organisational and procedural modifications;
- providing consultancy for the units and departments of the Bank and its subsidiaries and developing appropriate training programmes;
- providing appropriate periodic information to the company bodies and Top Management;
- performing the specific compliance actions required for the Bank and its centrally-managed subsidiaries, including in particular enhanced due diligence, controls on the appropriate management of data storage obligations, and the analysis of operating unit reports of suspicious transactions to assess whether or not they require reporting to the Financial Information Unit as well founded.

The "Guidelines for Anti-Money Laundering and Combating Terrorism Financing and Embargo Management" govern anti-money laundering, combating terrorism financing and embargo management activities. Those Guidelines identify the reference principles and define the model for management of money laundering, terrorism financing, and embargo infringement risks, outlining the roles and responsibilities of the units involved, the macro-processes used for proper identification, evaluation, and management of those risks, and the governance procedures of the Group. The principles and contents of these Guidelines are elaborated in the detailed regulatory framework of the Group.

In the course of 2020, alongside ordinary anti-money laundering, combating terrorism financing and embargo management activities, the implementation of changes to comply with the 4th Anti-Money Laundering Directive was completed, and the activities for regulatory and procedural alignment with the Decree for transposition of the 5th Directive and the "Measures for the retention and provision of documents, data and information to combat money laundering and terrorism financing" issued on 24 March 2020 by the Bank of Italy continued.

CHIEF RISK OFFICER

Reports directly to the Managing Director and General Manager

MANAGING DIRECTOR AND GENERAL MANAGER

CHIEF RISK OFFICER

in line with the strategies, corporate objectives and guidelines of Intesa Sanpaolo, the Chief Risk Officer is tasked with continuously monitoring the suitability of the risk management process and the effectiveness of the measures taken to rectify any deficiencies identified.

Risk Management

The Risk Management Unit acts independently of the operating units, particularly those tasked with the "operational management" of risks, and is separate from the Audit Department and the units reporting to the Chief Compliance Officer. The Chief Risk Officer reports directly to the Managing Director and General Manager, reporting functionally to the Chief Risk Officer of Intesa Sanpaolo.

The Chief Risk Officer sits on the Risk Committees at Division level and at the main subsidiaries, providing risk management through service contracts and providing functional coordination for those Division companies with their own internal risk management units.

The Chief Risk Officer's responsibilities cover two areas. The first regards the Bank's proprietary risks – financial, credit, operational and reputational risk in particular – which impact on the capital and other regulatory requirements, while the second regards the risks assumed by customers in respect of investment portfolios and other services provided by the Bank, either directly or through the Personal Financial Adviser Networks.

The Chief Risk Officer is responsible for risk management controls, specifying the appropriate methods, criteria and tools for measuring and controlling financial, credit and operational risks in line with the regulatory provisions of the Supervisory Authorities, the guidelines of Intesa Sanpaolo and the instructions of the Bank's Company Bodies. The Chief Risk Officer also ensures that the risks assumed by customers through the purchase of financial products and services from the Networks are assessed and monitored.

The Chief Risk Officer works with Intesa Sanpaolo to develop and implement the Risk Appetite Framework (RAF) and related risk management policies. The Chief Risk Officer is also required to ensure effective current and prospective measurement, management and control of the exposure of the Bank and its subsidiaries to the different types of risk, submitting proposals to Top Management regarding the operating limits structure formulated in line with the Group RAF, and to constantly monitor the actual risk assumed and its alignment with the risk objectives, as well as compliance with the operating limits.

The Chief Risk Officer also ensures that the metrics used by the risk measurement and control systems are aligned with the company activity assessment processes and methods specified by Intesa Sanpaolo, fully implementing Intesa Sanpaolo's Guidelines and Policies, adapted where necessary to the Bank's specific reference context through the issue of company-level Policies and Regulations.

The Chief Risk Officer submits periodic reports to the Company Bodies, as follows:

- a management report on compliance with the limits assigned by the RAF and Internal Policies regarding all the areas of their competence;
- a report on the audits carried out, the resultant findings, any weaknesses identified and the interventions proposed for eliminating them;
- a report on the completeness, suitability, functionality and reliability of the internal audit system in the areas of their competence;
- a report on the investment services offered to customers that complies with the regulatory provisions issued jointly by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) and the Bank of Italy;
- a Work Plan identifying and evaluating the main risks to which the Bank is exposed, and planning the related management interventions.

FINANCIAL MANAGEMENT GOVERNANCE

Intesa Sanpaolo has made provision for the position of Manager responsible for the preparation of the company accounts at each Group company. For the activities performed in compliance with legal obligations, the Manager Responsible, a position that is currently held at Fideuram by the Chief Financial Officer, complies with the Guidelines issued by Intesa Sanpaolo and relies on the organisational units under his supervision, including the Financial Management Governance Unit, which assist him in carrying out his duties.

The Manager Responsible has the duty of attesting to the compliance of the financial statements with IAS/IFRS and is in charge of the internal audit system with respect to accounting and financial reporting, in particular to guarantee:

- that the documents and announcements released to the market and relating to accounting disclosures, including interim reports, correspond to the accounting documents, records and books;
- the adequacy and effective application of the administrative and accounting procedures;
- the consistency of the accounting documents with the contents of accounting books and records, their adequacy to give a true and fair view of the financial position and results of the Group.

Fideuram has formulated specific guidelines and coordination rules for its Model of Financial Management Governance (Financial Management Governance Regulations of Fideuram - Intesa Sanpaolo Private Banking), which was developed taking into account international frameworks such as the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Control Objectives for IT and related technology (COBIT).

The Manager Responsible submits the following periodic reports to the Company Bodies:

- half-yearly: a report detailing the analyses performed on procedures sensitive to the accounting and financial reporting of Fideuram and the subsidiaries included in the scope of analysis due to their significance, and the results of monitoring of the progress of the Corrective Action Plans for anomalies identified in prior years. This report is submitted to the Board of Directors and Board of Statutory Auditors;
- yearly: the Audit Plan for Fideuram and the subsidiaries to be audited, identified on the basis of quantitative (individual contribution to the Fideuram Consolidated Financial Statements) and qualitative (specific operating characteristics or risk profiles able to increase the complexity of determining the accounting data) assessments. The Plan is submitted to the Board of Statutory Auditors and approved by the Board of Directors.

The performed audits aim primarily at assessing the quality and degree of structuring of the financial reporting production process, in view of ascertaining the effectiveness of the control arrangements underlying the consistency and substance of the representations made by the Group to the market. The audits performed in 2020 were carried out on the processes considered to be at greater potential risk and specifically concerned the principal administrative processes, the preparation of financial disclosures, governance of the IT architectures and applications used in the administrative processes, determination of the material information, the assessment of risks and controls, administrative accounting management of financial and insurance products, provisions, and commissions and fees for the Personal Financial Adviser Networks, and several areas of finance, planning and control, and risks, and, finally, several processes connected with the valuation of several financial statement items.

Upon completion of said activities, the internal audit system monitoring financial reporting by Fideuram - Intesa Sanpaolo Private Banking and its subsidiaries was found to be suitable.

Intesa Sanpaolo Private Banking - HNWI Branch, Milan

OPERATIONAL AUDIT

The activities of the Fideuram Operational Audit Unit continued in 2020 with a focus on the introduction of new audits, as required by scope expansion plans.
In particular, 14 new audits were introduced, seven of which in the banking services area and seven in the investment services area, joining those already active in the same areas and anti-money laundering audits. With regard to the activity performed during the year, the Operational Audit Unit selectively analysed over 5,600 anti-money laundering, banking services and investment services cases. Additionally, audits were also performed for the quantitative detection of the investigated phenomena and the related analysis for a little more than 330 observations.
Finally, with regard to investment services, the positions of about 660 Personal Financial Advisers belonging to the Fideuram and Sanpaolo Invest Networks were evaluated.
Continuation of the audit expansion was planned in 2021, with a special focus on investment services.

The Intesa Sanpaolo Private Banking Operational Audit Unit, which has been organisationally located in the Fideuram Operational and Financial Coordination Area since September, provides services in support of the audits and other system activities to be performed at Intesa Sanpaolo Private Banking.
In addition to monitoring the Network's prompt compliance with line audits, the Unit's operational supervision includes performing remote audits and on-the-spot investigations directly on the Network's operations.
A rating system has been created and is continuously modified through the addition of specific indicators to monitor inherent Branch Network risks and identify the case files to be examined, making it possible to obtain short-form risk assessments of the individual retail outlets so that the Operational Audit Unit can engage in risk-driven planning of its on-the-spot investigations of the Network.
Network audits are conducted both through on-the-spot investigations and through dedicated audits for different operating areas (Anti-Money Laundering, Investment Services, Insurance Services, Loans and Operations).
Due to the spread of the Covid-19 pandemic, in 2020 only six on-the-spot audits were carried out on the Intesa Sanpaolo Private Banking Network (34 in 2019), including two branches in the High Net Worth Individuals segment, with about 20,000 cases being examined in relation to 95 audits.

Fideuram and Sanpaolo Invest - Alessandria Office


Sanpaolo Invest - Verona Office

4.8 Insider information

Pursuant to Italian market abuse law and regulations, the Board of Directors has implemented the Intesa Sanpaolo "Group Regulations for the Management of Inside Information", as amended.

4.9 Shareholders' meetings

The practice adopted to date by the Board of Directors has always been as follows:

- to ensure the shareholder is provided with information on the Bank at Shareholders' Meetings;
- to encourage the participation of all the Directors in Shareholders' Meetings.

Shareholders' Meetings are called in accordance with the By-Laws, giving written notice delivered at least eight days in advance by registered mail with return receipt to all shareholders in the list of shareholders, sent to their respective places of domicile or, if a shareholder has specifically requested it for this purpose, to their fax number or e-mail address. In the 2020 financial year, the Fideuram Shareholders' Meeting was held on four occasions in ordinary format and once in extraordinary format, as follows:

- on 24 February to determine the number of members of the Board of Directors and to appoint a Director;
- on 30 March for approval of the financial statements, for premature termination of the mandate for statutory audit of the accounts with KPMG S.p.A. and assignment of the mandate for statutory audit of the accounts for the years 2021 – 2029 to EY S.p.A., and for appointment of the Board of Statutory Auditors, its Chairman, and determination of their remuneration;
- on 4 May for approval of the Remuneration Report for 2020 of Intesa Sanpaolo, the Remuneration and Incentive Policies of Fideuram - Intesa Sanpaolo Private Banking for 2020, and the Annual Incentivisation Systems for 2019 and 2020 of Fideuram - Intesa Sanpaolo Private Banking, based on Intesa Sanpaolo financial instruments; Moreover, the purchase and sale of Intesa Sanpaolo S.p.A. ordinary shares to service the Incentivisation Systems was authorised, and the ex ante disclosure on modification of the criteria used to determine the compensation to be agreed in the event of early severance of employment or early termination of office was received, and the ex post disclosure on any amounts agreed in the event of early severance of employment or early termination of office;
- on 23 September, in extraordinary format, for the approval of proposed amendments to the By-Laws of the Bank (Articles 8, 10, 13, 14, 16, 21, 22, 23 and 31, with consequent remuneration);
- on 2 November, for approval of the proposed distribution to the Sole Shareholder of available "Reserves".

5
Meetings
in 2020

4.10 Board of Statutory Auditors

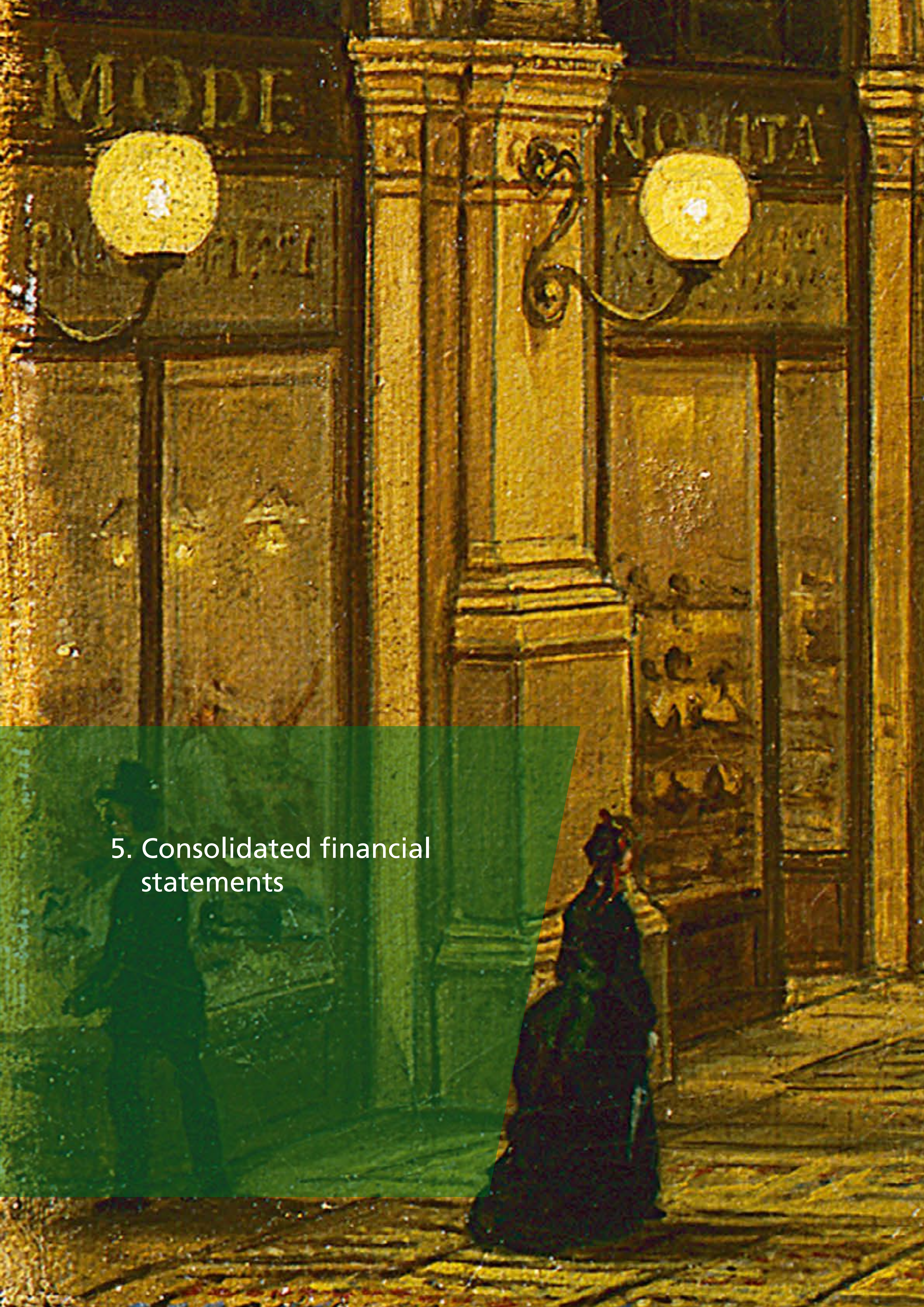
The Board of Statutory Auditors of the Bank, appointed by the Ordinary Shareholders' Meeting on 15 March 2017, also performs the duties of a Supervisory Board pursuant to Italian Legislative Decree 231/2001.

In consideration of these additional duties, the Board of Statutory Auditors receives all the information sent to the Board of Directors as well as that specifically sent to the Board of Statutory Auditors itself. The Board of Statutory Auditors receives adequate flows of periodic information from the other Company Bodies and Departments, including audit functions, regarding risk management and control, in order to perform its duties.
The Board of Statutory Auditors, which has autonomous powers of initiative and supervision, takes part in every meeting of the Board of Directors and is therefore continuously informed about the Bank's operations. In accordance with the combined provisions of article 2381 of the Italian Civil Code and article 19 of the By-Laws, and to ensure that the Board of Statutory Auditors possesses every information necessary to perform its duties effectively, the Directors report to the Board of Statutory Auditors at least quarterly on the work they have carried out and on the most significant economic, financial and asset-related activities of the Bank and its subsidiaries, as well as, in particular, on the transactions in which they have a direct or indirect interest, or which have been influenced by the party that plays a management and coordinating role. In accordance with Italian Legislative Decree 39/2010 (the Italian Auditing Consolidation Act - Testo Unico della Revisione), the Board of Statutory Auditors performs the supervisory duties provided for by the auditing regulations regarding, inter alia, the financial reporting process, the effectiveness of the control, internal auditing and risk management systems, and the annual audit. In addition, the Board of Statutory Auditors is required to examine the Independent Auditors' proposals, submitted with the aim of gaining appointment and presenting them in turn to the Shareholders' Meeting. In addition, the Board of Statutory Auditors evaluates the work plan prepared for the audit and the findings set out in the report and letter of comments.

12
Meetings
in 2020

The Board of Directors
5 March 2021

Consolidated balance sheet
Consolidated income statement
Consolidated statement of comprehensive income
Statement of changes in consolidated shareholders’ equity
Statement of consolidated cash flows
Notes to the consolidated financial statements



5. Consolidated financial statements

Consolidated balance sheet

(€m)

	31.12.2020	31.12.2019
ASSETS		
10. Cash and cash equivalents	288	335
20. Financial assets measured at fair value through profit or loss	422	349
a) financial assets held for trading	47	36
b) financial assets measured at fair value	-	-
c) other financial assets mandatorily measured at fair value	375	313
30. Financial assets measured at fair value through other comprehensive income	2,805	3,189
40. Financial assets measured at amortised cost	45,182	41,802
a) loans and advances to banks	32,949	29,964
b) loans and advances to customers	12,233	11,838
50. Hedging derivatives	16	20
60. Adjustments to financial assets subject to macro-hedging (+/-)	24	11
70. Equity investments	184	170
80. Reinsurers' share of technical reserves	-	-
90. Property and equipment	354	380
100. Intangible assets	229	234
of which: goodwill	140	140
110. Tax assets	163	164
a) current	21	34
b) deferred	142	130
120. Non-current assets held for sale and discontinued operations	1,065	6
130. Other assets	1,295	1,107
TOTAL ASSETS	**52,027**	**47,767**

Chairman of the Board of Directors
Paolo Molesini

Managing Director
Tommaso Corcos

Chief Financial Officer
Domenico Sfalanga

Consolidated balance sheet

(€m)

	31.12.2020	31.12.2019
LIABILITIES AND SHAREHOLDERS' EQUITY		
10. Financial liabilities measured at amortised cost	45,025	42,057
a) due to banks	3,615	3,033
b) due to customers	41,410	39,024
c) debt on issue	-	-
20. Financial liabilities held for trading	53	33
30. Financial liabilities measured at fair value	-	-
40. Hedging derivatives	954	930
50. Adjustments to financial liabilities subject to macro-hedging (+/-)	-	-
60. Tax liabilities	74	94
a) current	5	30
b) deferred	69	64
70. Liabilities associated with non-current assets held for sale and discontinued operations	1,065	-
80. Other liabilities	1,098	1,167
90. Provision for employment termination indemnities	43	48
100. Provisions for risks and charges:	568	478
a) commitments and guarantees	3	1
b) pensions and other commitments	30	23
c) other provisions for risks and charges	535	454
110. Technical reserves	-	-
120. Valuation reserves	41	33
130. Redeemable shares	-	-
140. Equity instruments	-	-
150. Reserves	1,783	1,515
160. Share premium reserve	206	206
170. Share capital	300	300
180. Treasury shares (-)	-	-
190. Equity attributable to non-controlling interests (+/-)	-	-
200. Net profit (loss) for the year (+/-)	817	906
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**52,027**	**47,767**

Chairman of the Board of Directors
Paolo Molesini

Managing Director
Tommaso Corcos

Chief Financial Officer
Domenico Sfalanga

Consolidated income statement

(€m)

	2020	2019
10. Interest income and similar income	281	259
of which: interest income calculated with the effective interest method	*362*	*345*
20. Interest expense and similar expense	(84)	(81)
30. Net interest income	**197**	**178**
40. Fee and commission income	2,564	2,533
50. Fee and commission expense	(847)	(786)
60. Net fee and commission income	**1,717**	**1,747**
70. Dividends and similar income	-	-
80. Net profit (loss) on trading activities	18	13
90. Net profit (loss) on hedging derivatives	4	-
100. Net profit (loss) on sale or repurchase of:	6	24
a) financial assets measured at amortised cost	1	-
b) financial assets measured at fair value through other comprehensive income	5	24
c) financial liabilities	-	-
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	13	27
a) financial assets and liabilities measured at fair value	-	-
b) other financial assets mandatorily measured at fair value	13	27
120. Total net interest and trading income	**1,955**	**1,989**
130. Net impairment for credit risk related to:	(7)	(6)
a) financial assets measured at amortised cost	(6)	(6)
b) financial assets measured at fair value through other comprehensive income	(1)	-
140. Gains/losses on contractual changes without cancellation	-	-
150. Operating income	**1,948**	**1,983**
160. Net insurance premiums	-	-
170. Other income/expense from insurance activities	-	-
180. Operating income from financing and insurance activities	**1,948**	**1,983**
190. Administrative expenses:	(897)	(848)
a) personnel expenses	(392)	(363)
b) other administrative expenses	(505)	(485)
200. Net provisions for risks and charges	(78)	(32)
a) commitments and guarantees	(1)	-
b) other net provisions	(77)	(32)
210. Depreciation of property and equipment	(48)	(48)
220. Amortisation of intangible assets	(35)	(21)
230. Other income/expense	256	242
240. Operating expenses	**(802)**	**(707)**
250. Profit (loss) on equity investments	10	8
260. Net fair value gains (losses) on property and equipment and intangible assets	-	-
270. Goodwill impairment	-	-
280. Gain (loss) on disposal of investments	-	-
290. Profit (loss) before tax from continuing operations	**1,156**	**1,284**
300. Income taxes for the year on continuing operations	(340)	(379)
310. Profit (loss) after tax from continuing operations	**816**	**905**
320. Profit (loss) after tax from discontinued operations	-	-
330. Net profit (loss) for the year	**816**	**905**
340. Net profit (loss) for the year attributable to non-controlling interests	1	1
350. Parent company interest in net profit (loss) for the year	**817**	**906**

Chairman of the Board of Directors
Paolo Molesini

Managing Director
Tommaso Corcos

Chief Financial Officer
Domenico Sfalanga

Consolidated statement of comprehensive income

(€m)

		2020	2019
10.	**Net profit (loss) for the year**	**816**	**905**
	Other comprehensive income after tax not transferred to the income statement	**(6)**	**(9)**
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	(1)	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	(5)	(9)
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	**14**	**54**
100.	Hedging of net investments in foreign operations	-	-
110.	Exchange rate differences	-	(1)
120.	Cash flow hedges	5	3
130.	Hedging instruments (undesignated elements)	-	-
140.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income	4	47
150.	Non-current assets held for sale and discontinued operations	-	-
160.	Valuation reserves related to investments carried at equity	5	5
170.	**Total other comprehensive income after tax**	**8**	**45**
180.	**Total comprehensive income**	**824**	**950**
190.	Total comprehensive income attributable to non-controlling interests	(1)	(1)
200.	Total comprehensive income attributable to parent company	825	951

Chairman of the Board of Directors
Paolo Molesini

Managing Director
Tommaso Corcos

Chief Financial Officer
Domenico Sfalanga

Statement of changes in consolidated shareholders' equity

(€m)

	BALANCE AT 31.12.2019	CHANGE IN OPENING BALANCES	BALANCE AT 1.1.2020	ALLOCATION OF INCOME FOR THE PREVIOUS YEAR		CHANGES IN THE YEAR									SHAREHOLDERS' EQUITY AT 31.12.2020	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY AT 31.12.2020	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS AT 31.12.2020
							TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY										
				RESERVES	DIVIDENDS AND OTHER	VARIAZIONI DI RISERVE	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 2020			
Share capital:	**300**	**-**	**300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**300**	**300**	**-**
- ordinary shares	300	-	300	-	-	-	-	-	-	-	-	-	-	-	300	300	-
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**206**	**-**	**206**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**206**	**206**	**-**
Reserves:	**1,516**	**-**	**1,516**	**905**	**-**	**13**	**-**	**-**	**(650)**	**-**	**-**	**-**	**-**	**-**	**1,784**	**1,783**	**1**
- from net income	1,425	-	1,425	905	-	-	-	-	(650)	-	-	-	-	-	1,680	1,679	1
- other	91	-	91	-	-	13	-	-	-	-	-	-	-	-	104	104	-
Valuation reserves	**33**	**-**	**33**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**41**	**41**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the year	**905**	**-**	**905**	**(905)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**816**	**816**	**817**	**(1)**
Shareholders' equity	**2,960**	**-**	**2,960**	**-**	**-**	**13**	**-**	**-**	**(650)**	**-**	**-**	**-**	**-**	**824**	**3,147**	**3,147**	**-**
Equity attributable to owners of the parent company	**2,960**	**-**	**2,960**	**-**	**-**	**12**	**-**	**-**	**(650)**	**-**	**-**	**-**	**-**	**825**	**3,147**		
Equity attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**		

Chairman of the Board of Directors
Paolo Molesini

Managing Director
Tommaso Corcos

Chief Financial Officer
Domenico Sfalanga

Statement of changes in consolidated shareholders' equity

(€m)

	BALANCE AT 31.12.2018	CHANGE IN OPENING BALANCES	BALANCE AT 1.1.2019	ALLOCATION OF INCOME FOR THE PREVIOUS YEAR		CHANGES IN THE YEAR									SHAREHOLDERS' EQUITY AT 31.12.2019	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY AT 31.12.2019	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS AT 31.12.2019
							TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY										
				RESERVES	DIVIDENDS AND OTHER	CHANGES IN RESERVES	ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	DERIVATIVES BASED ON TREASURY SHARES	STOCK OPTIONS	CHANGES IN EQUITY INVESTMENTS	TOTAL COMPREHENSIVE INCOME 2019			
Share capital:	**300**	**-**	**300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**300**	**300**	**-**
- ordinary shares	300	-	300	-	-	-	-	-	-	-	-	-	-	-	300	300	-
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**206**	**-**	**206**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**206**	**206**	**-**
Reserves:	**1,476**	**-**	**1,476**	**24**	**-**	**16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,516**	**1,515**	**1**
- from net income	1,402	-	1,402	24	-	(1)	-	-	-	-	-	-	-	-	1,425	1,424	1
- other	74	-	74	-	-	17	-	-	-	-	-	-	-	-	91	91	-
Valuation reserves	**(12)**	**-**	**(12)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**45**	**33**	**33**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the year	**834**	**-**	**834**	**(24)**	**(810)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**905**	**905**	**906**	**(1)**
Shareholders' equity	**2,804**	**-**	**2,804**	**-**	**(810)**	**16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**950**	**2,960**	**2,960**	**-**
Equity attributable to owners of the parent company	**2,804**	**-**	**2,804**	**-**	**(810)**	**15**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**951**	**2,960**		
Equity attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**		

Chairman of the Board of Directors
Paolo Molesini

Managing Director
Tommaso Corcos

Chief Financial Officer
Domenico Sfalanga

Statement of consolidated cash flows
(Indirect method)

(€m)

	2020	2019
A. OPERATING ACTIVITIES		
1. Operations	**1,296**	**1,269**
- profit (loss) for the year (+/-)	817	906
- net profit (loss) on financial assets held for trading and on other assets/liabilities measured at fair value through profit or loss (-/+)	(31)	(39)
- net profit (loss) on hedging activities (-/+)	(4)	-
- net impairment for credit risk (+/-)	7	6
- net depreciation and amortisation (+/-)	83	69
- net provisions for risks and charges and other expense/income (+/-)	119	33
- uncollected net insurance premiums (-)	-	-
- uncollected other insurance income/expense (+/-)	-	-
- unpaid taxes and tax credits (+/-)	340	379
- net impairment of discontinued operations net of tax effect (+/-)	-	-
- other adjustments (+/-)	(35)	(85)
2. Cash from/used in financing activities	**(3,153)**	**(6,432)**
- financial assets held for trading	(8)	(5)
- financial assets measured at fair value	-	-
- other assets mandatorily measured at fair value	(48)	(20)
- financial assets measured at fair value through other comprehensive income	388	153
- financial assets measured at amortised cost	(3,385)	(6,677)
- other assets	(100)	117
3. Cash from/used in financial liabilities (*)	**2,486**	**6,029**
- financial liabilities measured at amortised cost	2,967	6,295
- financial liabilities held for trading	33	14
- financial liabilities measured at fair value	-	-
- other liabilities	(514)	(280)
Net cash from/used in operating activities	**629**	**866**
B. INVESTING ACTIVITIES		
1. Cash from	**-**	**-**
- disposal of equity investments	-	-
- dividend income from equity investments	-	-
- sale of property and equipment	-	-
- sale of intangible assets	-	-
- sale of subsidiaries and company divisions	-	-
2. Cash used in	**(26)**	**(31)**
- acquisition of equity investments	-	-
- acquisition of property and equipment	(2)	(3)
- purchase of intangible assets	(24)	(28)
- acquisition of subsidiaries and company divisions	-	-
Net cash from/used in operating activities	**(26)**	**(31)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- distribution of dividends and other	(650)	(810)
- sale/purchase of control of others	-	-
Net cash from/used in funding activities	**(650)**	**(810)**
NET CASH GENERATED/USED IN THE YEAR	**(47)**	**25**

Reconciliation

	2020	2019
Cash and cash equivalents at the beginning of the year	335	310
Total net cash generated/used in the year	(47)	25
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the end of the year	288	335

(*) In relation to the disclosure prescribed in paragraph 44B of IAS 7, we note that the changes in liabilities resulting from financing activities totalled €2,486m (generated liquidity) and reflect the net amount of +€2,967m in cash flows, -€16m in changes in fair value, and -€465m in other changes.

Chairman of the Board of Directors
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Notes to the consolidated financial statements

PART A - ACCOUNTING POLICIES

A.1 - GENERAL

SECTION 1 - STATEMENT OF COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

Pursuant to Italian Legislative Decree No. 38 of 28 February 2005, the Fideuram - Intesa Sanpaolo Private Banking Group's Consolidated Financial Statements have been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the European Commission up to 31 December 2020, following the procedure provided for by EC Regulation No. 1606/2002. With a view to adopting effective guidelines for the application of these accounting standards, this Report was prepared in accordance with the interpretations provided by the International Financial Reporting Interpretations Committee (IFRIC). There were no derogations from the application of the International Accounting Standards or International Financial Reporting Standards.

The Consolidated Financial Statements at 31 December 2020 have been prepared in accordance with Bank of Italy Circular No. 262 of 22 December 2005 and its subsequent amendments and interpretation guidelines provided by the Bank of Italy. In particular, they take into account the sixth update of 30 November 2018 and the Bank of Italy Notice of 15 December 2020, which amended the measures relating to the impacts of Covid-19, the economic support measures, and the amendments to IAS/IFRS.

The new International Financial Reporting Standards or modifications to accounting standards already in force and the related European Commission Regulations endorsing them that became effective in 2020 are listed below:

- Commission Regulation (EU) 2019/2075: Amendments to references to the Conceptual Framework.
- Commission Regulation (EU) 2019/2014: Definition of material - Amendments to IAS 1 and IAS 8.
- Commission Regulation (EU) 2020/34: Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7.
- Commission Regulation (EU) 2020/551: Definition of a business activity - Amendments to IFRS 3.
- Commission Regulation (EU) 2020/1434: Rent relief connected with Covid-19 - Amendments to IFRS 16.

The Group has already exercised its right to early application, in the Annual Report 2019, of Regulation No. 2020/34 of 15 January 2020 concerning the Interest Rate Benchmark Reform that has been mandatorily applicable from 1 January 2020. The regulation in question introduced several changes in hedge accounting, for the purpose of preventing the uncertainties over the amount and timing of the cash flows deriving from the interest rate reform from interrupting existing hedges and difficulty in designating new hedge relationships. The amendments in question have been made as part of the project to analyse the financial statement effects of the reform in interbank rates – the "Interest Rate Benchmark Reform" or "IBOR Reform". This project is related to the developments connected with the revision or substitution of certain benchmarks used to determine interest rates in various jurisdictions, such as LIBOR, TIBOR and, in Europe, EONIA, on the basis of guidance issued by the G20 and Financial Stability Board. The IASB considered the possible accounting impact of the Interest Rate Benchmark Reform with a two-phase project. The first phase is specifically dedicated to the possible accounting impact during the period preceding the substitution of existing benchmark rates with the new rates. The second phase of the project, which was completed with the publication in August 2020 of the document "Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IAS 16" – endorsed with Commission Regulation (EC) 25/2021 of 13 January 2021, instead concerns analysis of the possible accounting impact deriving from application of the new rates and other, less urgent issues. Consequently, several changes are introduced with the first phase of the project, which was completed with publication of the cited Regulation No. 34/2020, to prevent the interruption of existing hedges. In fact, the IASB believes that the interruption of hedges merely due to uncertainty in this scenario does not provide useful information to readers of the financial statements. Therefore, it has decided to allow several temporary waivers of the existing rules to avoid these distorting effects, and which are to be applied until completion of the Interest Rate Benchmark Reform. Accordingly, the IASB has identified the following accounting provisions of hedge accounting that might be impacted by the Interest Rate Benchmark Reform during the "pre-replacement" phase:

1) The highly probable requirement: IAS 39 and IFRS 9 prescribe that planned transactions must satisfy the highly probable requirement in order to be designated as a hedged item.
2) The prospective and retrospective assessment of the effectiveness of the hedges: the effectiveness tests (prospective and retrospective assessment) prescribed by IFRS 9 and IAS 39 must be passed to apply hedge accounting.
3) The designation of risk components: IFRS 9 and IAS 39 permit designation of a risk component that has not been contractually defined when it can be identified separately and reliably measured.

The IASB has prescribed a simplification for each one of these provisions, on the assumption that the existing interest rate benchmarks cannot be modified after the Interest Rate Benchmark Reform. The changes had to be applied beginning 1 January 2020, while their early application was allowed. The Group opted for this latter possibility when it prepared the Annual Report 2019.

SECTION 2 - BASIS OF PREPARATION

The Consolidated Financial Statements comprise the compulsory consolidated statements provided for by IAS 1 (namely a balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows) and the Notes to the Consolidated Financial Statements. It is also accompanied by the Directors' Report. The information specified as compulsory content for Directors' Reports by Bank of Italy Circular No. 262/2005 is presented in the following sections and paragraphs:

- Section 2. External context and strategies;
- Section 3. Performance (paragraphs 3.1 to 3.4, 3.7, 3.8.1 and 3.9);
- Section 4. Governance (paragraph 4.2).

The Notes to the Consolidated Financial Statements present all the information provided for by the regulations, together with the additional information considered necessary to give a true and fair view of the Group's position. Furthermore, the Notes take into account the documents that interpret and support application of the accounting standards in light of the impact of Covid-19, issued by European regulatory and supervisory bodies and standard setters, which are illustrated in finer detail in Section 5 - Other aspects.

These Consolidated Financial Statements have been prepared on a going concern basis. There is no doubt as to the ability of the Group to remain in business. The compulsory tables and details required by the Bank of Italy are identified separately using the numbering specified by said Supervisory Authority. The Financial Statements use the euro as their presentation currency. The figures in the financial statements and Notes to the Financial Statements are stated in millions of euro unless specified otherwise. In compliance with the provisions of IFRS 5, the Balance Sheet statements and the associated details in the Notes to the Financial Statements present, as components of discontinued operations, the assets and liabilities of the business unit that operates the Depository Bank and Fund Administration activities of Fideuram Bank Luxembourg that will be sold during 2021.
The Financial Statements and Notes to the Financial Statements present the data for the period together with the corresponding data at 31 December 2019 for comparative purposes.

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, the Directors' Report at 31 December 2020 contains a reclassified balance sheet and reclassified income statement. These statements were prepared using appropriate groupings of the items in the official financial statements.

SECTION 3 - SCOPE AND METHODS OF CONSOLIDATION

The companies included in the line-by-line consolidation of Fideuram - Intesa Sanpaolo Private Banking at 31 December 2020 are listed below.

1. Equity investments in wholly-owned subsidiaries

COMPANY NAME	OPERATIONAL HEAD OFFICE	REGISTERED OFFICE	TYPE OF OWNERSHIP (*)	OWNERSHIP		% VOTES (**)
				ASSOCIATE COMPANY	% OWNED	
1. Sanpaolo Invest SIM S.p.A. Share capital: EUR 15,264,760 in shares of EUR 140 each	Turin	Turin	1	Fideuram	100.000%	
2. Intesa Sanpaolo Private Banking S.p.A. Share capital: EUR 105,497,424 in shares without par value	Milan	Milan	1	Fideuram	100.000%	
3. Fideuram Investimenti SGR S.p.A. (***) Share capital: EUR 25,850,000 in shares of EUR 517 each	Milan	Milan	1	Fideuram	99.500%	
4. Siref Fiduciaria S.p.A. Share capital: EUR 2,600,000 in shares of EUR 0.52 each	Milan	Milan	1	Fideuram	100.000%	
5. Fideuram Asset Management (Ireland) dac Share capital: EUR 1,000,000 in shares of EUR 1,000 each	Dublin	Dublin	1	Fideuram	100.000%	
6. Fideuram Bank (Luxembourg) S.A. Share capital: EUR 40,000,000 in shares without par value	Luxembourg	Luxembourg	1	Fideuram	100.000%	
7. Financière Fideuram S.A. Share capital: EUR 346,761,600 in shares of EUR 25 each	Paris	Paris	1	Fideuram	99.999%	
8. Intesa Sanpaolo Private Bank (Suisse) Morval S.A. Share capital: CHF 22,217,000 in shares of CHF 100 each	Geneva	Geneva	1	Fideuram	96.910%	
9. Intesa Sanpaolo Private Argentina S.A. Share capital: ARS 13,404,506 in shares of ARS 1 each	Buenos Aires	Buenos Aires	1	Intesa Sanpaolo Private Bank (Suisse) Morval	95.033%	
				Fideuram	4.967%	
10. Intesa Sanpaolo Private Monaco SAM in liquidation Share capital: EUR 1,200,000 in shares of EUR 100 each	Monaco	Monaco	1	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000%	
11. Morval Vonwiller Advisors S.A. Share capital: UYU 110,600,000 in shares of UYU 1 each	Montevideo	Montevideo	1	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000%	
12. Morval Bank & Trust Cayman Ltd in liquidation Share capital: USD 7,850,000 in shares of USD 1 each	George Town	George Town	1	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000%	

LEGEND

(*) Type of ownership 1 = majority voting rights at general shareholders' meetings.

(**) Voting rights at general shareholders' meetings. Voting rights are only shown when they differ from % capital ownership.

(***) Effective 1 January 2021, the company changed its company name to Fideuram - Intesa Sanpaolo Private Banking Asset Management SGR S.p.A..

2. Significant judgements and assumptions made in determining scope of consolidation

The Consolidated Financial Statements include Fideuram and its direct and indirect subsidiaries and the companies over which it exercises significant influence. An entity is considered to be controlled by Fideuram when the latter is exposed or has rights to variable returns from its involvement with the entity, while simultaneously having the ability to affect those returns through its power over the entity.
Fideuram is considered to control an entity if and only if the Group has all of the following elements:

- power over the entity to direct the relevant activities;
- exposure to variable returns from its involvement with the investee entity;
- the ability to use its power over the entity to affect the amount of the returns.

Potential principal-agent relationships are also taken into consideration when assessing whether or not the bank controls an entity. The Group takes the following elements into consideration when assessing whether it acts as a principal or as an agent:

- the decision-making rights over the relevant activities of the entity;
- the significance of rights held by other entities;
- the remuneration to which the Group is entitled;
- the exposure to variable returns from the equity investment.

Relevant activities are those which significantly affect the returns of the investee company.

Generally speaking, when relevant activities are managed through voting rights, the following factors provide evidence of control:

- the possession, directly or indirectly (through subsidiary companies) of more than half the voting rights of an entity;
- the possession of half (or less than half) the general meeting voting rights, and the practical ability to unilaterally manage the relevant activities through:
  - control of more than half the voting rights through agreement with other investors;
  - the power to determine the financial and operating policies of the investee through by-law or contractual clauses;
  - the power to appoint or remove the majority of the members of the Board of Directors or equivalent company governing body.

The subsidiaries were consolidated line-by-line, except for Morval Vonwiller Advisors S.A., Intesa Sanpaolo Private Bank Monaco 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.

In the line-by-line consolidation process, aggregate amounts from the balance sheet and income statement of the subsidiaries are used line-by-line. Since all the assets and liabilities of these subsidiaries are consolidated, their book value is offset by the corresponding share of shareholders' equity held by the Group. The differences resulting from said offsetting at the date of initial consolidation are, if positive, recognised as intangible assets under the item goodwill or other intangible assets, following the allocation of any components to the assets and liabilities of the subsidiaries. If negative, they are recognised as negative goodwill in the income statement. Goodwill is subject to a periodic test on the appropriateness of its book value. If the recoverable value of goodwill is less than its book value, the difference is recognised in the income statement. All relations with respect to assets and liabilities, and all income and expenses between consolidated companies are eliminated.

The financial statements used for the line-by-line consolidation were those at 31 December 2020, as approved by the competent bodies of the subsidiaries, adjusted where necessary to align them with Group accounting policies.

The financial statement data of companies operating outside the European Monetary Union area were translated to euro applying the year-end exchange rates to balance sheet items and the average exchange rates for the period to income statement items. The exchange rate differences arising from translations at said exchange rates are recognised in the valuation reserve.

The scope of consolidation of the Fideuram Group has not changed significantly since 31 December 2019.
Here mention is made only of the following transactions, which were executed in reference to companies under common control and which did not have any impact at the consolidated level:

- the liquidation of Morval Vonwiller Assets Management Co. Ltd.;
- the transfer of the equity investment in Morval Vonwiller Advisors S.A. from the sub-holding Southern Group Ltd to Intesa Sanpaolo Private Bank (Suisse) Morval and, subsequently, the liquidation of Southern Group Ltd.;
- the merger of Morval SIM into Intesa Sanpaolo Private Banking.

A company is considered to be an associate company if it is subject to significant influence, which is to say if Fideuram holds 20% or more of the voting rights directly or indirectly, or if it is able to participate in determining the company's financial and management policies by virtue of special legal ties even though it has fewer voting rights.

Associate companies are consolidated using the equity method. This method involves initially recognising the equity investment at cost and subsequently adjusting the value in relation to the Group interest in the subsidiary's shareholders' equity. The difference between the book value of the equity investment and the interest in the subsidiary's shareholders' equity is recognised as an increase or decrease in the book value of the equity investment. The Group interest in the subsidiary's profit is recognised in a separate item of the consolidated income statement.

Fideuram Vita S.p.A. (an insurance company in which Fideuram holds a 19.99% equity interest) is considered to be an associate company. Considering the decision made by the Intesa Sanpaolo Group to adopt the "Deferral Approach" for insurance companies, the financial assets and liabilities of Fideuram Vita continue to be recognised in the balance sheet pursuant to IAS 39, in anticipation of the effective date of the new IFRS 17 on insurance agreements, expected to be in 2023.

SECTION 4 - EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period requiring any changes to be made to the consolidated financial statements at 31 December 2020. For a description of the most important significant events that occurred after the end of the year, reference is made to the specific part of the Directors' Report.

SECTION 5 - OTHER ASPECTS

RISKS, UNCERTAINTIES AND IMPACT OF THE COVID-19 PANDEMIC

In 2020, global economic performance was heavily impacted by the spread of the Covid-19 pandemic. The economic and financial crisis resulting from the spread of the pandemic originates exclusively from a health emergency and not, as in other, past crises, from economic and financial causes. Massive support measures for recovery were implemented, and the outlook that has established itself in forecasts of possible future macroeconomic scenarios is that the major public interventions implemented in the European Union and most other leading nations, together with the success of virus containment measures, can permit a gradual return to complete circulation of individuals and a significant recovery of economic activities within a reasonable length of time. Consequently, the impact on production activity will be negative over the short-term, but it will soon be possible to observe a rapid reversal in the growth trend, with a strong recovery of GDP in 2021.
The Group swiftly responded to the emergency, immediately activating a vast series of initiatives to protect the health of individuals and customers, in addition to ensuring business continuity and combating the effects of the pandemic. The principal impacts on operations and their repercussions on business activities and the financial statements are illustrated below.

The health protection measures and business continuity actions taken largely focused on:

- the prevention of workplace risks, with the adoption of the individual and group protection measures required to respond adequately to developments in public health requirements at the national, local and sectoral levels;
- the large-scale application of flexible work, with associated investments in information technology equipment, development of operational processes, and upgrading of the computer network to enable simultaneous access by a growing number of users;
- the performance of work to facilitate digital interaction with customers, through the development of distance marketing and the extension of processes for the dematerialisation of contracts and digital signatures, with consequent capital expenditure to upgrade the channels used for remote communication with customers (call centres and digital apps) and to reinforce cybersecurity to reduce the risk of attempted fraud against customers.

As for the effects on business activities, concrete financial support measures have been provided since the beginning of the public health emergency, either directly or through the services offered by Intesa Sanpaolo. Specifically:

- arrangements were made with Intesa Sanpaolo so that our customers can obtain the business loans prescribed by the Liquidity Decree;
- specific commercial offers were created for both private customers and business customers, designed to satisfy their liquidity requirements tied to the emergency period;
- three-month suspension of payments on outstanding medium-long term loan instalments on customer request were allowed either for the amount of principal alone or for the entire instalment, and this can be extended for another three or six months according to the duration of the emergency.

At the end of December, customers had been provided with about €560m in new, subsidised rate loans, and ten requests for moratoria on loan instalments were accepted.
With regard to the dynamics of managed assets, the public health emergency has impacted both the valuation of financial assets and the procedures for managing customer relationships, which have been handicapped by social distancing measures.
The Group's response to mitigate its effects was immediate and comprehensive. It immediately launched an intense series of communication activities with its customers to manage any emotional responses that might have led to impulsive and harmful actions. It also continued to plan new investment solutions designed to seize the opportunities offered by the relevant context. Due in part to the measures taken, no particular pressure occurred in terms of redemptions/refunds.

With regard to the budgetary impact, with the 15 December 2020 update to Circular No. 262, concerning the impact of Covid-19, economic support measures, and amendments to the IAS/IFRS, the Bank of Italy amended the provisions governing bank financial statements to provide the market with information about the effects that Covid-19 and economic support measures have had on risk management strategies, targets and policies, and on the economic situation and assets and liabilities of the intermediaries. When it developed these additional provisions, the Bank of Italy took into account the documents published during the last several months by the European regulatory and supervisory bodies and by the standard setters to clarify the procedures for application of IAS/IFRS in the present context, especially with regard to IFRS 9.
In fact, consistently with developments in the public health and economic situation, a number of regulatory measures were taken during 2020, mainly to provide interpretations and support for application of the financial reporting standards in relation to Covid-19 impacts. The documents issued by various regulators and standard setters with regard to financial reporting focused primarily on the following topics:

- instructions relating to the classification of loans, and in particular guidelines for the treatment of moratoria;
- determination of Expected Credit Loss (ECL) according to IFRS 9 in a forward-looking perspective;
- transparency and market disclosures.

The most relevant documents are listed as follows, being grouped by issuing institution:

- EBA: "Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of Covid-19 measures", published on 25 March 2019. "Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the Covid-19 crisis", published on 2 April 2020. "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis", published on 2 June 2020. "Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non legislative moratoria on loan repayments applied in the light of the Covid-19 crisis", published on 2 December 2020.
- ESMA: "Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9", published on 25 March 2020. "European common enforcement priorities for 2020 annual financial reports", published on 28 October 2020.
- IFRS Foundation: "IFRS 9 and Covid-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic", published on 27 March 2020.
- ECB: "IFRS 9 in the context of the coronavirus (Covid-19) pandemic", published on 1 April 2020. "Identification and measurement of credit risk in the context of the coronavirus (Covid-19) pandemic", published on 4 December 2020.

The actions taken by regulators gradually reinforced and adapted the regulatory framework to developments in the situation that had begun to appear in the first few months of 2020 and gradually took shape over the course of the year. In the context of current uncertainty, those measures supported the valuations and estimates used by the Group to prepare its Annual Report.

Macroeconomic scenario for the valuation of loans and receivables
Regulators have asked credit institutions to anchor their prospective scenarios for the valuation of loans and receivables in accordance with IFRS 9 to the macroeconomic forecasts issued by the ECB and national central banks. Consequently, for the purposes of measuring loans and receivables, IFRS 9 scenarios were used that are consistent with those (baseline, mild and severe) published by the ECB and the Bank of Italy on 10 December 2020 and in accordance with the instructions confirmed by the Central Bank itself with a letter on 4 December 2020.

Valuation of goodwill and intangible assets
Impairment tests of goodwill and intangible assets are especially delicate in complex market contexts like the present one. The pandemic and associated restrictive measures implemented by governments in the attempt to limit its spread have had a significant effect on the GDP of Italy and the eurozone. The ongoing difficulties confronting growth in industrial production and expectations that the expansionary measures will be extended by monetary policy authorities make it likely that extremely low interest rates will persist for quite a long time. This situation has impacted the impairment tests that IAS 36 requires to be run at least once annually to verify the recoverable value of the intangible assets carried on the balance sheet. The effects of the pandemic have been carefully considered, in accordance with ESMA instructions which consider the effects resulting from the Covid-19 pandemic as an indicator of impairment and thus require special attention in evaluating the resistance of the carrying value of the intangible assets. With reference to the last aspect, no critical factors emerged on the accounting of items in the financial statements.

Classification and measurement of loans
The crisis triggered by the spread of the pandemic has had a major impact on the classification of loans, especially for those aspects connected with the moratoria on payments and calculation of the Expected Credit Losses (ECL).
With regard to classification of the credit exposures, the spread of the coronavirus first made it necessary, as agreed by the banking system and institutions, to grant performing customers generalised payment suspension measures (moratoria) with simplified procedures and without penalty on the parties involved, i.e. banks and customers. These measures, partly governed by national regulations and partly decided independently by the banks, have been specifically regulated, as summarised in the specific guidelines issued by the EBA. According to the EBA, the moratoria have to fulfil the following requirements to be considered in compliance with the guidelines:

- they must be offered without distinction to a group of (performing) borrowers or after specific statutory measures are issued;
- they must not require waiver of contractual interest or principal but only a mere postponement/lengthening of payment terms.

After activation of the moratoria, the calculation of past-due payments to identify defaults (with consequent classification as non-performing past due) is halted. Moreover, since the bank has not waived the repayment of principal or accrual of contractual interest, calculation of the diminished obligation is essentially irrelevant to determining the distressed restructuring and consequent classification as unlikely to pay. Moratoria are not automatically considered to be a forbearance measure and, consequently, do not also constitute a trigger of significant increase in credit risk with slippage pursuant to IFRS 9 to Stage 2 (for those positions that are already in Stage 1).
Afterwards, in light of the cautious optimism that was prevailing at the end of summer, the EBA had not decided that it would be appropriate to extend that exceptional measure and had thus decided it was better to restore the practice where any renegotiation of the loans would have to follow a case-by-case approach according to the customary prudential framework, i.e. an analysis to determine whether the individual measure has to be considered forbearance and/or a default event. So, beginning from 1 October, that analysis was applied to all new measures for businesses and individuals.
After the second wave of Covid-19 that hit Europe beginning in mid-October, the EBA revisited the issue and, with its announcement on 2 December, it:

- reopened until 31 March 2021 the possibility of granting moratoria according to the pre-existing guidelines;
- introduced a maximum time limit of nine months for new moratoria or extension of a pre-existing moratoria. The time-limit also applies to the concession of non-consecutive suspension periods (in this case, the durations of the different periods are added together). The maximum duration of nine months does not apply retroactively to the moratoria until 30 September.

For the measurement of loans and receivables, the Group has adopted a prudential approach to adjusting the results of the ECL derived from the IFRS 9 models used in the context of the uncertain but expected worsening in economic conditions, while taking into account the effects deriving from the public support measures that were promptly made available by the national authorities and supported by the accommodating policy of the ECB. This approach was steadily rendered more sophisticated and more consistent through the development of management overlays that were gradually elaborated after obtaining a better grasp of the changes in the crisis (partly reflected in the ECL estimates from the updates to the previously described macroeconomic forecasts). The adopted approach is consistent with the guidance given in the ECB announcement of 4 December 2020 that solicits significant institutions to identify the increase in credit risk as early as possible and, given the level of uncertainty induced by the pandemic crisis, to resort to the use of amendments in application of IFRS 9 through the grafting of subjective rating parameters or subsequent adjustment of the base models (overlay), with special attention to the consistency that those parameters must have in relation to the direction of the observable macroeconomic variables and the prospective forecasts.

However, the cases of moratoria found among Private Banking customers is absolutely limited. As previously remarked, the Group did not participate in the offer of credit to customers that featured special guarantees in compliance with the Decree of the President of the Council of Ministers "Cura Italia" and the Liquidity Decree, which is an exclusive prerogative of Intesa Sanpaolo, but it did update its catalogue of products with ad hoc loans, characterised exclusively by subsidised rate conditions and less stringent collateral requirements.

Its liquidity position has always remained sound due to the generous availability of liquid reserves and the high stability of customer deposits.
Overall, the Fideuram Group has maintained its capital adequacy and, also in consequence of the measures adopted to deal with the challenges imposed by the public health emergency, it has not been significantly impacted by the crisis and has not exhibited any sign in its equity and financial structure and in its operational performance that might generate uncertainty over its satisfy the requirements to guarantee its status as a going concern.

CONTRACTUAL AMENDMENTS DERIVING FROM COVID-19

1. Contractual amendments and write-offs (IFRS 9)

In compliance with EBA guidelines, the moratoria granted by the Group have to fulfil the following requirements:

- they must be offered without distinction to a group of (performing) borrowers or on the basis of statutory measures;
- they must not require waiver of contractual interest or principal but only a mere postponement/lengthening of payment terms.

Since those conditions only require a mere postponement/lengthening of the period when the payments are due, the application of moratoria does not entail derecognition of the loan. Moreover, these cases have limited application in the Fideuram Group. Reference is made to Part E of these Notes to the Financial Statements for an analysis of the quantitative data.

2. Amendment of IFRS 16

Regulation (EU) 1434/2020 has introduced modifications to IFRS 16 - Leasing in order to provide a practical, optional and temporary expedient for lessees that benefit from suspensions of payments for leases. The Regulation permits non-application of the rules for lease amendment accounting in the case of forbearance on rents directly affected by the Covid-19 public health emergency. These cases were not applied in the Fideuram Group.

TAX REFORMS

Realignment of corporate assets

The Budget Law 2021 (Article 1, paragraph 83, of Law 178/2020) has expanded the possibility of realigning the tax values with the statutory values even for intangible assets other than those that can be legally protected, i.e. those without legal autonomy. In particular, the value appearing on the 2020 financial statements for goodwill and other intangible assets can be recognised even for tax purposes through the payment of a 3% substitute tax, but only if they were already recognised in the financial statements for the previous year. The difference between the book value and the tax value can stem, for example, from previous non-recurring transactions or contributions made on a tax neutral basis.
Therefore, due to the statutory change, it is now possible to realign the values of property and equipment and intangible assets, including goodwill, and of the equity stakes in subsidiaries or associated companies constituting financial fixed assets.
The realignment of the tax values of those assets imposes the obligation of creating a tax-suspended shareholders' equity reserve equal to the revalued amount, but it does permit use of the tax benefit arising from the deductibility of higher depreciation and amortisation (beginning in financial year 2021) and, if the asset is sold for a consideration, taxation of a smaller gain beginning from financial year 2024 (or of the deduction of a higher loss).

Cross-border reporting arrangements (EU Directive DAC 6)

Legislative Decree No. 100 of 30 July 2020 transposed into Italian law Council Directive (EU) 2018/822 of 25 May 2018 (s.c. Directive DAC 6) amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements.
Issued in the context of measures implemented at the European level to reinforce the tools used to combat tax evasion and avoidance and, more specifically, to combat the use of aggressive tax planning arrangements in cross-border transactions and cross-border situations, DAC 6 seeks to impose a new transparency obligation on taxpayers engaging in international transactions, with the aim of reducing the information asymmetries existing between Tax Authorities. The goal of DAC 6 is directly to provide Tax Authorities with information about the cross-border arrangements that exhibit potential indicia of aggressive tax planning, or which have been elaborated to avoid the automatic exchange of information about financial relationships or, alternatively, those that aim to avoid identification of the beneficial owners through non-transparent arrangements. The obligation of promptly notifying the Tax Authorities in one's own country of residence about the "cross-border arrangements" is imposed firstly on intermediaries, including the financial intermediaries for those customer transactions which turn out to contain certain distinctive elements envisaged by the Directive.

Alternative SIP - Procedures and tax credit

The 2017 Budget Law introduced Savings Investment Plans – SIP (Piani Individuali di Risparmio - PIR) into Italian law. That law grants natural persons resident in Italy a special tax break consisting of the total tax exemption of income – be it "passive income" or "miscellaneous financial income" – received in connection with investments held for at least five years as part of savings plans that make investments in Italian enterprises and which are subject to special conditions on the composition of the investments and concentration limits. Beginning in 2020 with Decree Law 34/2020 (so-called "Relaunch Decree"), a new type of SIP ("alternative SIP) was introduced with new investment and concentration restrictions, specialising in investments in small and medium enterprises.

Notwithstanding the five-year time-based condition ("holding period") to qualify for use of the tax relief procedure, the new instrument must have the following investment conditions:

- at least 70% of the aggregate value must be invested directly or indirectly in financial instruments, including those not traded on regulated markets or multilateral trading systems, issued or stipulated with enterprises resident in Italy other than those listed on the FTSE MIB and FTSE Mid Cap indices of Borsa Italiana (Italian Stock Exchange) or on equivalent indices of other regulated markets, in loans granted to the aforementioned enterprises and in receivables of those same enterprises;
- a 20% maximum limit on concentration of the investments (the previous SIPs prescribed a maximum limit of 10%);
- investors may invest amounts of money or securities having a total value not exceeding €150,000 per annum (that limit was raised to €300,000 by Article 68, Decree Law 104 of 2020) for an aggregate amount not exceeding €1,500,000.

Moreover, the possibility of investing not only through open mutual funds and life insurance policies, but also through Alternative Investment Funds (AIF), for example ELTIF, private equity funds, private debt funds, and credit funds has been allowed. In that context, the Budget Law 2021 (Article 1, paragraphs 219 to 225 of Law No. 178/2020), has introduced a tax credit in the event of losses realised in alternative SIPs, provided that they were formed on or after 1 January 2021 and that the related investments were made by 31 December of that same year. More specifically, the tax credit is equal to the losses deriving from the divestment of the SIPs, for an amount not exceeding 20% of the payments made, on condition that the financial instrument is held for at least five years ("holding period"). The tax credit can be recovered, as an alternative to offsetting against subsequent gains on the sale of securities, which could allow recovery of just 26%, by declaring exercise of that option on the income tax return for the year when the loss was realised. Moreover, the amount must be recovered in ten equal annual instalments.

New rules for the taxation of financial income:

- Dividends received by società semplici (civil-law partnerships) Article 32-quater of Decree Law No. 23 of 8 April 2020 reformed the taxation of dividends distributed to società semplici (civil-law partnerships) by establishing the principle where they have to be considered as received "as a matter of transparency" by the members of the civil-law partnership itself, with consequent application of the corresponding tax treatment, as if the partnership did not exist.
  Consequently, in accordance with the rules set out in that statute:
  - for the portion ascribable to the civil-law partnership member who is a resident natural person that owns the qualified or unqualified share in the same civil-law partnership that is not treated as a business for tax purposes, the dividends of Italian companies are subject to the 26% tax applied by the withholding agent to which the civil-law partnership reports the member's status;
  - for the amount ascribable to the partner of the civil-law partnership that is a resident sole proprietorship or a resident partnership (other than a civil-law partnership), the dividends of Italian companies are subject to IRPEF – personal income tax – (and thus on the income tax return) on a maximum of 58.14% of the applicable amount;
  - for the portion ascribable to the member of a civil-law partnership that is a resident joint-stock company or commercial enterprise, the dividends of Italian companies are liable for taxation through application of the IRES – corporate income tax – rate (24%) on an amount equal to 5% of the dividends (on the income tax return).
- Dividends received by non-commercial entities
  Article 1, paragraph 4, of Law 178/2020 has allowed a reduction in the tax burden on the profits received by resident non-commercial entities and permanent establishments in Italy of non-resident, non-commercial entities, establishing that, beginning in the financial year under way at 1 January 2021, those profits count towards calculation of the taxable income subject to IRES at the 24% rate on 50% of their total amount, instead of 100% as previously allowed. The reduction does not apply to the profits deriving from the equity investment in enterprises or entities that are resident or located in low-tax countries or territories. The provision applies on condition that the aforementioned entities operate activities in the public interest and allocate the tax savings resulting from the tax break to the financing of activities in the general interest as specified in the statute.

OTHER ASPECTS

The Fideuram - Intesa Sanpaolo Private Banking Group's Consolidated Financial Statements are audited by KPMG S.p.A.. The table below provides detailed information on the remuneration that the Fideuram Group paid to KPMG network firms in the 2020 financial year, in accordance with Article 2427 of the Italian Civil Code and Article 149 duodecies of the Issuers' Regulations (No. 11971) published by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB).

Type of services

(€m)

	2020
Independent statutory audit (*)	2.9
Total	**2.9**

(*) The net amount does not include the costs for auditing the mutual funds managed by Group companies. These costs are borne directly by the funds and totalled €1.1m in 2019.

All figures are net of VAT and expenses.

A.2 - MAIN FINANCIAL STATEMENT ITEMS

This section sets out the accounting policies adopted to prepare the Consolidated Financial Statements at 31 December 2020.

SECTION 1 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

This category contains the financial assets not classified as Financial assets measured at fair value through other comprehensive income or as Financial assets measured at amortised cost.

In particular, this item includes:
- financial assets held for trading;
- financial assets mandatorily measured at fair value, consisting of financial assets that do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income. These are financial assets whose contractual terms do not only require repayments of principal and payments of interest on the amount of principal to be repaid, or which are not held for the collection of contractual cash flows (Hold to Collect business model), or whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets (Hold to Collect and Sell business model);
- financial assets measured at fair value, i.e. financial assets that are defined as such upon initial recognition and when the conditions apply. In relation to this case, an entity may irrevocably designate a financial asset as measured at fair value through profit or loss only if it eliminates or significantly reduces a measurement inconsistency.

Therefore, this item shows:
- the debt securities and loans that are included in an Other/Trading business model (and thus not associable with a Hold to Collect or Hold to Collect and Sell business model), or that do not pass the test on contractual characteristics (SPPI test);
- equity instruments which cannot be qualified as controlling or associated interests, and for which the option for measurement at fair value through other comprehensive income was not exercised upon initial recognition;
- units in mutual funds.

This item also consists of derivatives, recognised as financial assets held for trading, which are recognised as assets if their fair value is positive.

According to the general rules established by IFRS 9 on the reclassification of financial assets (except for equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets.

Initial recognition of financial assets occurs at settlement date for debt securities and equity instruments, at disbursement date for loans and at trade date for derivative contracts. Upon initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, without considering transaction costs or revenues directly attributable to the instrument.

After initial recognition, the financial assets measured at fair value through profit or loss are carried at fair value. The effects of application of this measurement method are recognised in profit or loss.

Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets.

SECTION 2 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This category consists of the financial assets which meet both of the following conditions:
- the financial asset is held under a business model whose objective is pursued both through the collection of contractually required cash flows and through sale (Hold to Collect and Sell business model);
- the contractual terms of the financial asset require cash flows at fixed dates represented solely by payments of principal and interest on the principal to be repaid.

This category also includes equity instruments that are not held for trading and for which at the time of initial recognition the option for designation at fair value through other comprehensive income has been exercised.

In particular, this item includes:
- the debt securities that fall under a Hold to Collect and Sell business model and which have passed the test on contractual characteristics (SPPI test);
- the equity interests that do not qualify as controlling or associated, which are not held for trading, and for which the option of designation at fair value through other comprehensive income has been exercised.

No reclassifications to other categories of financial assets are allowed, except when the entity modifies its own business model for the management of financial assets.

These financial assets are initially recognised at the settlement date for debt securities and equities. The assets are recognised at fair value upon initial recognition, inclusive of the transaction costs or income directly attributable to the instrument itself.

After initial recognition, the Assets classified at fair value through other comprehensive income, other than equity instruments, are measured at fair value, with the recognition in profit or loss of the impact resulting from the application of the amortised cost, the impairment effects and any exchange rate effect, whereas the other gains and losses resulting from a change in fair value are recognised in a specific shareholders' equity reserve until the financial asset is derecognised. Upon sale of all or part of the financial asset, the gain or loss accumulated in the valuation reserve are transferred entirely or partially to the income statement. The equity instruments which were classified in this category are measured at fair value, and the amounts recognised through equity must not be subsequently transferred to the income statement, not even upon disposal. Dividends are the only component that can be associated with the equity instruments in question and which is recognised in profit or loss.

The Financial assets measured at fair value through other comprehensive income are subject to testing of a significant increase in credit risk (impairment) under IFRS 9, with consequent recognition in profit or loss of an adjustment to cover the expected losses. More specifically, for instruments classified as stage 1 (i.e., financial assets at origination and instruments for which there has not been a significant increase in credit risk since the initial recognition date), a 12-month expected loss is recognised on the initial recognition date and at each subsequent reporting date. For instruments classified as stage 2 (performing exposures for which there has been a significant increase in credit risk since the initial recognition date) and as stage 3 (credit-impaired exposures), a lifetime expected loss for the financial instrument is recognised. Equity instruments are not subject to the impairment process.

Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets.

SECTION 3 - FINANCIAL ASSETS MEASURED AT AMORTISED COST

This category includes the financial assets (in particular loans and debt securities) that meet both the following conditions:

- the financial asset is held under a business model whose objective is achieved through the collection of expected contractual cash flows (Hold to Collect business model);
- the contractual terms of the financial asset require cash flows at fixed dates represented solely by payments of principal and interest on the principal to be repaid.

In particular, this item includes:

- loans to banks in the different technical forms that meet the requirements set out in the paragraph above;
- loans to customers in the different technical forms that meet the requirements set out in the paragraph above;
- the debt securities that meet the requirements set out in the paragraph above.

This category also includes the operating receivables connected with the performance of financial activities and services.

No reclassifications to other categories of financial assets are allowed, except when the entity modifies its own business model for the management of financial assets.

Initial recognition of the financial asset occurs at settlement date for debt securities and at disbursement date for loans. The assets are recognised at fair value upon initial recognition, inclusive of the transaction costs or income directly attributable to the instrument itself.

In particular, for loans, the disbursement date is usually the same as the date of signing of the contract. Should this not be the case, a commitment to disburse funds is made along the subscription of the contract, which will cease to exist upon disbursement of the loan. The loan is recognised on the basis of its fair value, which is equal to the amount disbursed plus the costs/income which can be directly linked with the individual loan.

After initial recognition, the financial assets examined here are measured at amortised cost using the effective interest rate method. This method is not used for assets measured at historic cost, whose short duration minimises the effect of discounting, for those without a definite maturity date and for revocable loans.

The accounting policies are strictly connected with inclusion of the instruments examined here in one of the three stages of credit risk envisaged in IFRS 9. The last of these (stage 3) covers non-performing financial assets and the remainder (stages 1 and 2) performing financial assets.

With regard to the accounting representation of the above measurement effects, the value adjustments for this type of asset are recognised in profit or loss:

- upon initial recognition, for an amount equal to the expected loss at 12 months;
- on subsequent measurement of the asset, when the credit risk has not increased significantly since initial recognition, in relation to changes in the amount of adjustments for the 12-month expected credit losses;
- upon subsequent measurement of the asset, if the credit risk has significantly increased from its initial recognition, according to the recognition of adjustments for expected losses over the entire remaining contractually envisaged life of the asset;
- on subsequent measurement of the asset, where – after a significant increase in credit risk has occurred since initial recognition – the increase is no longer "significant" due to the alignment of the cumulative value adjustments to take account of the change from a lifetime expected credit loss to a 12-month expected credit loss for the instrument.

If the analysed financial assets are performing, they are assessed to determine the adjustments to be recognised in the financial statements for each individual loan (or "tranche" of securities), according to the risk parameters represented by Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD). If, in addition to a significant increase in credit risk, there is also objective evidence of impairment, the amount of the loss is measured as the difference between the book value of the asset – classified as non-performing, like all the other relationships with the same counterparty – and the present value of the estimated future cash flows, discounted using the original effective interest rate. The amount of the loss to be recognised in the income statement shall be defined according to an analytical measurement process or determined according to uniform categories and then analytically attributed to each position. Non-performing assets include financial assets classified as doubtful, unlikely-to-pay or past due by over ninety days according to the rules issued by the Bank of Italy, in line with the IAS/IFRS and EU Supervisory Regulations.

The expected cash flows take into account the expected recovery times and the estimated realisable value of any guarantees. The original effective rate of each asset remains unchanged over time even if the relationship has been restructured with a variation of the contractual interest rate and even if the relationship, in practice, no longer bears contractual interest. If the reasons for any impairment cease to apply as a result of events subsequent to the recognition of an impairment loss, the reversal of the impairment loss is recognised in profit or loss. The reversals may not exceed the amortised cost that the financial instrument would have had if it had not previously been written down. Recoveries on impairment with time value effects are recognised in net interest income. In some cases, during the lifetime of these financial assets, and of loans in particular, the original contractual conditions may be subsequently modified by the parties to the contract. When the contractual clauses are subject to change during the lifetime of an instrument, it is necessary to verify whether the original asset should continue to be recognised in the balance sheet or whether, instead, the original instrument needs to be derecognised and a new financial instrument needs to be recognised. In general, changes to a financial asset lead to it being derecognised and the recognition of a new asset when those changes are substantial. The extent of the change has to be assessed by considering both qualitative and quantitative elements.

The analyses aimed at defining the substantial nature of contractual changes made to a financial asset must therefore consider:

- the reasons why the changes were made, for example, renegotiation for commercial reasons and concessions due to financial difficulties of the counterparty:
  - the former, aimed at "retaining" the customer, involve a borrower that is not in financial difficulty. This category includes all renegotiations aimed at aligning the cost of the debt to market conditions. These operations involve a change in the original conditions of the contract, usually requested by the borrower and relating to aspects concerning the cost of the debt, with a consequent economic benefit for the borrower. In general, whenever the bank carries out a renegotiation to avoid losing its customer, that renegotiation should be considered as substantial because, if it were not carried out, the customer could borrow from another intermediary and the bank would incur a decrease in expected future revenues;
  - the latter, carried out for reasons of credit risk (forbearance measures), relate to the bank's attempt to maximise the recovery of the cash flows of the original loan. The underlying risks and rewards, following the changes, are not normally substantially transferred and, consequently, the accounting representation that provides the most relevant information for the readers of the financial statements is "modification accounting" – which involves the recognition through profit or loss of the difference between the book value and the present value of the modified cash flows discounted at the original interest rate – rather than derecognition;
- the presence of specific objective elements ("triggers") that influence the characteristics and/or contractual flows of the financial instrument (e.g. the change of currency or change in the type of risk exposure) which are believed to involve derecognition in light of their significant impact on the original contractual flows.

Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets.

SECTION 4 - HEDGING TRANSACTIONS

The Group exercises the option allowed upon the introduction of IFRS 9 to continue applying all the provisions of IAS 39 relating to hedge accounting (in the carved out version endorsed by the European Commission) for all types of hedges.

The purpose of hedging transactions is to neutralise contingent losses attributable to a specific risk and recognisable on a specific element or group of elements if that specific risk should actually materialise.

The following types of hedges are used:

- fair value hedge: its purpose is to hedge the exposure to changes in fair value (attributable to the different types of risk) of assets and liabilities or portions thereof carried on the balance sheet, groups of assets/liabilities, irrevocable commitments and portfolios of financial assets and liabilities. The purpose of macro hedges is to reduce fluctuations in the fair value of an amount of money that are attributable to interest rate risk and stemming from a portfolio of financial assets or liabilities. Net amounts resulting from the netting of assets and liabilities cannot be covered by macro hedges;
- cash flow hedge: its purpose is to hedge the exposure to changes in future cash flows attributable to specific risks associated with financial statement items. This type of hedge is essentially used to stabilise the interest flows of variable rate loans.

Only the financial instruments involving a counterparty outside the Group may be designated as hedging instruments.

The hedging derivatives are, like all derivatives, initially recognised and subsequently measured at fair value. In particular, where fair value hedges are concerned, the change in fair value of the hedged instrument is offset by the change in fair value of the hedging instrument. This offsetting is carried out by recording the changes in value of the hedged item (where changes generated by the underlying risk factor are concerned) and of the hedging instrument in the income statement. Any difference, indicating the extent to which the hedge is only partially effective, is the net financial effect. In the case of macro hedge transactions, the changes in fair value referring to the hedged risk of the hedged assets and liabilities are recognised in the balance sheet at item 60. "Adjustments to financial assets subject to macro-hedging" or at item 50. "Adjustments to financial liabilities subject to macro-hedging". In the case of cash flow hedges, changes in the fair value of the derivative are allocated to shareholders' equity for the effective portion of the hedge, and are recognised in the income statement only when, with reference to the hedged item, there is a change in the cash flows to be offset or if the hedge is ineffective.

The relationship between the hedging instruments and items hedged is documented formally and the effectiveness of the hedging verified at regular intervals. A hedge is considered to be effective when the fluctuations in the fair value of the hedged item are completely offset by the fluctuations in the fair value of the hedging instrument, keeping the ratio of these changes between 80% and 125%. If hedging effectiveness tests find that the hedges are not effective, accounting of the hedging transactions is suspended from the date of the last effectiveness test that had a positive result. The hedging derivative contract is transferred to financial instruments and the hedged financial instrument is measured using the method applicable to its classification in the financial statements.

SECTION 5 - EQUITY INVESTMENTS

This item includes interests in companies over which the Group exercises significant influence.

A company is considered to be subject to significant influence when the Group is able to participate in deciding its financial policies and management choices by virtue of legal and de facto ties. Significant influence is presumed to be the case when the Group holds 20% or more of the voting rights.

The equity investments are recognised at acquisition cost and subsequently measured using the equity method. The equity method involves adjusting the book value of the equity investment in relation to the Group interest in the subsidiary's shareholders' equity. The difference between the value of the equity investment and the interest in the subsidiary's shareholders' equity is included in the book value of the equity investment. The Group interest in the subsidiary's operating profit is recognised in the consolidated income statement. If there is evidence of the impairment of an equity investment, the recoverable value of the equity investment is estimated. If the recoverable amount is less than the book value, the difference is recognised in the income statement. If the reasons for any impairment cease to apply as a result of events subsequent to the recognition of an impairment loss, the reversal of the impairment loss is recognised in profit or loss.

SECTION 6 - PROPERTY AND EQUIPMENT

Property and equipment includes land, non-investment property, technical plant and equipment, furniture and furnishings, machinery, equipment and valuable art assets.

The property and equipment held for use in the production or supply of goods and services are classified as assets used in operations in accordance with IAS 16. Non-investment property is defined as buildings owned (or leased under finance lease contracts) that are used for the production and supply of services or for administrative purposes, and which have a useful life that is longer than one year. Finally, the rights of use acquired under finance leases and relating to the use of an item of property and equipment (for the lessee companies) and the assets granted under operating leases (for the lessor companies) are included.

Property and equipment are initially recognised at cost, with the latter understood to mean both the purchase price and any related direct charges incurred for the purchase or commissioning of the asset. The special maintenance costs that increase the future economic benefits of assets are allocated as increases in the value of the assets, while other ordinary maintenance costs are recognised in the income statement.

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

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

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

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

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

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

Property and equipment represented by the right-of-use of leased assets

Pursuant to IFRS 16, a lease is a contract, or a part of a contract, that, in exchange for a consideration, transfers the right-of-use of an asset (the underlying asset) for a period of time.

Under IFRS 16, leases are accounted for on the basis of the right-of-use model according to which, on the commencement date, the lessee has a financial obligation to make lease payments to the lessor for its right to use the underlying asset during the lease term. When the asset is made available for use by the lessee (commencement date), the lessee recognises a liability as well as an asset consisting of the right-of-use. In particular, the right-of-use acquired with the lease is recognised as the sum of the present value of the future lease instalments to be paid over the duration of the lease, of the lease payments paid at the date or before commencement of the lease, of any incentives received, of the initial direct costs and of any estimated costs for dismantlement or restoration of the underlying asset of the lease. The recognised financial liability corresponds to the discounted value of the payments owed on the lease.

With regard to the discounting rate, in accordance with IFRS 16 requirements, the Group uses the implicit interest rate for each lease contract, when available. As for the lease contracts from the lessee's point of view, in certain cases, for example with reference to the lease contracts, the implicit interest rate cannot always be readily determined without recourse to estimates and assumptions (the lessee does not have enough information about the unsecured residual value of the leased asset). In these cases, the Group has developed a method to define the incremental interest rate alternative to the implicit interest rate and has decided to adopt the funds Internal Transfer Rate (ITR). This involves an unsecured and amortising rate curve, with the lease contract prescribing the instalments, which are typically constant, over the duration of the contract, and not a single balloon payment upon expiration. This rate takes into account the lessee's credit rating, the duration of the lease, and the economic environment in which the transaction took place, and thus is compliant with the requirements of the financial reporting standard.

The duration of the lease is determined by taking into account:

- periods covered by a lease extension option, when it is reasonably certain that it will be exercised;
- periods covered by a lease cancelation option, when it is reasonably certain that it will be exercised.

While the lease contract is in effect, the lessee must:

- recognise the right-of-use at cost, net of accumulated depreciation and the accumulated impairments calculated and recognised in accordance with the provisions of IAS 36 - Impairment of assets, adjusted to account for any recalculation of the lease liability;
- increase the liability resulting from the lease transaction after the accrual of interest expenses calculated at the implicit interest rate of the lease or, alternatively, at the marginal financing rate and reduce it for the instalment payments of principal and interest.

In the event of modifications in the payments owed on the lease, the liability must be recalculated. The impact of the recalculation of the liability is recognised as an asset contra entry consisting in the right-of-use.

An item of property and equipment is eliminated from the balance sheet upon disposal or when an asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

SECTION 7 - INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets without physical substance that originate in legal or contractual rights. They include software developed in-house or purchased from third parties, goodwill and the intangible assets connected with customers recognised on the balance sheet after business combinations.

Intangible assets are recognised at cost, adjusted for any related expenses only if the future economic benefits attributable to the assets are likely to be obtained and the cost of the assets themselves can be calculated reliably. When this is not the case, the cost of the intangible asset is recognised in the income statement for the year in which it was borne. The cost of assets with a finite useful life is amortised on a straight-line basis, calculated in relation to the anticipated flow of the economic benefits of the asset. Conversely, assets with an indefinite useful life are not subject to systematic amortisation, but to a periodic test to verify the appropriateness of their book value. If there is evidence of the impairment of an asset, the asset's recoverable value is estimated. The impairment is recognised in the income statement as the difference between the asset's book value and recoverable value.

In particular, intangible assets include:

- intangible assets based on technology, such as application software, which are amortised according to their expected technological obsolescence and, regardless, over no more than seven years; expenses related to the in-house development of software are recognised in the financial statements as intangible assets following verification of the technical feasibility of completion and their ability to generate future economic benefits. During the development phase, these assets are valued at cost, complete with any related direct expenses, including expenses for the personnel involved in the projects. If the verification has a negative outcome, the expenses are recognised in the income statement;
- intangible assets connected with customers represented by measurement of the value in business combinations of the client asset management relationships and non-financial assets connected with the provision of services. These definite life assets are originally recognised at a value measured through discounting, with use of a rate representing the time value of money and the specific risks of the asset, the flows representing the profit margins over a period equal to the residual, contractual, or estimated life of the relationships existing when the combination is executed. They are amortised on a straight-line basis over the period of the expected flow economic benefits.

In business combinations, goodwill can be recognised when the positive difference between the consideration transferred and the fair value (if applicable) of the non-controlling interest and the fair value of the equity interest acquired is representative of the equity investment's future income-generating capacity (goodwill). If this difference is negative (badwill) or if the goodwill is not justified by the future income-generating capacity of the company in which the investment is held, the difference is recognised directly in the income statement. A test is conducted at yearly intervals (or whenever there is evidence of impairment) to verify the appropriateness of the goodwill valuation. The cash-generating unit to which the goodwill is attributable is identified for this purpose. Impairment is measured as the difference between the book value of the goodwill and its recoverable value, if lower. The recoverable value of the cash-generating unit is the higher of its fair value, less any costs to sell, and its value in use. The resulting adjustments are recorded in the income statement.

An intangible asset is eliminated from the balance sheet upon disposal or when future economic benefits are no longer expected.

SECTION 8 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets or groups of assets/liabilities for which the sale process has been initiated and their sale is deemed highly probable are classified at asset item 120 “Non-current assets held for sale and discontinued operations” and at item 70 in liabilities as “Liabilities associated with assets held for sale”. These assets/liabilities are recognised at the lesser between their book value and their fair value net of transaction costs, except for certain types of assets (e.g. financial assets covered by IFRS 9), for which IFRS 5 specifically requires that the measurement methods of the applicable accounting standard have to be applied. Income and expenses (net of tax) attributable to discontinued operations or recognised as such during the year are shown in a separate item on the income statement.

SECTION 9 - CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

Income taxes, calculated in accordance with national tax legislation, are recognised as costs on an accrual basis, in line with the accounting treatment of the costs and income that generated them. They therefore represent the balance of current and deferred tax assets and liabilities for the year. Current tax assets and liabilities are the net balance of the Group companies' tax positions with the tax authorities in and outside Italy. More specifically, they are the net balance of the current tax liabilities for the year, calculated on the basis of a cautious forecast of the tax burden due for the year, determined on the basis of current tax legislation, and current tax assets represented by advance tax payments or other tax credits from prior years which Group companies have requested be offset against taxes for subsequent years. Current tax assets also include tax credits for which Group companies have requested rebates from the competent tax authorities.

The Italian companies in the Fideuram Group availed themselves of the Italian tax consolidation regime as subsidiaries of Intesa Sanpaolo. This tax consolidation regime provides for the aggregation of the taxable income of all the subsidiaries and a single payment of IRES corporate income tax by Parent Company Intesa Sanpaolo.

Deferred tax assets and liabilities are calculated using the balance sheet liability method, which takes into account the tax effect of the timing differences between the book values of the assets and liabilities and their tax values which result in taxable or tax-deductible amounts arising in future periods. To this end, “taxable timing differences” are taken to be differences that result in taxable amounts arising in future periods, and “deductible timing differences” are taken to be differences that result in tax-deductible amounts arising in future financial years.

Deferred tax assets and liabilities are calculated applying the tax rates specified by current tax legislation, for each consolidated company, to the taxable timing differences for which it is probable that taxes will have to be paid, and to the deductible timing differences for which there is reasonable certainty of recovery. When the deferred tax assets and liabilities refer to components recognised in the income statement, they are recorded in a balancing entry under income taxes. On the other hand, when the deferred tax assets and liabilities regard transactions that have had a direct effect on shareholders' equity without impacting the income statement, they are recorded as a balancing entry under shareholders' equity, in respect of the related reserves, if any.

SECTION 10 - PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges to cover commitments and guarantees

This item contains the provisions for credit risk recognised for loan commitments and guarantees given that come under the scope of the IFRS 9 impairment rules. The same rules for allocation among the credit risk stages and for calculation have been adopted for these cases to calculate the expected loss shown in reference to the financial assets measured at amortised cost or at fair value through comprehensive income.

Pensions and similar obligations

Pension funds are established in accordance with company agreements as defined-benefit schemes. The liability in respect of these schemes and the related pension cost of current employees are calculated using the Projected Unit Credit method, which discounts at a market interest rate the future outflows estimated on the basis of statistical historical analyses and demographic data. The contributions paid in each year are considered as separate units, recognised and measured individually to determine the final obligation. The discount rate used is set in relation to the market yields of primary corporate bonds at the measurement dates, taking the average residual maturity of the liability into account. The present value of the obligation at the accounting reference date is in addition adjusted to take into account the fair value of any assets serving the scheme. Any actuarial gains and losses (which is to say any changes in the present value of the obligation resulting from changes in the actuarial criteria and from adjustments on the basis of past experience) are recognised in the statement of comprehensive income.

Other provisions

The other provisions for risks and charges are provisions for legal liabilities connected with employment relationships or litigation, including tax litigation, whose amount or due date is uncertain and which are recognised in the financial statements for the following reasons because:

- there is a present obligation (legal or implicit) arising from a past event;
- it is probable that financial resources will have to be disbursed to fulfil the obligation;
- it is possible to make a reliable estimate of the probable future disbursement.

When the effect of deferring the estimated expense becomes a significant factor, the Group calculates the provisions as amounting to the present value of the expenses it is envisaged will be required to discharge the obligations. In those cases where the provisions are discounted, the total amount of the provisions recorded in the financial statements increases in each financial year to reflect the passing of time. The provisions set aside are reassessed at every accounting reference date and adjusted to reflect the best current estimate.

The provision is reversed when it becomes unlikely that resources will be invested in sufficient quantity to produce economic benefits and fulfil the obligation or when the obligation is extinguished.

This item also includes long-term employee benefits, whose expenses are determined by using the same actuarial methods described for pension funds. Actuarial gains and losses are all recognised immediately in the income statement.

SECTION 11 - FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

The items Due to banks and Due to customers cover all the technical forms of borrowing from said counterparties. This item also includes the debts recognised by the bank in the capacity of lessee within the scope of leases.

These financial liabilities are initially recognised in the balance sheet at fair value, which is usually the amount collected, increased by any transaction costs directly attributable to the individual borrowing transaction. Debts for leases are recognised at the present value of the future lease payments, which are discounted using the implicit interest rate of the transaction or, if it cannot be determined, through the marginal loan rate.

The debts, with the exception of on-demand and short-term items which continue to be recognised at collection value, are subsequently measured at amortised cost using the effective interest rate method, with the related effect being recognised in the income statement. Debts for leases are revalued when there is a lease modification (i.e. a change in the contract that is not recognised as a separate contract). The effect of the revaluation must be recognised as a balancing entry for the right-of-use asset. Financial liabilities are derecognised when they mature or are settled.

SECTION 12 - FINANCIAL LIABILITIES HELD FOR TRADING

Financial liabilities held for trading are recognised on the subscription date or issue date at a value equal to the fair value of the instrument, without considering any transaction costs or income directly attributable to the tools themselves. This category includes derivative contracts held for trading with a negative fair value and liabilities regarding technical short positions generated by dealing in securities. All trading liabilities are measured at fair value with allocation of the result of valuation in the income statement. The financial trading liabilities are derecognised when the contractual rights to the associated cash flows expire or when the financial liability is sold with substantial transfer of all the risks and benefits deriving from ownership thereof.

SECTION 14 - FOREIGN EXCHANGE TRANSACTIONS

Foreign exchange transactions are recognised in the functional currency upon initial recognition, applying the exchange rate at the transaction date.

Items in foreign currencies are measured as follows at each reporting date:

- monetary items are converted using the exchange rate at the reporting date;
- non-monetary items measured at historical cost are converted using the exchange rate at the date of the transaction;
- non-monetary items measured at fair value are converted using the exchange rate at the reporting date.

Exchange differences arising from the settlement of monetary items or from the conversion of monetary items at a different rate from the initial conversion or previous financial statements are recognised in the income statement for the period in which they arise.

When a profit or loss relating to a non-monetary item is recognised in shareholders' equity (other comprehensive income), the exchange difference of this item is likewise recognised in other comprehensive income. On the contrary, when a profit or loss is recognised in the income statement, the related exchange rate difference is also recognised in the income statement.

SECTION 16 - OTHER INFORMATION

Provision for employment termination indemnities

The Provision for employment termination indemnities constitutes a "post-employment benefit" classified as:

- a "defined contribution scheme" for the employment termination indemnity contributions accrued from 1 January 2007 (the date when the complementary social security reform provided for by Italian Decree Law No. 252/2005 came into force), irrespective of whether the employee opts for complementary social security or for the contributions to be paid to the Treasury fund managed by Italy's Department of Social Security (INPS). The value of these contributions, which is recorded under personnel expenses, is calculated on the basis of the contributions due without applying actuarial calculation methods.
- a "defined benefit scheme" and therefore recognised on the basis of its actuarial value calculated using the Projected Unit Credit method for the employment termination indemnity contributions accrued up until 31 December 2006. These contributions are recognised on the basis of their actuarial value without pro-rating for length of service since the current service cost of the Provision for employment termination indemnities has almost been accrued in full, and it is considered that its revaluation for future years would not generate significant benefits for the employees.

The discount rate used is set with reference to market yield, taking into account the average residual maturity of the liability, weighted in relation to the percentage of the amount paid and advanced, for each maturity, with respect to the total amount to be paid and advanced for the entire obligation to be discharged in full. The service costs of the scheme are recognised under personnel expenses and the actuarial gains and losses are recognised in the valuation reserves, with the effects for the year being recorded in the statement of comprehensive income.

Securities lending transactions

The securities lending service is an ancillary banking service. Under securities lending agreements, customers transfer ownership of a certain number of securities of a given type (i.e. the securities in their portfolio with the exception of significant equity investments, mutual funds and SICAVs). The Group is required to return them and pay a fee for their loan. The transactions always have a maximum duration of 1 day. The customer retains full control over the loaned securities (in the case of both sale and transfer) and receives the coupon and/or dividend payments in the form of income.

The securities lending agreement entails the transfer of shares or bonds against an undertaking that the transferee will return them by the agreed term. Ownership of the securities is therefore transferred from the transferor to the transferee. From a legal standpoint the transaction is subject to the regulations governing loan contracts.

Securities lending agreements can be entered into on the following basis:
- with no collateral provided by the transferee to the transferor;
- with cash collateral provided by the transferee to the transferor;
- with collateral provided by the transferee to the transferor in the form of other securities.

Securities lending transactions secured by cash collateral to which the lender has full rights are recognised as repurchase agreements in the financial statements.
In the financial statements, in case of securities lending transactions without collateral, or with collateral in the form of other securities, the loaned security and the security provided as collateral continue to be recognised under assets in the balance sheet of the lender and borrower respectively. If the borrower sells the loaned security, it is recorded as a debt to the lender under liabilities in the balance sheet. On the contrary, if the security is used in repurchase lending agreements, the borrower records a debt to the counterparty to the agreement. The lender recognises the fees they receive for the transaction at item 40 in the income statement. Fee and commission income in the income statement. Conversely, the borrower is required to record the cost of the transaction at item 50 in the income statement. Fee and commission expense in the income statement.

The securities lending transactions in question involve two separate components of remuneration, which are, from the borrower's standpoint:
- a positive component for the remuneration of the balance in hand paid to the lender, normally remunerated at the EONIA rate, in line with market practice;
- a negative component for the service received in the form of a lending fee.

The aforementioned income components are recognised in the income statement as follows:
- at item 20. Interest expense and similar expense and item 40. Fee and commission income, respectively, by the lender;
- at item 10. Interest income and similar income and item 50. Fee and commission expense, respectively, by the borrower.

Accrued expenses and deferred income
Accrued expenses and deferred income, which consist of expense and income accrued on assets and liabilities in the year, are recorded in the financial statements as adjustments to the related assets and liabilities.

Leasehold improvements
The costs incurred in renovating leasehold property are capitalised in consideration of the fact that the Group has control of the assets for the term of the lease and can derive future economic benefits from them. These costs are recognised as Other assets and depreciated over a period not exceeding the lease term.

Share-based payments
Share-based payments, settled in cash, refer to the remuneration and incentive schemes for the Group's management and employees.

The remuneration and incentive schemes for management provide for the acquisition of Intesa Sanpaolo shares under the schemes, which are recorded under financial assets measured at fair value through profit or loss. The amounts due to personnel under the schemes are recorded under other liabilities as a balancing entry in personnel expenses, and adjusted for any fluctuations in the fair value of the shares until the liability is settled.
The share-based remuneration plans for employees are recognised in the income statement, with a corresponding increase in shareholders' equity, on the basis of the fair value of the financial instruments granted at the assignment date, by dividing the cost over the expected period of the plan.

Financial Guarantees
The financial guarantee contracts the Group uses to cover counterparty risk provide for the reimbursement of any loss incurred regarding the asset covered as a result of the default of the debtor/issuer, upon payment of commission that is systematically recognised in the income statement during the term of the contract.

Recognition of income and costs
Income consists of gross flows of economic benefits deriving from the performance of ordinary activity and is recognised in the income statement at the time control of the assets or services is transferred to the customer, for an amount representing the amount of the consideration which is deemed to be owed. In particular, income is recognised through the application of a model that has to meet the following criteria:
- identification of the contract, defined as an agreement in which the parties promise to fulfil their mutual obligations;
- specification of the individual performance obligations contained in the agreement;
- determination of the transaction price, i.e. the consideration expected for transfer of the assets or services to the customer;
- allocation of the price of the transaction to each performance obligation on the basis of the sale prices of the individual obligation;
- recognition of income when (or gradually as) the performance obligation is satisfied with transfer to the customer of the promised asset or service.

The transaction price represents the amount of the consideration to which the seller believes it is entitled in exchange for transfer of the promised goods and services to the customer. This may include fixed or variable amounts or both types. The income comprised of variable consideration is recognised in the income statement if it can be reliably estimated and only if it is highly likely that that consideration will not have to be reversed from the income statement in future years. When factors of uncertainty tied to the nature of the consideration strongly prevail, the consideration shall be recognised only when such uncertainty is resolved.

Revenue may be recognised:

- at a precise time, when the entity fulfils its performance obligation by transferring the promised asset or service to the customer, or
- over time, as the entity gradually fulfils its performance obligation by transferring the promised asset or service to the customer.

The asset is transferred when, or over the period during which, the customer acquires control over it. Specifically:

- interest income is recognised on an accrual basis applying the contractual interest rate or the effective interest rate when the amortised cost method is being used. The item interest income (or interest expense) also includes the gains (or losses) accrued on financial derivatives contracts at the accounting reference date;
- default interest is recognised in the income statement only at the time of actual collection;
- dividends are recognised in the income statement when their distribution is decided, unless this date was unknown or the information was not immediately available, in which case it may be recognised at the time of receipt;
- fee and commission income on services is recorded, on the basis of contractual agreements, in the period when the services are provided. The fee and commission income counted in the amortised cost for determining the effective interest rate is recognised as interest;
- profit and loss on trading in financial instruments are recognised in the income statement when the sale is completed, as the difference between the amount paid or collected and the book value of the instruments;
- the income deriving from the sale of non-financial assets is recognised at the time their sale is completed, or when the performance obligation towards the customer is satisfied.

Costs are recognised in the income statement according to the accrual method. The costs for obtaining and performing agreements with customers are recognised in the income statement in the periods in which the related income is recognised.

Purchases and sales of financial assets

The Group recognises purchases and sales of financial assets at their settlement date, taking said purchases and sales to be those conducted on the basis of contracts that require the asset to be delivered within a period of time that is in accordance with market regulations or conventions, with the exception of that specified for derivatives.

Derecognition policy

Financial assets are derecognised when the contractual rights to the cash flows deriving from said assets expire or when the financial assets are sold, largely transferring all the risks/benefits connected with them. Financial liabilities are derecognised when they mature or are settled.

Business combinations

The transfer of control of a company (or of an integrated group of businesses and assets that is run and managed jointly) constitutes a business combination transaction.
IFRS 3 is the reference accounting standard for business combinations. This standard requires an acquirer to be identified for all business combination transactions. The acquirer is normally identified as the entity obtaining control of another entity or group of assets. The acquisition and therefore the initial consolidation of the acquired entity is recognised at the date when the acquirer effectively obtains control of the entity or assets acquired.
The cost of a business combination transaction is calculated as the sum of the following:

- the fair value at the transaction date of the assets acquired, of the liabilities assumed, including any contingent liabilities, and of the equity instruments issued by the acquirer in exchange for control;
- any additional charges directly attributable to the business combination.

Business combination transactions are recorded using the purchase method, which involves recognising:

- the assets, liabilities and contingent liabilities of the acquired entity at their respective fair values at the date of acquisition, including any intangible assets identifiable not already recognised in the financial statements of the acquired entity;
- non-controlling interests in the acquired entity in proportion to the related interest in the net fair values;
- the goodwill held by the Group, calculated as the difference between the cost of the business combination and the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Any positive difference between the Group's interest in the net fair value of the assets, liabilities and contingent liabilities acquired and the cost of the business combination is recognised in the income statement.
The fair value of the assets, liabilities and contingent liabilities of the acquired entity may be calculated on a provisional basis before the end of the financial year in which the business combination takes place and must be finalised within twelve months of the date of acquisition.

Transactions for the purposes of reorganisation between two or more entities or businesses which are already members of the Fideuram Group, or which belong to the Intesa Sanpaolo Group, and do not involve changes in the control structures irrespective of the percentage of non-controlling interests before and after the transaction (referred to as business combinations of entities subject to joint control) do not constitute business combinations, being excluded from the scope of IFRS 3. Such transactions are considered to have no economic substance unless they result in a significant change in cash flows. Hence, in the absence of any specific IAS/IFRS Standard or Interpretation, and in accordance with IAS 8 – which requires a company, in the absence of any specific Standard or Interpretation, to use its own judgment in applying an accounting policy which provides relevant, reliable and cautious information that reflects the economic substance of the transaction – these transactions are recognised maintaining continuity between the values stated by the acquired entity and the values stated in the financial statements of the acquiring entity. In accordance with this policy, the same values are recorded in the balance sheet as if the companies (or company divisions) involved in the business combination had always been combined. The businesses acquired are stated in the financial statements of the acquiring company at the same values that they had in the financial statements of the transferor company. Any difference between the price paid/received and the net book value of the businesses transferred is recorded directly as a balancing entry in shareholder's equity net of any deferred tax assets and liabilities (if necessary).

Use of estimates and assumptions in the preparation of the financial statements

The preparation of financial statements may also require the use of estimates and assumptions that can have significant effects on the amounts stated in the balance sheet and income statement, and on the information on assets and contingent liabilities provided in the financial statements. These estimates are made using the information available and adopting subjective valuations, which are also based on historical experience, to formulate reasonable assumptions for reporting operating performance. The estimates and assumptions used may by their nature vary from year to year, so that one cannot rule out the possibility of the values recognised in the financial statements varying, even significantly, in subsequent years as a result of changes in the subjective valuations used.

Subjective valuations by company directors are mainly required for:

- quantifying impairment losses on loans and, as a rule, other financial assets;
- the valuation models used for the fair value measurement of financial instruments not listed on active markets;
- assessing the fairness of the value of goodwill and other intangible assets;
- quantifying the fair value of real estate and valuable art assets;
- making estimates and assumptions regarding the recoverability of deferred tax assets;
- calculating the prepaid expenses regarding the Personal Financial Adviser Network bonuses linked to specified inflow targets;
- quantification of staff provisions and provisions for risks and charges.

Classification criteria for financial assets

The classification of financial assets in the three categories envisaged by IFRS 9 is based on two classification criteria, or drivers:

- the business model used for management of the financial instruments;
- the contractual characteristics of the cash flows of the financial assets (or SPPI test).

The classification of the financial assets derives from the combined effect of the two drivers mentioned above as described below:

- Financial assets measured at amortised cost: assets that pass the test on contractual characteristics (SPPI test) and fall in the Hold to Collect (HTC) business model;
- Financial assets measured at fair value through other comprehensive income (FVOCI): assets that pass the SPPI test and fall in the Hold to Collect and Sell (HTCS) business model;
- Financial assets measured at fair value through profit or loss (FVTPL): this is a residual category, which includes financial instruments that cannot be classified in the previous categories based on the results of the business model or the test of the contractual cash flow characteristics (SPPI test not passed).

SPPI test

For a financial asset to be classified as at amortised cost or at FVOCI – in addition to the analysis of the business model – the contractual terms of the asset must also provide, on specified dates, for cash flows consisting of solely payments of principal and interest (SPPI). This analysis must be carried out for loans and debt securities in particular.

The SPPI test must be carried out on every single financial instrument when it is recognised in the financial statements. After initial recognition and as long as it is carried on the balance sheet, the asset is no longer subject to new measurements for the purposes of the SPPI test.

If the test shows that the contractual cash flows are significantly different from the cash flows of a benchmark instrument, the contractual cash flows cannot be considered compliant with the definition of SPPI. The presence of contractual clauses that may change the frequency or amount of the contractual cash flows must also be considered to determine whether those cash flows meet the requirements to be considered as SPPIs.

Business model

With regard to the business models, IFRS 9 identifies three cases relating to the way in which cash flows and sales of financial assets are managed:

- Hold to Collect (HTC): this is a business model whose objective is achieved by collecting the contractual cash flows of the financial assets included in the portfolios associated to it. The inclusion of the portfolio of financial assets in this business model does not necessarily result in the inability to sell the instruments, but the frequency, value and timing of sales in prior periods, the reasons for the sales, and the expectations about future sales, need to be considered;
- Hold to Collect and Sell (HTCS): this is a mixed business model whose objective is achieved by collecting the contractual cash flows of the financial assets in portfolio and also through the sale of the financial assets, which is an integral part of the strategy. Both activities (collection of contractual flows and sale) are indispensable for achieving the business model's objective. Accordingly, sales are more frequent and significant than for an HTC business model and are an integral part of the strategies pursued;
- Other/Trading: this is a residual category that includes both financial assets held for trading and financial assets managed with a business model that does not come under the previous categories (Hold to Collect and Hold to Collect and Sell). In general, this classification applies to a portfolio of financial assets whose management and performance are measured based on fair value.

The business model reflects the way in which financial assets are managed to generate cash flows for the benefit of the entity and is defined by top management with the appropriate involvement of the business structures. It is observed by considering the way in which financial assets are managed and, as a consequence, the extent to which the portfolio's cash flows derive from the collection of contractual flows, from the sale of the financial assets, or from both.
The business model does not depend on management intentions regarding an individual financial instrument but refers to the ways in which groups of financial assets are managed to achieve a specific business objective.
In summary, the business model:

- reflects the way in which financial assets are managed to generate cash flows;
- is defined by top management with the participation of business units as appropriate;
- must be observable by considering the way the financial assets are managed.

Amortised cost measurements
The amortised cost of a financial asset or liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, calculated using the effective interest method, of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The effective interest rate is the rate that discounts the contractual future cash payments or receipts up to maturity or the next repricing date to the present value of a financial asset or liability. The present value is calculated by applying the effective interest rate to the future receipts or payments throughout the useful life of the financial asset or financial liability or for a shorter period in certain conditions (e.g. a change in market interest rates).

Subsequent to the initial recognition, the amortised cost allows one to add income and subtract costs from the value of the financial instrument throughout its useful life using the process of amortisation. The manner in which amortised cost is calculated differs depending on whether a fixed or floating rate financial asset or liability is concerned, and – for floating-rate financial instruments – on whether the interest rate variability is known in advance or not. For instruments with a fixed rate or which have a fixed rate for given periods of time, the future cash flows are quantified using the known interest rate (single or multiple) over the life of the instrument. For floating-rate financial assets and liabilities where the variability is not known in advance (e.g. index-linked), the cash flows are calculated using the last known interest rate. Whenever the interest rate changes, the amortisation schedule and effective rate of return are recalculated for the whole of the useful life of the instrument, which is to say to maturity. The adjustment is recognised as cost or income in the income statement.

Amortised cost measurements are used for financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, as well as financial liabilities measured at amortised cost.

Financial assets and liabilities traded in arm's-length transactions are initially recognised at fair value, which is normally the amount received or paid, including – for instruments valued at amortised cost – any directly related transaction costs, commission and fees.

Amortised cost measurements are not used for financial assets and liabilities with maturities so short that the financial impact of discounting may be deemed negligible or for loans without a specified maturity or for revocable loans.

Impairment measurements
Impairment of financial assets
At every reporting date, the financial assets other than those measured at fair value through profit or loss are tested to determine whether there is evidence that might justify considering that the book value of those assets cannot be fully recovered. A similar analysis is also performed for the commitments to disburse funds and for the guarantees that fall within the scope of impairment under IFRS 9.
If such evidence exists ("evidence of impairment"), the financial assets in question shall be considered doubtful and placed in stage 3. Adjustments equal to the expected losses for their entire remaining lifetime have to be recognised for these exposures, which are represented by the financial assets classified – pursuant to the provisions of Bank of Italy Circular 262/2005 – in the categories of doubtful loan, unlikely to pay, and past due for more than ninety days categories.

For financial assets for which there is no evidence of impairment (performing financial instruments), on the other hand it is necessary to check whether there are indicators that the credit risk of the individual transaction has increased significantly since initial recognition. This check, in terms of classification (or, more precisely, staging) and measurement, has the following consequences:

- when those indicators exist, the financial asset is classified in stage 2. Measurement in that case, even in the absence of manifest impairment, requires the recognition of adjustments equal to the losses expected over the entire residual lifetime of the financial instrument. These adjustments are subject to revision at each subsequent reporting date, both to periodically check their consistency with the continuously updated loss estimates and to take account – if the indicators of "significantly increased" credit risk are no longer present – of the change in the forecast period for the calculation of the expected credit loss;
- when those indicators do not exist, the financial asset is classified in stage 1. In that case, even if there is no manifest impairment, the measurement must recognise the expected losses for the specific financial instrument over the following 12 months. These adjustments are subject to revision at each subsequent reporting date both to periodically check their consistency with the continuously updated loss estimates and to take into account – if there are indicators that the credit risk has "significantly increased" – the change in the forecast period for the calculation of the expected loss.

The following elements have to be considered for measurement of the financial assets and, in particular, identification of the "significant increase" in credit risk (a necessary and sufficient condition for classification of the measured asset in stage 2):

- the variation of the lifetime probabilities of default compared to the time of initial recognition of the financial instrument. This is therefore an assessment made on a relative basis, which constitutes the main driver;
- any presence of payments that are at least 30 days past due. In that case, the credit risk of the exposure is considered to be presumably and "significantly increased" and consequently the asset is moved to stage 2;
- any presence of forbearance measures that entail classifying the exposures among those whose credit risk has increased significantly since initial recognition.

Once the allocation of the exposures to the various credit risk stages has been established, the expected credit losses (ECL) are determined at individual transaction or securities tranche level, using the IRB/Business models, based on the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), to which appropriate corrections are made to ensure compliance with the requirements of IFRS 9.

The following definitions apply to PD, LGD, and EAD:

- PD (Probability of Default): likelihood of being moved from the status of performing to that of non-performing loan over a one-year time horizon; in the models consistent with supervisory provisions, the PD factor is typically quantified through the rating;
- LGD (Loss Given Default): percentage of loss in the event of default. In the models that are consistent with supervisory regulations, it is quantified through the historic experience of recoveries discounted on the loans that have been reclassified as non-performing;
- EAD (Exposure At Default) or credit equivalent: amount of exposure at the time of default.

Non-performing loans are represented by doubtful loans, unlikely to pay, and past due and/or overdue loans by over 90 days. Non-performing loans classified as doubtful loans are subject to the following valuation methods:

- analytical-statistical valuation, which is adopted for exposures of less than €2m. It is based on the application of special LGD assessments, in combination with an Add-On to account for forward-looking information, especially the information referring to the impact of future macroeconomic scenarios;
- specific analytical valuation, which is adopted for customers having exposures of more than €2m. It is based on the impairment percentages assigned by the manager after carrying out appropriate analysis and valuation processes, in combination with an Add-On to account for forward-looking information, especially the information referring to the impact of future macroeconomic scenarios (except for the doubtful loans secured by mortgages, for which the impacts of future scenarios are included through determination of the haircut to the value of the property posted as collateral).

The unlikely to pay loans are also measured according to different methods:

- analytical-statistical valuation, which is adopted for exposures of less than €2m. It is based on the application of special LGD statistical assessments, in combination with an Add-On to account for the impact of future macroeconomic scenarios and continuation of its doubtful status, with the aim of penalising those positions that have greater seniority or that do not show any movements and/or recoveries for a specific period of time;
- specific analytical valuation, adopted for on-balance sheet exposures exceeding €2m, based on the impairment percentages assigned by the manager, in combination with an Add-On to account for the impact of future macroeconomic scenarios and continuation of its doubtful status in this case too.

The non-performing loans classified as overdue/past due loans are measured analytically on a statistical basis, independently of the amount of the exposure. However, even in this case, the adjustment determined on the basis of the LGD statistical assessments is complemented to reflect the Add-On ascribable to the effect of future macroeconomic scenarios.
The credit exposures must continue to be recognised as non-performing until at least three months have passed since they ceased to meet the conditions for classification as such ("probation period"). Until the conditions are met for their removal from the non-performing category, those exposures are kept in the respective risk classes and measured on an analytical-statistical or specific analytical basis according to their lower riskiness.

Impairment of non-financial assets

Property and equipment and Intangible assets with a finite useful life undergo impairment tests if there is evidence that the book value can no longer be recovered. The recoverable value is calculated in relation to the fair value of the property, equipment or intangible asset less the costs of disposal, or in relation to its value in use if this is determinable and exceeds its fair value.
The fair value of properties is determined on the basis of an appraisal prepared by an independent appraiser.
For other property and equipment and intangible assets (other than those recognised following business combination transactions), the book value is normally taken to be the value in use, since the latter is estimated using an amortisation process based on the value that the asset actually contributes to the production process, whereas determination of the fair value would be extremely subjective. The two values diverge, causing impairment, in the event of damage, exit from the production process, or other similar and non-recurrent circumstances.
The Group measures its property used in operations and valuable art assets according to the revaluation model. In this case, any impairment loss of a revalued asset must be treated as a reduction of part or all of the revaluation. After that point, any difference is charged to profit or loss. In more detail, the non-investment property undergoes an annual scenario analysis of the real estate market trend

to determine whether there are any significant variations in the value of the assets. If particularly large changes are found (+ or -10%), an updated appraisal is prepared to adjust the fair value of the asset to real estate market values. The intangible assets recognised after acquisitions and in application of IFRS 3 at every reporting date are subject to an impairment test to determine whether there is any objective evidence that the asset might have lost value.
Definite life intangible assets, as represented by the value of the asset management portfolio, are subject to a new measurement process to verify the recoverability of the amounts recognised in the financial statements when impairment indicators exist. The recoverable value is determined on the basis of its value in use, or its present value, which is estimated by using a rate representing the time value of money and the specific risks of the asset, the profit margins generated by the relationships existing at the measurement date over a time horizon equal to their expected residual duration.
Since indefinite life intangible assets, represented by goodwill, do not feature independent cash flows, they are annually tested for the adequacy of the value recognised in the assets referring to the Cash Generating Unit (CGU) to which the values were assigned upon business combinations.
Impairment is measured as the difference between the book value of the CGU and its recoverable value, represented as the greater between the fair value, net of any transaction costs, and its value in use. The book value of the CGUs must be determined consistently with the method used to determine their recoverable value.

A.4 - FAIR VALUE DISCLOSURES

QUALITATIVE INFORMATION

Fair value measurements
IFRS 13, which harmonises the measurement rules and their disclosure, defines the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. not a forced liquidation or below-cost sale) at the measurement date. Fair value is a market-based measurement and not an entity-specific measurement. The concept of fair value implicitly assumes that the entity is engaged in normal business operations and has no intention of liquidating its assets, of significantly reducing its assets or of entering into transactions with unfavourable conditions.

When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability, assuming that these market participants act in their best economic interests. Fair value measurement assumes that the sale of an asset or transfer of a liability took place:

- in the principal market for that asset or liability;
- in the absence of a principal market, in the most advantageous active market for the asset or liability.

A market is considered to be active when the transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. An instrument is considered to be quoted in an active market when the price quotations representing effective, standard market transactions that have occurred are readily and regularly available through stock exchanges, dealers, brokers, principal-to-principal markets, pricing services or authorised bodies. In cases where there is a significant reduction in the volume or level of transactions compared with normal business for the asset or liability (or for similar assets or liabilities) shown by a number of indicators (number of transactions, limited significance of market prices, significant increase in liquidity risk premiums, widening or narrowing bid-ask spread, fall or total lull in market for new issues, lack of information in the public domain), an analysis must be carried out on the transactions or quoted prices. A fall in the volume or level of business on its own does not indicate that the transaction price or quoted price does not represent the fair value or that the transaction in that market is not an ordinary transaction. If it is established that a transaction or quoted price does not represent the fair value (e.g. non-ordinary transactions), then it is necessary to make an adjustment to the transaction prices or quoted prices if those prices are being used as the fair value measurement basis and this adjustment may be significant with respect to the overall fair value measurement.

The fair value of financial instruments
The best indication of fair value is a quoted price in an active market. These quoted prices are therefore given precedence for the measurement of financial assets and liabilities.

Fair value hierarchy

IFRS 13 sets out a fair value hierarchy that categorises the inputs of the valuation techniques used to measure fair value into three levels. This hierarchy assigns the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the least importance to unobservable inputs (Level 3 inputs). Specifically:

- fair value level 1 is when the instrument is measured directly from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- fair value level 2 is when a quoted price in an active market cannot be obtained and the measurement uses a valuation technique based on parameters that are observable on the market, or unobservable parameters that are however supported and corroborated by market data, such as prices, spreads or other outputs (Comparable approach);
- fair value level 3 is when the measurement uses different inputs, not all of which are obtained from parameters that are directly observable in the market and therefore involve estimates and assumptions by the valuer.

Level 1 financial instruments are priced using the current "bid" price for financial assets and the current "ask" price for financial liabilities in the entity's principal market at the end of the reporting period.

If the financial instruments have a negligible bid-ask spread or the characteristics of the financial assets and liabilities create positions that offset market risk, the Group uses the average market price (at the last day in the reporting period as above) instead of the bid price or ask price. The following are classified as Level 1 instruments: quoted bonds (i.e. bonds traded on the EuroMTS platform, or for which the major international pricing services have continuously provided executable quotes), quoted shares (i.e. shares traded on the reference official market), quoted UCITS mutual funds, foreign exchange spot transactions and derivatives quoted in an active market (e.g. futures and exchange-traded options). Conversely, any financial instruments which do not belong to the above categories cannot be considered Level 1 instruments.

If the instrument is not quoted in an active market or if the market is not operating normally, which is to say when there is an insufficient number of continuous transactions and the bid-ask spread and volatility are not sufficiently low, the fair value of the financial instruments is mainly determined using valuation techniques that aim to establish the price at which the asset would be sold or the liability transferred in an orderly transaction between market participants at the measurement date under current market conditions. These techniques include:

- the use of market values that can be indirectly linked to the financial instrument being measured and can be obtained from products with similar risk characteristics (Level 2 inputs);
- measurements based even only partially on inputs that are not obtained from observable market parameters, using estimates and assumptions formulated by the valuer (Level 3 inputs).

In the case of Level 2 instruments, the measurement is based on the prices or credit spreads obtained from the quoted prices of instruments that are broadly similar in terms of risk, using a given valuation model. This approach consists in researching transactions in active markets in instruments which are comparable in risk with the instrument being valued. The Level 2 valuation methods allow one to use the prices of financial instruments quoted in active markets (model calibration) without including subjective parameters – which is to say parameters the value of which cannot be obtained from the prices of financial instruments quoted in active markets or cannot be set at levels replicating quoted prices on active markets – able to substantially impact the final measurement price. These are measured adopting valuation models that use Level 2 inputs:

- unquoted bonds the fair value of which is measured using an appropriate credit spread, identified from quoted and liquid financial instruments with similar characteristics;
- derivatives measured using special valuation models fed by input parameters observed in the market, such as interest rate, exchange rate and volatility curves;
- asset-backed securities for which significant prices are not available, the fair value of which is measured using valuation techniques based on market inputs;
- equities measured using direct transactions, which is to say significant transactions in the equity recorded at constant market conditions and over a sufficiently short time frame in relation to the measurement date to allow relative valuation models based on multiples to be used.

The fair value measurement of Level 3 financial instruments requires the use of valuation models that use input parameters which cannot be observed directly on the market and accordingly involve estimates and assumptions by the valuer.

For short-term assets and liabilities, the book value is considered to equate reasonably well to the fair value.

Foreign exchange derivatives that are not traded on regulated markets are referred to as being traded Over the Counter (OTC), which is to say traded bilaterally with market counterparties, and are measured using special pricing models fed by input parameters (such as interest rate, exchange rate and volatility curves) observed in the market.

In addition, non-performance risk is also taken into account to determine the fair value. This risk includes both changes in the credit risk of the counterparty and changes in the credit risk of the issuer (own credit risk).

The Bilateral Credit Value Adjustment (BCVA) model fully measures the effects of changes in the credit risk of the counterparty and of changes in own credit risk. The BCVA is in fact the sum of the following two addends calculated to express the default potential of both counterparties:

- the CVA (Credit Value Adjustment), which is a negative value that takes into consideration scenarios in which the counterparty defaults first and the Group has a positive exposure to the counterparty. In these scenarios, the Group suffers a loss equal to the cost of replacing the derivative;

- the DVA (Debt Value Adjustment), which is a positive value that takes into consideration scenarios in which the Group defaults before the counterparty and has a negative exposure to the counterparty. In these scenarios, the Group benefits from a gain equal to the cost of replacing the derivative.

The BCVA depends on the exposure, the probability of default and the Loss Given Default of the counterparties. Lastly, the BCVA needs to be calculated taking any counterparty risk mitigation agreements into consideration, and collateral and netting agreements for each individual counterparty in particular. If netting agreements are in place with a given counterparty, the BCVA is calculated taking into account the portfolio containing all the netting transactions with that counterparty.

The measurement method adopted for a given financial instrument is maintained over time and only changed if there are substantial changes in market conditions or subjective changes regarding the issuer of the financial instrument. The fair value disclosures incorporated in the notes to the financial statements use this fair value measurement hierarchy to provide analyses of the financial assets and liabilities by fair value level.

A.4.1 - Fair value levels 2 and 3: measurement techniques and inputs used

The Group has developed a pricing methodology for the measurement of financial instruments which implements the provisions of the IAS/IFRS.
The Group consistently calculates the fair value of financial instruments directly from their market value. Wherever possible, the official prices in an active market are always adopted as this market value, otherwise the value is obtained using pricing models based on the values of comparable securities and on market parameters.

In the absence of an active market, the fair value is determined using measurement techniques which ultimately aim to establish the price that the financial instrument would have had on the measurement date in an arm's-length exchange motivated by normal business considerations.
These techniques include:

- reference to market values that can be indirectly linked to the financial instrument being valued and that can be obtained from products with similar risk characteristics (Comparable Approach);
- valuations performed using – even only partially – inputs that are not obtained from observable market parameters, using estimates and assumptions formulated by the valuer (Mark-to-Model Approach).

The choice between the different measurement methods is not arbitrary, since they have to be applied in hierarchical order and presented by level. Absolute priority is given to the quoted active market prices of the assets and liabilities being measured (Level 1 - Effective Market Quotes) or of similar assets and liabilities (Level 2 - Comparable Approach), and the lowest priority to unobservable inputs, which are accordingly more subjective (Level 3 - Mark-to-Model Approach).

The portfolio of Level 2 Financial assets measured at fair value consisted of the insurance policies that the Group took out to guarantee market yields to 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 between the average present values of the contractual commitments of the insurer and the average present values of the contractual commitments of 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.

An approach based on the fair value calculated with the discounted cash flow method is used for the valuation of derivatives, and is fed by market data providers and based on commonly-accepted valuation processes. Hedging and treasury derivatives taken out in ordinary investment activities (interest and exchange rate derivatives in particular) that are not traded on regulated markets, but traded bilaterally with market counterparties, are known as over-the-counter (OTC) instruments and valued using special pricing models to determine their fair value, which is based on observable market parameters or, for more complex instruments, on internal pricing models, since a market quotation is not available.

After the financial crisis in 2008, which was marked by a major widening in the spread between Euribor and the Eonia rate (historically, that difference was limited and very stable), the consensus of market operators focused increasingly on use of the Eonia curve, which became the benchmark rate and curve for transactions supported by the Credit Support Annex – CSA (practically all of them now), while for the others, Euribor remains the benchmark rate and curve (incorporating a larger counterparty risk).

After the Interest Rate Benchmark Reform in the monetary market, introduced by Regulation (EU) No. 1011/2016 (Benchmark Regulation, BMR) and still underway, the range of market benchmarks has been expanded with the new overnight Euro Short Term Rate (€STR). This is an uncollateralised daily rate calculated on the basis of the transactions executed on the European monetary market, which will gradually replace the Eonia rate in the indexing of financial instruments and contracts. The publication of the new overnight €STR rate (risk-free rate for the eurozone) commenced in October 2019, and the transition period will continue until 31 December 2021, giving all benchmark providers the possibility to adopt the new standards. The reform has also affected Euribor, prescribing a hybrid calculation method for it. Its transition, handled by the European Money Markets Institute (EMMI), was completed at the end of November 2019. At least in the intentions of lawmakers, the new standards will render the Euribor benchmark more reliable, so as to avoid the fluctuations caused by any alterations as has occurred in the past.

The derivatives in the banking book consisted principally of Interest Rate Swaps. The Group as a rule uses hedge derivatives to protect its assets. These hedge derivatives may be specific (micro fair value hedges) to cover fixed rate bonds, or generic (macro fair value hedges) to cover fixed rate loans, where both types seek to reduce its exposure to the risk of adverse fair value movements ascribable to the interest rate. Finally, hedges were adopted to mitigate the risk of exposure to changes in future expected cash flows attributable to adverse movements of the interest rate curve (so-called Cash Flow Hedge), covering variable rate bonds of Intesa Sanpaolo. The Risk Management Unit is responsible for assessing hedge effectiveness, carrying out prior assessments of the conditions that make hedge accounting applicable and formally documenting each hedging relationship. These assessments use the "initial prospective tests", which is performed at the hedge designation date, followed by ongoing retrospective and prospective tests at monthly intervals until maturity or the premature termination of the hedge. The process of testing macro fair value hedges entails not only retrospective and prospective accounting tests, but also sensitivity and fair value tests as a preliminary check before the previously mentioned accounting tests, which is necessary due to the failure to identify exactly the individual underlying hedged assets.

QUANTITATIVE INFORMATION

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: analysis by fair value level

	31.12.2020			31.12.2019		
FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**
1. Financial assets measured at fair value through profit or loss	37	385	-	21	328	-
a) financial assets held for trading	-	47	-	-	36	-
b) financial assets measured at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	37	338	-	21	292	-
2. Financial assets measured at fair value through other comprehensive income	2,805	-	-	3,172	17	-
3. Hedging derivatives	-	16	-	-	20	-
4. Property and equipment	-	-	61	-	-	63
5. Intangible assets	-	-	-	-	-	-
Total	**2,842**	**401**	**61**	**3,193**	**365**	**63**
1. Financial liabilities held for trading	-	53	-	-	33	-
2. Financial liabilities measured at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	954	-	-	930	-
Total	**-**	**1,007**	**-**	**-**	**963**	**-**

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (Level 3)

	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS				FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY AND EQUIPMENT	INTANGIBLE ASSETS
	TOTAL	OF WHICH: A) FINANCIAL ASSETS HELD FOR TRADING	OF WHICH: B) FINANCIAL ASSETS MEASURED AT FAIR VALUE	OF WHICH: C) OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE				
1. Opening balance	**-**	**-**	**-**	**-**	**-**	**-**	**63**	**-**
2. Increases	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**
2.1. Purchases	-	-	-	-	-	-	-	-
2.2. Profits recognised under:	-	-	-	-	-	-	1	-
2.2.1. Income statement	-	-	-	-	-	-	-	-
- including capital gains	-	-	-	-	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	-	-	1	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	**-**	**-**	**-**	**-**	**-**	**-**	**3**	**-**
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Redemptions	-	-	-	-	-	-	-	-
3.3. Losses recognised under:	-	-	-	-	-	-	3	-
3.3.1. Income statement	-	-	-	-	-	-	2	-
- including losses	-	-	-	-	-	-	-	-
3.3.2. Shareholders' equity	-	X	X	X	-	-	1	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	**-**	**-**	**-**	**-**	**-**	**-**	**61**	**-**

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: analysis by fair value level

ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2020 BOOK VALUE	31.12.2020 LEVEL 1	31.12.2020 LEVEL 2	31.12.2020 LEVEL 3	31.12.2019 BOOK VALUE	31.12.2019 LEVEL 1	31.12.2019 LEVEL 2	31.12.2019 LEVEL 3
1. Financial assets measured at amortised cost	45,182	360	23,903	21,019	41,802	442	20,462	20,746
2. Investment property and equipment	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and discontinued operations	1,065	-	-	1,065	6	-	-	6
Total	**46,247**	**360**	**23,903**	**22,084**	**41,808**	**442**	**20,462**	**20,752**
1. Financial liabilities measured at amortised cost	45,025	-	38,757	6,268	42,057	-	37,624	4,433
2. Liabilities associated with non-current assets held for sale and discontinued operations	1,065	-	1,065	-	-	-	-	-
Total	**46,090**	**-**	**39,822**	**6,268**	**42,057**	**-**	**37,624**	**4,433**

PART B - NOTES TO THE CONSOLIDATED BALANCE SHEET

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS - ITEM 10

1.1 Cash and cash equivalents: analysis

	31.12.2020	31.12.2019
a) Cash	68	69
b) Demand deposits with Central Banks	220	266
Total	**288**	**335**

SECTION 2 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - ITEM 20

2.1 Financial assets held for trading: analysis

	31.12.2020			31.12.2019		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. Cash assets						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equities	-	-	-	-	-	-
3. Units in mutual funds	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreement assets	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	-	-	-	-	-	-
B. Derivatives						
1. Financial derivatives	-	47	-	-	36	-
1.1 Held for trading	-	47	-	-	36	-
1.2 Connected with fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 Held for trading	-	-	-	-	-	-
2.2 Connected with fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	**-**	**47**	**-**	**-**	**36**	**-**
Total (A+B)	**-**	**47**	**-**	**-**	**36**	**-**

2.2 Financial assets held for trading: analysis by debtor/issuer/counterparty

	31.12.2020	31.12.2019
A. Cash assets		
1. Debt securities	**-**	**-**
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other financial institutions	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equities	**-**	**-**
a) Banks	-	-
b) Other financial institutions	-	-
of which: insurance companies	-	-
c) Non-financial companies	-	-
d) Other issuers	-	-
3. Units in mutual funds	**-**	**-**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other financial institutions	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total A	**-**	**-**
B. Derivatives		
a) Central Counterparties	-	-
b) Other	47	36
Total B	**47**	**36**
Total (A+B)	**47**	**36**

2.5 Other financial assets mandatorily measured at fair value: analysis

	31.12.2020			31.12.2019		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**-**	**337**	**-**	**-**	**292**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities (*)	-	337	-	-	292	-
2. Equities	**23**	**-**	**-**	**9**	**-**	**-**
3. Units in mutual funds	**14**	**-**	**-**	**12**	**-**	**-**
4. Loans	**-**	**1**	**-**	**-**	**-**	**-**
4.1 Repurchase agreement	-	-	-	-	-	-
4.2 Other	-	1	-	-	-	-
Total	**37**	**338**	**-**	**21**	**292**	**-**

(*) The Level 2 debt securities regard the insurance policies that the Group took out to insure the market yields of the Personal Financial Adviser Networks' Loyalty Schemes.

2.6 Other financial assets mandatorily measured at fair value: analysis by debtor/issuer

	31.12.2020	31.12.2019
1. Equities	**23**	**9**
of which: banks	23	9
of which: other financial institutions	-	-
of which: non-financial companies	-	-
2. Debt securities	**337**	**292**
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other financial institutions	337	292
of which: insurance companies	337	292
e) Non-financial companies	-	-
3. Units in mutual funds	**14**	**12**
4. Loans	**1**	**-**
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	1	-
d) Other financial institutions	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**375**	**313**

SECTION 3 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - ITEM 30

3.1 Financial assets measured at fair value through other comprehensive income: analysis

	31.12.2020			31.12.2019		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**2,805**	**-**	**-**	**3,172**	**17**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	2,805	-	-	3,172	17	-
2. Equities	**-**	**-**	**-**	**-**	**-**	**-**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2,805**	**-**	**-**	**3,172**	**17**	**-**

3.2 Financial assets measured at fair value through other comprehensive income: analysis by debtor/issuer

	31.12.2020	31.12.2019
1. Debt securities	**2,805**	**3,189**
a) Central Banks	-	-
b) Public entities	684	1,051
c) Banks	1,122	1,155
d) Other financial institutions	323	366
of which: insurance companies	11	41
e) Non-financial companies	676	617
2. Equities	**-**	**-**
a) Banks	-	-
b) Other issuers:	-	-
- Other financial institutions	-	-
of which: insurance companies	-	-
- Non-financial companies	-	-
- Other	-	-
3. Loans	**-**	**-**
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other financial institutions	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**2,805**	**3,189**

3.3. Financial assets measured at fair value through other comprehensive income: gross value and total net adjustments

	GROSS VALUE				TOTAL NET ADJUSTMENTS			TOTAL PARTIAL WRITE-OFFS
	FIRST STAGE	OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK	SECOND STAGE	THIRD STAGE	FIRST STAGE	SECOND STAGE	THIRD STAGE	
Debt securities	2,575	244	232	-	(1)	(1)	-	-
Loans	-	-	-	-	-	-	-	-
Total 31.12.2020	**2,575**	**244**	**232**	**-**	**(1)**	**(1)**	**-**	**-**
Total 31.12.2019	**3,169**	**209**	**21**	**-**	**(1)**	**-**	**-**	**-**
of which: impaired financial assets that are purchased or originated	X	X	-	-	X	-	-	-

SECTION 4 - FINANCIAL ASSETS MEASURED AT AMORTISED COST - ITEM 40

4.1. Financial assets measured at amortised cost - Loans and advances to banks: analysis

	31.12.2020						31.12.2019					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: IMPAIRED, PURCHASED OR ORIGINATED	LEVEL 1	LEVEL 2	LEVEL 3	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: IMPAIRED, PURCHASED OR ORIGINATED	LEVEL 1	LEVEL 2	LEVEL 3
A. Due from Central Banks	**107**	**-**	**-**	**-**	**-**	**107**	**163**	**-**	**-**	**-**	**-**	**163**
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Statutory reserve	107	-	-	X	X	X	163	-	-	X	X	X
3. Repurchase agreement	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans and advances to banks	**32,842**	**-**	**-**	**-**	**19,866**	**13,208**	**29,801**	**-**	**-**	**-**	**16,000**	**13,886**
1. Loans	19,247	-	-	-	6,039	13,208	17,035	-	-	-	3,149	13,886
1.1 Current accounts and demand deposits	3,029	-	-	X	X	X	3,547	-	-	X	X	X
1.2 Term deposits	16,006	-	-	X	X	X	12,868	-	-	X	X	X
1.3 Other loans:	212	-	-	X	X	X	620	-	-	X	X	X
- Repurchase agreement assets	-	-	-	X	X	X	500	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	212	-	-	X	X	X	120	-	-	X	X	X
2. Debt securities	13,595	-	-	-	13,827	-	12,766	-	-	-	12,851	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	13,595	-	-	-	13,827	-	12,766	-	-	-	12,851	-
Total	**32,949**	**-**	**-**	**-**	**19,866**	**13,315**	**29,964**	**-**	**-**	**-**	**16,000**	**14,049**

Fair Value - level 3 includes the statutory reserve, current accounts and term deposits having a term longer than one year.
The sub-item "other loans" includes operating receivables totalling €96m.

4.2 Financial assets measured at amortised cost - Loans and advances to customers: analysis

	31.12.2020						31.12.2019					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
	FIRST AND SECOND STAGE	THIRD STAGE (*)	OF WHICH: IMPAIRED, PURCHASED OR ORIGINATED	LEVEL 1	LEVEL 2	LEVEL 3	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: IMPAIRED, PURCHASED OR ORIGINATED	LEVEL 1	LEVEL 2	LEVEL 3
1. Loans	**9,821**	**34**	**-**	**-**	**2,151**	**7,704**	**9,294**	**35**	**-**	**-**	**2,632**	**6,697**
1.1 Current accounts	7,670	30	-	X	X	X	6,663	32	-	X	X	X
1.2 Repurchase agreement assets	-	-	-	X	X	X	214	-	-	X	X	X
1.3 Loans	934	4	-	X	X	X	862	3	-	X	X	X
1.4 Credit cards, personal loans and loans with repayments deducted directly from wages	149	-	-	X	X	X	156	-	-	X	X	X
1.5 Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
1.6 Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7 Other transactions	1,068	-	-	X	X	X	1,399	-	-	X	X	X
2. Debt securities	**2,378**	**-**	**-**	**360**	**1,886**	**-**	**2,509**	**-**	**-**	**442**	**1,830**	**-**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	2,378	-	-	360	1,886	-	2,509	-	-	442	1,830	-
Total	**12,199**	**34**	**-**	**360**	**4,037**	**7,704**	**11,803**	**35**	**-**	**442**	**4,462**	**6,697**

(*) Non-performing assets consist of doubtful loans totalling €1m, unlikely to pay loans totalling €20m and past due or overdue loans according to Bank of Italy rules totalling €13m.
Fair Value - level 3 includes current accounts and non-performing loans.
The sub-item "other loans" includes operating receivables totalling €491m.

4.3 Financial assets measured at amortised cost - Loans and advances to customers: analysis by debtor/issuer

	31.12.2020			31.12.2019		
	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: IMPAIRED, PURCHASED OR ORIGINATED	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: IMPAIRED, PURCHASED OR ORIGINATED
1. Debt securities	**2,378**	**-**	**-**	**2,509**	**-**	**-**
a) Public entities	2,178	-	-	2,278	-	-
b) Other financial institutions	200	-	-	231	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Loans to:	**9,821**	**34**	**-**	**9,294**	**35**	**-**
a) Public entities	-	-	-	-	-	-
b) Other financial institutions	603	1	-	851	1	-
of which: insurance companies	164	-	-	162	-	-
c) Non-financial companies	2,105	13	-	1,872	9	-
d) Households	7,113	20	-	6,571	25	-
Total	**12,199**	**34**	**-**	**11,803**	**35**	**-**

4.4 Financial assets measured at amortised cost: gross value and total net adjustments

	GROSS VALUE				TOTAL NET ADJUSTMENTS			TOTAL PARTIAL WRITE-OFFS
	FIRST STAGE	OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK	SECOND STAGE	THIRD STAGE	FIRST STAGE	SECOND STAGE	THIRD STAGE	
Debt securities	14,180	13,405	1,807	-	(7)	(7)	-	-
Loans	27,422	18,662	1,777	51	(14)	(10)	(17)	-
Total 31.12.2020	**41,602**	**32,067**	**3,584**	**51**	**(21)**	**(17)**	**(17)**	**-**
Total 31.12.2019	**38,480**	**29,070**	**3,322**	**50**	**(16)**	**(19)**	**(15)**	**-**
of which: impaired financial assets, acquired or originated	X	X	-	-	X	-	-	-

4.4a Loans measured at amortised cost covered by Covid-19 support measures: gross value and total net adjustments

	GROSS VALUE				TOTAL NET ADJUSTMENTS			TOTAL PARTIAL WRITE-OFFS
	FIRST STAGE	OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK	SECOND STAGE	THIRD STAGE	FIRST STAGE	SECOND STAGE	THIRD STAGE	
1. Forborne loans compliant with GL	5	-	2	-	-	-	-	-
2. Other forborne loans	-	-	-	-	-	-	-	-
3. New loans	-	-	-	-	-	-	-	-
Total 31.12.2020	**5**	**-**	**2**	**-**	**-**	**-**	**-**	**-**

SECTION 5 - HEDGING DERIVATIVES - ITEM 50

5.1 Hedging derivatives: analysis by type of hedge and level

	31.12.2020				31.12.2019			
	FAIR VALUE			NOMINAL VALUE	FAIR VALUE			NOMINAL VALUE
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
A. Financial derivatives	**-**	**16**	**-**	**1,325**	**-**	**20**	**-**	**1,826**
1. Fair value	-	-	-	225	-	12	-	1,426
2. Financial flows	-	16	-	1,100	-	8	-	400
3. Investments outside Italy	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Fair value	-	-	-	-	-	-	-	-
2. Financial flows	-	-	-	-	-	-	-	-
Total	**-**	**16**	**-**	**1,325**	**-**	**20**	**-**	**1,826**

5.2 Hedging derivatives: analysis by portfolio hedged and type of hedging

	FAIR VALUE							FINANCIAL FLOWS		INVESTMENTS OUTSIDE ITALY
	MICRO-HEDGING						MACRO HEDGING	MICROHEDGING	MACROHEDGING	
	DEBT DERIVATIVES AND INTEREST RATES	EQUITY DERIVATIVES AND INDEX DERIVATIVES	CURRENCIES AND GOLD	LENDING	COMMODITIES	OTHER				
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	-	X	-	-	X	X	X	16	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Anticipated transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

SECTION 6 - ADJUSTMENTS TO FINANCIAL ASSETS SUBJECT TO MACRO-HEDGING - ITEM 60

6.1 Adjustments to hedged assets: analysis by portfolio hedged

	31.12.2020	31.12.2019
1. Positive adjustment	**24**	**11**
1.1 of specific portfolios:	24	11
a) financial assets measured at amortised cost	24	11
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 total	-	-
2. Negative adjustment	**-**	**-**
2.1 of specific portfolios:	-	-
a) financial assets measured at amortised cost	-	-
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 total	-	-
Total	**24**	**11**

SECTION 7 - EQUITY INVESTMENTS - ITEM 70

7.1 Equity investments: information on equity relationships

COMPANY	REGISTERED OFFICE	OPERATIONAL HEAD OFFICE	TYPE OF RELATIONSHIP	OWNERSHIP		OWNERSHIP
				ASSOCIATE COMPANY	% OWNED	
B. Companies subject to significant influence						
1. Fideuram Vita S.p.A.	Rome	Rome	1	Fideuram - Intesa Sanpaolo Private Banking	19.990	
2. Consorzio Studi e Ricerche Fiscali	Rome	Rome	1	Fideuram - Intesa Sanpaolo Private Banking	7.500	

Type of relationship:

1. Companies subject to significant influence.

7.2 Significant equity investments: book value, fair value and dividends received

COMPANY	BOOK VALUE	FAIR VALUE	DIVIDENDS RECEIVED
B. Companies subject to significant influence			
1. Fideuram Vita S.p.A.	182		

The book value of the equity investments also includes €2m for several investments in subsidiaries that have less than €10m in total assets carried on the books. These equity investments are consolidated using the equity method.

7.3 Significant equity investments: accounting information

COMPANY	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	NON-FINANCIAL ASSETS	FINANCIAL LIABILITIES	NON-FINANCIAL LIABILITIES	TOTAL REVENUES	NET INTEREST INCOME	DEPRECIATION AND AMORTISATION	PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	PROFIT (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS	NET PROFIT (LOSS) FOR THE YEAR	OTHER COMPREHENSIVE INCOME AFTER TAX	TOTAL COMPREHENSIVE INCOME
B. Companies subject to significant influence														
Fideuram Vita S.p.A.	X	37,349	1,131	36,866	705	1,919	X	X	71	51	-	51	29	80

Reconciliation of financial statement data and book value of the equity investment

	FIDEURAM VITA
Shareholders' equity	909
Interest held by Fideuram	19.99%
Consolidated book value of the equity investment	182

7.5 Equity investments: changes in the year

	31.12.2020	31.12.2019
A. Opening balance	**170**	**151**
B. Increases	**17**	**22**
B.1 Purchases	-	-
B.2 Write-backs	-	-
B.3 Revaluations	11	11
B.4 Other increases	6	11
C. Decreases	**3**	**3**
C.1 Sales	-	-
C.2 Value adjustments	-	-
C.3 Write-downs	1	3
C.4 Other decreases	2	-
D. Closing balance	**184**	**170**
E. Total revaluations	**-**	**-**
F. Total adjustments	**-**	**-**

The items Revaluations and Write-downs consist of the income and expenses, respectively, that derive from the equity investments carried at equity.

7.6 Significant judgements and assumptions made in determining joint control or significant influence

A company is considered subject to significant influence if Fideuram - Intesa Sanpaolo Private Banking holds 20% or more of the voting rights directly or indirectly, or if it is able to participate in determining the company's financial and management policies due to special legal ties, even in the case of holding fewer voting rights.

SECTION 9 - PROPERTY AND EQUIPMENT - ITEM 90

9.1 Property and equipment used in operations: analysis of assets measured at cost

	31.12.2020	31.12.2019
1. Owned assets	**12**	**13**
a) land	-	-
b) buildings	-	-
c) furniture	9	9
d) electronic equipment	2	2
e) other	1	2
2. Assets purchased under financial leasing agreements	**281**	**304**
a) land	-	-
b) buildings	281	303
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	1
Total	**293**	**317**
of which: obtained through execution of received guarantees	-	-

9.3 Property and equipment used in operations: analysis of revalued assets

	31.12.2020			31.12.2019		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Owned assets	**-**	**-**	**61**	**-**	**-**	**63**
a) land (*)	-	-	22	-	-	23
b) buildings (*)	-	-	38	-	-	39
c) furniture (*)	-	-	1	-	-	1
d) electronic equipment	-	-	-	-	-	-
e) other	-	-	-	-	-	-
2. Assets purchased under financial leasing agreements	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic equipment	-	-	-	-	-	-
e) other	-	-	-	-	-	-
Total	**-**	**-**	**61**	**-**	**-**	**63**
of which: obtained through execution of received guarantees	-	-	-	-	-	-

(*) The property used in operations and valuable art assets are measured according to the revaluation method. For more information see Part A - Accounting Policies.

9.6 Property and equipment used in operations - Owned assets and Rights-of-use acquired under lease: changes in the year

	LAND	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	TOTAL
A. Gross opening balance	**23**	**385**	**51**	**49**	**45**	**553**
A.1 Total net adjustments	-	(43)	(41)	(47)	(42)	(173)
A.2 Net opening balance	**23**	**342**	**10**	**2**	**3**	**380**
B. Increases	**-**	**35**	**2**	**1**	**-**	**38**
B.1 Purchases	-	9	2	-	-	11
B.2 Expenditures for capitalised improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value recognised in	-	1	-	-	-	1
a) shareholders' equity	-	1	-	-	-	1
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other increases	-	25	-	1	-	26
C. Decreases	**1**	**58**	**2**	**1**	**2**	**64**
C.1 Sales	-	8	-	-	-	8
C.2 Amortisation	-	44	2	1	1	48
C.3 Impairment recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Decreases in fair value recognised in	1	-	-	-	-	1
a) shareholders' equity	1	-	-	-	-	1
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfer to:	-	-	-	-	-	-
a) investment property and equipment	-	-	X	X	X	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other decreases	-	6	-	-	1	7
D. Net closing balance	**22**	**319**	**10**	**2**	**1**	**354**
D.1 Total net adjustments	-	87	43	48	43	221
D.2 Gross closing balance	**22**	**406**	**53**	**50**	**44**	**575**
E. Valuation at cost (*)	12	13	1	-	-	26

(*) Valuable art assets, classified under furniture, were measured at their fair value. Their value at cost was €1m.

The depreciation rates applied to property and equipment were as follows (% range):
Buildings: from 3% to 5%
Furniture: 10%
Electronic equipment: 25%
Other: from 7% to 20%

9.6 of which: assets purchased under financial leasing agreements: changes in the year

	FABBRICATI	ALTRE	TOTALE
A. Gross opening balance	**346**	**1**	**347**
A.1 Total net adjustments	(43)	-	(43)
A.2 Net opening balance	**303**	**1**	**304**
B. Increases	**34**	**-**	**34**
B.1 Purchases	9	-	9
B.2 Expenditures for capitalised improvements	-	-	-
B.3 Write-backs	-	-	-
B.4 Increases in fair value recognised in	-	-	-
a) shareholders' equity	-	-	-
b) income statement	-	-	-
B.5 Positive exchange rate differences	-	-	-
B.6 Transfers from investment property	-	X	-
B.7 Other increases	25	-	25
C. Decreases	**56**	**1**	**57**
C.1 Sales	8	-	8
C.2 Amortisation	42	1	43
C.3 Impairment recognised in	-	-	-
a) shareholders' equity	-	-	-
b) income statement	-	-	-
C.4 Decreases in fair value recognised in	-	-	-
a) shareholders' equity	-	-	-
b) income statement	-	-	-
C.5 Negative exchange rate differences	-	-	-
C.6 Transfer to:	-	-	-
a) investment property and equipment	-	X	-
b) non-current assets held for sale and discontinued operations	-	-	-
C.7 Other decreases	6	-	6
D. Net closing balance	**281**	**-**	**281**
D.1 Total net adjustments	85	1	86
D.2 Gross closing balance	**366**	**1**	**367**
E. Valuation at cost	-	-	-

SECTION 10 - INTANGIBLE ASSETS - ITEM 100

10.1 Intangible assets: analysis by type of asset

	31.12.2020		31.12.2019	
	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
A.1 Goodwill	**X**	**140**	**X**	**140**
A.1.1 Group interests	X	140	X	140
A.1.2 Third party interests	X	-	X	-
A.2 Other intangible assets	**89**	**-**	**94**	**-**
A.2.1 Assets valued at cost:	89	-	94	-
a) Internally generated intangible assets	23	-	1	-
b) Other assets (*)	66	-	93	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**89**	**140**	**94**	**140**

(*) The amount includes €28m for the intangible assets recognised after acquisition of the Morval Vonwiller Group in 2018. From the comparison between the total cost of the acquisition and the shareholders' equity of the Morval Vonwiller Group (which has been revalued to account for the fair value of the acquired assets and liabilities), a €26m difference has arisen following measurement of the value of the asset connected with client asset management relationships. This difference was recognised as an intangible asset with a finite useful life at a book value of €34m (including the tax effect) and is amortised over 15 years on the basis of the useful life of the underlying assets.

10.2 Intangible assets: changes in the year

	GOODWILL	OTHER INTANGIBLE ASSETS: GENERATED INTERNALLY		OTHER INTANGIBLE ASSETS: OTHER		TOTAL
		FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE	
A. Gross opening balance	**140**	**3**	**-**	**171**	**-**	**314**
A.1 Total net adjustments	-	(2)	-	(78)	-	(80)
A.2 Net opening balance	**140**	**1**	**-**	**93**	**-**	**234**
B. Increases	**-**	**24**	**-**	**6**	**-**	**30**
B.1 Purchases	-	24	-	6	-	30
B.2 Increases in internally generated intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value recognised in:	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases	**-**	**2**	**-**	**33**	**-**	**35**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	2	-	33	-	35
- depreciation and amortisation	X	2	-	22	-	24
- write-downs	-	-	-	11	-	11
+ shareholders' equity	X	-	-	-	-	-
+ income statement	-	-	-	11	-	11
C.3 Decreases in fair value recognised in:	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-	-
D. Net closing balance	**140**	**23**	**-**	**66**	**-**	**229**
D.1 Total net adjustments	-	4	-	111	-	115
E. Gross closing balance	**140**	**27**	**-**	**177**	**-**	**344**
F. Valuation at cost	-	-	-	-	-	-

The software amortisation rate falls in a range between 14.3% and 33%.
The amortisation rate applied to intangible assets with a finite useful life is 6.7%.

SECTION 11 - TAX ASSETS AND TAX LIABILITIES - ASSETS ITEM 110 AND LIABILITIES ITEM 60

11.1 Deferred tax assets: analysis

Deferred tax assets, which are recognised in reference to temporary deductible differences, totalled €142m and consist of €125m for taxes recognised with a balancing entry in the income statement and €17m for taxes recognised with a balancing entry in shareholders' equity. The former mainly refer to accruals for future expenses, retained losses, and loan impairment. The deferred tax assets with a balancing entry in shareholders' equity mainly refer to the recognition of actuarial losses on staff provisions and taxes on negative valuation reserves relative to financial assets measured at fair value through other comprehensive income.

11.2 Deferred tax liabilities: analysis

Deferred tax liabilities totalled €69m and include €42m for taxes recognised with a balancing entry in the income statement and €27m for taxes recognised with a balancing entry in shareholders' equity. The former mainly refer to the dividends to be collected and goodwill. The deferred tax liabilities with a balancing entry in shareholders' equity refer to the tax effect recognised for the increased value of property used in operations after the adoption in 2017 of the revaluation method and taxes on the positive valuation reserves relative to financial assets measured at fair value through other comprehensive income.

11.3 Changes in deferred tax assets (balancing entry in income statement)

	31.12.2020	31.12.2019
1. Opening balance	**112**	**125**
2. Increases	**44**	**35**
2.1 Deferred tax liabilities recognised in the year	44	35
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	44	35
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**31**	**48**
3.1 Deferred tax liabilities reversed in the year	31	42
a) reversals	21	24
b) write-downs for uncollectibility	-	4
c) changes in accounting policies	-	-
d) other	10	14
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	6
a) conversion to tax credits in accordance with Italian law No. 214/2011	-	-
b) other	-	6
4. Closing balance	**125**	**112**

11.4 Changes in deferred tax assets pursuant to law No. 214/2011

	31.12.2020	31.12.2019
1. Opening balance	**17**	**17**
2. Increases	**-**	**-**
3. Decreases	**1**	**-**
3.1 Reversals	1	-
3.2 Conversion to tax credits	-	-
a) from operating losses	-	-
b) from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**16**	**17**

11.5 Changes in deferred tax liabilities (balancing entry in income statement)

	31.12.2020	31.12.2019
1. Opening balance	**38**	**48**
2. Increases	**32**	**27**
2.1 Deferred tax liabilities recognised in the year	26	27
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) other	26	27
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	6	-
3. Decreases	**28**	**37**
3.1 Deferred tax liabilities reversed in the year	3	15
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) other	3	15
3.2 Reductions in tax rates	-	-
3.3 Other decreases	25	22
4. Closing balance	**42**	**38**

11.6 Changes in deferred tax assets (balancing entry in shareholders' equity)

	31.12.2020	31.12.2019
1. Opening balance	**18**	**31**
2. Increases	**1**	**3**
2.1 Deferred tax liabilities recognised in the year	1	3
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) other	1	3
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**2**	**16**
3.1 Deferred tax liabilities reversed in the year	2	15
a) reversals	1	2
b) write-downs for uncollectibility	-	-
c) due to changes in accounting policies	-	-
d) other	1	13
3.2 Reductions in tax rates	-	1
3.3 Other decreases	-	-
4. Closing balance	**17**	**18**

11.7 Changes in deferred tax liabilities (balancing entry in shareholders' equity)

	31.12.2020	31.12.2019
1. Opening balance	**26**	**24**
2. Increases	**6**	**13**
2.1 Deferred tax liabilities recognised in the year	6	13
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) other	6	13
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
2.4 Business combination transactions	-	-
3. Decreases	**5**	**11**
3.1 Deferred tax liabilities reversed in the year	5	2
a) reversals	2	1
b) due to changes in accounting policies	-	-
c) other	3	1
3.2 Reductions in tax rates	-	2
3.3 Other decreases	-	7
3.4 Business combination transactions	-	-
4. Closing balance	**27**	**26**

11.8 Other information

The Italian companies in the Fideuram Group availed themselves of the "Istituto del Consolidato Fiscale Nazionale" tax consolidation regime as subsidiaries of Intesa Sanpaolo. This tax consolidation regime, which is governed by special regulations, provides for the aggregation of the taxable income of all the Group companies involved, and a single payment of IRES corporate income tax by Intesa Sanpaolo in its role as consolidating company.

SECTION 12 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND ASSOCIATED LIABILITIES - ASSETS ITEM 120 AND LIABILITIES ITEM 70

12.1 Non-current assets held for sale and discontinued operations: analysis by type of asset

	31.12.2020	31.12.2019
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Property and equipment	-	6
of which: obtained through execution of received guarantees	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	1,065	-
Total A	**1,065**	**6**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	1,065	6
B. Terminated operating activities		
B.1 Financial assets measured at fair value through profit or loss	-	-
- financial assets held for trading	-	-
- financial assets measured at fair value	-	-
- other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Property and equipment	-	-
of which: obtained through execution of received guarantees	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total B	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
C. Liabilities associated with assets held for sale		
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other liabilities	1,065	-
Total C	**1,065**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	1,065	-
of which measured at fair value level 3	-	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities measured at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total D	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

The item refers to the assets and liabilities of the Depository Bank and Fund Administration business unit of Fideuram Bank (Luxembourg) that will be sold during 2021.

SECTION 13 - OTHER ASSETS - ITEM 130

13.1 Other assets: analysis

	31.12.2020	31.12.2019
Prepaid expenses relating to Network incentives (*)	402	336
Due from tax authorities (**)	342	279
Due from Personal Financial Advisers (***)	276	254
Loans and advances to customers for stamp duty	124	114
Clearing accounts and other receivables	62	59
Due from Intesa Sanpaolo under Italy's tax consolidation regime	11	1
Other accrued income and prepaid expenses	10	11
Other receivables	68	53
Total	**1,295**	**1,107**

(*) The item refers to the prepaid expenses regarding the bonuses for meeting net inflow targets, linked to the duration of contractual relationships with customers.

(**) The item includes €233m for prepayments of the stamp duty on non-managed financial products in accordance with Art. 13, paragraph 2-ter, of the table of rates annexed to Italian Presidential Decree No. 642/72.

(***) Mainly advances on bonuses already accrued but subject to verification of continued attainment of inflow targets. Also includes advances on indemnities, loyalty schemes and other lesser items.

LIABILITIES

SECTION 1 - FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - ITEM 10

1.1. Financial liabilities measured at amortised cost - Due to banks: analysis

	31.12.2020				31.12.2019			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Due to Central Banks	**-**	**X**	**X**	**X**	**-**	**X**	**X**	**X**
2. Due to banks	**3,615**	**X**	**X**	**X**	**3,033**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	542	X	X	X	408	X	X	X
2.2 Term deposits	743	X	X	X	578	X	X	X
2.3 Loans	2,272	X	X	X	1,944	X	X	X
2.3.1 Repurchase agreement liabilities (*)	2,186	X	X	X	1,944	X	X	X
2.3.2 Other	86	X	X	X	-	X	X	X
2.4 Debts from commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Debt for leases	21	X	X	X	22	X	X	X
2.6 Other debts	37	X	X	X	81	X	X	X
Total	**3,615**	**-**	**2,938**	**677**	**3,033**	**-**	**1,212**	**1,821**

(*) The item mainly includes repurchase agreements with Intesa Sanpaolo.

Fair Value – level 3 mainly includes repurchase agreements maturing in more than one year.

1.2 Financial liabilities measured at amortised cost - Due to customers: analysis

	31.12.2020				31.12.2019			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Current accounts and demand deposits	34,823	X	X	X	35,193	X	X	X
2. Term deposits	6,187	X	X	X	3,411	X	X	X
3. Loans	24	X	X	X	32	X	X	X
3.1 Repurchase agreement liabilities	24	X	X	X	32	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Debts from commitments to repurchase own equity instruments	5	X	X	X	8	X	X	X
5. Debt for leases	260	X	X	X	280	X	X	X
6. Other debts	111	X	X	X	100	X	X	X
Total	**41,410**	**-**	**35,819**	**5,591**	**39,024**	**-**	**36,412**	**2,612**

The debts from commitments to buy back own equity instruments refer to put options sold with the underlying asset consisting of minority stakes in a fully consolidated equity investment.
Fair Value - level 3 mainly includes term deposits maturing in more than one year.

1.6 Debts for leases

Analysis of debts for leases by remaining contractual term

	NOT LATER THAN ONE YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	31.12.2020
Debts to banks for leases	6	13	2	21
Debts to customers for leases	36	116	108	260

The cash outflows during the year to cover debts for leases totalled €39m.

SECTION 2 - FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 20

2.1 Financial liabilities held for trading: analysis

	31.12.2020					31.12.2019				
	NOMINAL VALUE	FAIR VALUE			FV*	NOMINAL VALUE	FAIR VALUE			FV*
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
A. Cash Liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1. Financial derivatives	-	-	53	-	-	-	-	33	-	-
1.1 Held for trading	X	-	53	-	X	X	-	33	-	X
1.2 Connected with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Connected with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**53**	**-**	**X**	**X**	**-**	**33**	**-**	**X**
Total (A+B)	**X**	**-**	**53**	**-**	**X**	**X**	**-**	**33**	**-**	**X**

FV*: fair value calculated excluding any changes in value due to changes in the credit rating of the issuer with respect to the issue date.

SECTION 4 - HEDGING DERIVATIVES - ITEM 40

4.1 Hedging derivatives: analysis by type of hedge and level

	31.12.2020				31.12.2019			
	FAIR VALUE			NOMINAL VALUE	FAIR VALUE			NOMINAL VALUE
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
A. Financial derivatives	**-**	**954**	**-**	**4,338**	**-**	**930**	**-**	**4,429**
1) Fair value	-	954	-	4,338	-	930	-	4,429
2) Financial flows	-	-	-	-	-	-	-	-
3) Investments outside Italy	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Financial flows	-	-	-	-	-	-	-	-
Total	**-**	**954**	**-**	**4,338**	**-**	**930**	**-**	**4,429**

4.2 Hedging derivatives: analysis by portfolio hedged and type of hedging

	FAIR VALUE							FINANCIAL FLOWS		
	MICRO-HEDGING						MACRO-HEDGING	MICRO-HEDGING	MACRO-HEDGING	INVESTMENTS OUTSIDE ITALY
	DEBT DERIVATIVES AND INTEREST RATES	EQUITY DERIVATIVES AND INDEX DERIVATIVES	CURRENCIES AND GOLD	LENDING	COMMODITIES	OTHER				
1. Financial assets measured at fair value through other comprehensive income	55	-	13	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	863	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	23	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**918**	**-**	**13**	**-**	**-**	**-**	**23**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Anticipated transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

SECTION 8 - OTHER LIABILITIES - ITEM 80

8.1 Other liabilities: analysis

	31.12.2020	31.12.2019
Due to Personal Financial Advisers	535	482
Clearing accounts and other payables	144	93
Due to suppliers	130	138
Due under past Loyalty Schemes	80	79
Amounts to be collected by customers	72	70
Due to tax authorities	58	40
Due to Intesa Sanpaolo under Italy's tax consolidation regime	20	205
Payroll and social security payables	20	20
Due to pension and social security institutions	19	18
Other debts	20	22
Total	**1,098**	**1,167**

SECTION 9 - PROVISION FOR EMPLOYMENT TERMINATION INDEMNITIES - ITEM 90

9.1 Provision for employment termination indemnities: changes in the year

	31.12.2020	31.12.2019
A. Opening balance	**48**	**48**
B. Increases	**2**	**4**
B.1 Provisions for the year	1	1
B.2 Other increases	1	3
C. Decreases	**7**	**4**
C.1 Indemnities paid	5	4
C.2 Other decreases	2	-
D. Closing balance	**43**	**48**

The main actuarial criteria and reference rates used to determine the provision for employment termination indemnities were as follows:
- Discount rate: 0%
- Anticipated rate of increase in remuneration: 2%
- Annual inflation rate: 1.1%

SECTION 10 - PROVISIONS FOR RISKS AND CHARGES - ITEM 100

10.1 Provisions for risks and charges: analysis

	31.12.2020	31.12.2019
1. Provisions for credit risk associated with commitments and financial guarantees issued	3	1
2. Provisions for other commitments and guarantees issued	-	-
3. Company pension funds	30	23
4.Other provisions for risks and charges	535	454
4.1 Lawsuits and tax disputes	78	79
4.2 Personnel expenses	109	83
4.3 Other	348	292
Total	**568**	**478**

10.2 Provisions for risks and charges: changes in the year

	PROVISIONS FOR OTHER COMMITMENTS AND GUARANTEES ISSUED	PENSION FUNDS	OTHER PROVISIONS FOR RISKS AND CHARGES	TOTAL
A. Opening balance	**-**	**23**	**454**	**477**
B. Increases	**-**	**10**	**170**	**180**
B.1 Provisions for the year	-	3	169	172
B.2 Changes due to the passage of time	-	-	-	-
B.3 Changes due to fluctuations in the discount rate	-	-	-	-
B.4 Other increases	-	7	1	8
C. Decreases	**-**	**3**	**89**	**92**
C.1 Utilisation in the year	-	3	75	78
C.2 Changes due to fluctuations in the discount rate	-	-	-	-
C.3 Other decreases	-	-	14	14
D. Closing balance	**-**	**30**	**535**	**565**

10.3 Provisions for credit risk associated with commitments and financial guarantees issued

	PROVISIONS FOR CREDIT RISK ASSOCIATED WITH COMMITMENTS AND FINANCIAL GUARANTEES ISSUED			
	FIRST STAGE	SECOND STAGE	THIRD STAGE	TOTAL
Commitments to grant finance	1	2	-	3
Financial guarantees issued	-	-	-	-
Total	**1**	**2**	**-**	**3**

10.5 Defined-benefit company pension funds

The actuarial values required by IAS 19 - Employee benefits for the defined-benefit complementary social security funds were calculated by an independent actuary using the projected unit credit method. The item balance of €30m is for the Intesa Sanpaolo Private Bank (Suisse) Morval and Intesa Sanpaolo Private Banking funds. Both banks have recorded the information on the third-party funds and operations for their pension plans in their separate financial statements.

10.6 Provisions for risks and charges - Other provisions

Other provisions for risks and charges comprised the following:

- Lawsuits and tax disputes: these provisions include the accruals for lawsuits against the company, tax disputes, clawback actions, and provisions for defaulted corporate bonds.
- Personnel expenses: this includes the variable component of the remuneration of employees, the provisions for voluntary redundancy expenses and the provisions set aside to pay seniority bonuses.
- Provision for the termination of Personal Financial Adviser agency agreements: this provision comprises the estimated amount of costs for the contractual indemnities to be paid to Group Personal Financial Advisers. The total amount of the provision was determined using actuarial valuations that take the indemnities actually accrued into account, together with the composition of the Network and the indemnities paid.
- Network Loyalty Schemes: this provision, calculated on the basis of actuarial methods, comprises the estimate of costs connected with the Retention Plans of the Group Personal Financial Advisers.
- Other provisions: these consist of the accrual of costs covering integration of IW Bank and the UBI Top Private Unit, and the restructuring charges of Intesa Sanpaolo Private Bank (Suisse) Morval and Fideuram Bank (Luxembourg).

Other provisions for risks and charges: changes in the year

	LAWSUITS AND TAX DISPUTES	PERSONNEL EXPENSES	RESERVE FOR THE TERMINATION OF PERSONAL FINANCIAL ADVISER AGENCY AGREEMENTS	NETWORK LOYALTY SCHEMES	OTHER PROVISIONS	TOTAL
A. Opening balance	**79**	**83**	**235**	**55**	**2**	**454**
B. Increases	**18**	**79**	**40**	**15**	**18**	**170**
B.1 Provisions for the year	18	79	40	15	17	169
B.2 Changes due to the passage of time	-	-	-	-	-	-
B.3 Changes due to fluctuations in the discount rate	-	-	-	-	-	-
B.4 Other increases	-	-	-	-	1	1
C. Decreases	**19**	**53**	**14**	**2**	**1**	**89**
C.1 Utilisation in the year	11	52	9	2	1	75
C.2 Changes due to fluctuations in the discount rate	-	-	-	-	-	-
C.3 Other decreases	8	1	5	-	-	14
D. Closing balance	**78**	**109**	**261**	**68**	**19**	**535**

SECTION 13 - EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY - ITEMS 120, 130, 140, 150, 160, 170 AND 180

13.1 "Share capital" and "Treasury shares": analysis

The share capital and share premium reserve were the same as the amounts for the corresponding items in the shareholders' equity of Fideuram - Intesa Sanpaolo Private Banking S.p.A..
At 31 December 2020, the share capital totalled €300,000,000 divided into 1,500,000,000 ordinary shares with no par value.
The Group did not hold any treasury shares at 31 December 2020.

13.2 Share capital – Parent Company's number of shares: annual changes

	ORDINARY	OTHER
A. Shares at beginning of financial year		
- full paid-up	1,500,000,000	-
- partially paid-up	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	**1,500,000,000**	**-**
B. Increases	**-**	**-**
B.1. New issues	-	-
- cash issues:	-	-
- business combination transactions	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- free issues:	-	-
- for employees	-	-
- for directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other increases	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Company sale transactions	-	-
C.4 Other decreases	-	-
D. Outstanding shares: closing balance	**1,500,000,000**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares at end of financial year	1,500,000,000	-
- full paid-up	1,500,000,000	-
- partially paid-up	-	-

13.6 Other information

The reserves totalled €1,783m and include Fideuram's legal reserve and other reserves. The legal reserve, established in accordance with the law, is required to total at least one fifth of the share capital. In the past it was made up of retained annual net profit in the amount of one twentieth. The item other reserves comprises Fideuram's remaining reserves and Group changes in the shareholders' equity of the companies included in the consolidation.

The Group valuation reserves total a positive €41m, and include:

- the valuation reserve of financial assets measured at fair value through other comprehensive income, positive at €24m;
- the revaluation reserve related to recalculation of the value of property used in operations totalling €14m;
- the valuation reserve for cash flow hedges, which was positive at €7m;
- the foreign exchange difference valuation reserve, which was positive at €5m;
- the valuation reserve for actuarial gains and losses on defined benefit plans, which was negative at €26m;
- the reserves stemming from special revaluation laws, positive at €6m;
- the portion of valuation reserves related to investments consolidated using the equity method, which was positive at €11m.

OTHER INFORMATION

1. Commitments and financial guarantees issued

	NOMINAL VALUE OF COMMITMENTS AND FINANCIAL GUARANTEES ISSUED			31.12.2020	31.12.2019
	FIRST STAGE	SECOND STAGE	THIRD STAGE		
1. Commitments to grant finance	**3,678**	**808**	**2**	**4,488**	**3,635**
a) Central Banks	-	-	-	-	-
b) Public entities	-	-	-	-	-
c) Banks	89	-	-	89	66
d) Other financial institutions	36	84	-	120	86
e) Non-financial companies	487	555	-	1,042	741
f) Households	3,066	169	2	3,237	2,742
2. Financial guarantees issued	**249**	**68**	**2**	**319**	**306**
a) Central Banks	-	-	-	-	-
b) Public entities	-	-	-	-	-
c) Banks	47	-	-	47	35
d) Other financial institutions	4	9	-	13	12
e) Non-financial companies	30	51	1	82	89
f) Households	168	8	1	177	170

2. Other commitments and guarantees issued

	NOMINAL VALUE	
	31.12.2020	31.12.2019
1. Other guarantees issued	**-**	**-**
of which: non-performing credit exposures	-	-
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other financial institutions	-	-
e) Non-financial companies	-	-
f) Households	-	-
2. Other commitments	**5**	**371**
of which: non-performing credit exposures	-	-
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	363
d) Other financial institutions	-	-
e) Non-financial companies	-	-
f) Households	5	8

3. Assets pledged as security for own liabilities and commitments

	31.12.2020	31.12.2019
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	1,337	552
3. Financial assets measured at amortised cost	4,523	4,095
4. Property and equipment	-	-
of which: property and equipment constituting inventory	-	-

5. Administration and trading on behalf of third parties

	31.12.2020
1. Execution of customer instructions	**2,499**
a) purchases	1,270
1. settled	1,270
2. not settled	-
b) sales	1,229
1. settled	1,229
2. not settled	-
2. Portfolio management	**100,130**
a) individual	55,124
b) collective	45,006
3. Custody and administration of securities	
a) third-party securities held on deposit: connected with activities as depositary bank (excluding portfolio management)	41,283
1. securities issued by companies included in the consolidation	-
2. other securities	41,283
b) third-party securities held on deposit (excluding portfolio management): other	28,865
1. securities issued by companies included in the consolidation	-
2. other securities	28,865
c) third-party securities deposited with third parties	32,313
d) portfolio securities deposited with third parties	17,252
4. Other transactions	**41,130**

6. Financial assets subject to offsetting, master netting arrangements or similar agreements

	GROSS FINANCIAL ASSETS	FINANCIAL LIABILITIES SET OFF IN THE FINANCIAL STATEMENTS	NET FINANCIAL ASSETS RECOGNISED IN THE FINANCIAL STATEMENTS	RELATED AMOUNTS NOT SET OFF IN THE FINANCIAL STATEMENTS		NET AMOUNT AT 31.12.2020	NET AMOUNT AT 31.12.2019
				FINANCIAL INSTRUMENTS	CASH DEPOSITS HELD AS COLLATERAL		
1. Derivatives	63	-	63	23	31	9	9
2. Repurchase agreement	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
TOTAL 31.12.2020	**63**	**-**	**63**	**23**	**31**	**9**	**X**
TOTAL 31.12.2019	**763**	**-**	**763**	**711**	**42**	**X**	**9**

7. Financial liabilities subject to offsetting, master netting arrangements or similar agreements

	GROSS FINANCIAL LIABILITIES	FINANCIAL ASSETS SET OFF IN THE FINANCIAL STATEMENTS	NET FINANCIAL LIABILITIES SET OFF IN THE FINANCIAL STATEMENTS	RELATED AMOUNTS NOT SET OFF IN THE FINANCIAL STATEMENTS		NET AMOUNT AT 31.12.2020	NET AMOUNT AT 31.12.2019
				FINANCIAL INSTRUMENTS	CASH DEPOSITS PLEDGED AS COLLATERAL		
1. Derivatives	999	-	999	101	875	23	2
2. Repurchase agreement	1,270	-	1,270	1,230	-	40	-
3. Securities lending	-	-	-	-	-	-	-
4. Other transactions	-	-	-	-	-	-	-
TOTAL 31.12.2020	**2,269**	**-**	**2,269**	**1,331**	**875**	**63**	**X**
TOTAL 31.12.2019	**1,460**	**-**	**1,460**	**648**	**810**	**X**	**2**

The Group subordinates Over-The-Counter (OTC) derivatives transactions and most of its repurchase and reverse repurchase agreement transactions to ISDA Master Agreements and Global Master Repurchase Agreements (GMRA) respectively.

These agreements enable the Group to reduce counterparty risk using what are known as close-out netting clauses under which the agreement is terminated and the net amount owing is settled. Pursuant to these clauses, when certain termination events occur – including non-performance of the contract, failure to deliver collateral and the insolvency of one of the parties – the contractual obligations arising from the individual transactions are terminated and replaced by a single obligation to pay the creditor the global net amount resulting from offsetting the current market values of the previous obligations, with which the parties settle their mutual accounts.

The Group enters into financial guarantee agreements in accordance with the ISDA Credit Support Annex (CSA) standard for OTC derivatives and in accordance with the GMRA standard for repurchase and reverse repurchase agreement transactions, which provide for the bilateral exchange of collateral in the form of cash and/or government securities. In accordance with the terms of the CSA and GMRA, the Group is able to make use of the assets held as collateral, including thorough disposal and transfers to third parties as collateral.

Information on the measurement criteria adopted for the above financial assets and liabilities is provided in Part A - Accounting Policies.

Schedule 6 presents the financial derivatives subject to netting agreements recognised in balance sheet assets.

Schedule 7 presents the financial derivatives recognised in balance sheet liabilities and the repurchase agreements recognised in Due to banks subject to netting agreements.

8. Securities lending transactions

An optional bank service for securities lending transactions is offered mainly by Intesa Sanpaolo Private Banking and Fideuram Bank (Luxembourg) to their customers (individuals, legal entities and commercial entities). The agreement entails the transfer of ownership of a certain quantity of securities of a given kind with the obligation to return them, in exchange for a consideration as remuneration for use of those securities.

PART C - NOTES TO THE CONSOLIDATED INCOME STATEMENT

SECTION 1 - INTEREST - ITEMS 10 AND 20

1.1 Interest income and similar income: analysis

	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	2020	2019
1. Financial assets measured at fair value through profit or loss	-	-	-	-	1
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets measured at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	1
2. Financial assets measured at fair value through other comprehensive income	25	-	X	25	35
3. Financial assets measured at amortised cost	194	143	-	337	311
3.1 Loans and advances to banks	120	60	X	180	148
3.2 Loans and advances to customers	74	83	X	157	163
4. Hedging derivatives	X	X	(90)	(90)	(95)
5. Other assets	X	X	1	1	1
6. Financial liabilities	X	X	X	8	6
Total	**219**	**143**	**(89)**	**281**	**259**
of which: interest income on impaired financial assets	-	1	-	1	1
of which: interest income on finance leases	-	-	-	-	-

1.2 Interest income and similar income: other information

1.2.1 Interest income on financial assets denominated in foreign currencies

	2020	2019
On financial assets denominated in foreign currencies	8	18

1.3 Interest expense and similar expense: analysis

	DEBTS	SECURITIES	OTHER TRANSACTIONS	2020	2019
1. Financial liabilities measured at amortised cost	62	-	-	62	54
1.1 Due to Central Banks	-	X	X	-	-
1.2 Due to banks	15	X	X	15	16
1.3 Due to customers	47	X	X	47	38
1.4 Debt on issue	X	-	X	-	-
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities measured at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	-
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	22	27
Total	**62**	**-**	**-**	**84**	**81**
of which: interest expense on debts for leases	4	-	-	4	4

1.4 Interest expense and similar expense: other information

1.4.1 Interest expenses on liabilities denominated in foreign currencies

	2020	2019
On liabilities denominated in foreign currencies	6	14

1.5 Hedging gains and losses

	2020	2019
A. Hedging gains	57	23
B. Hedging losses	147	118
C. Net gains / losses (A-B)	**(90)**	**(95)**

SECTION 2 - FEE AND COMMISSION INCOME AND EXPENSE - ITEMS 40 AND 50

2.1 Fee and commission income: analysis

	2020	2019
a) Guarantees given	**1**	**1**
b) Credit derivatives	**-**	**-**
c) Management, brokerage and advisory services:	**2,516**	**2,481**
1. trading in financial instrument	10	12
2. currency trading	3	3
3. portfolio management:	1,065	1,040
3.1 individual	452	435
3.2 collective	613	605
4. custody and administration of securities	28	26
5. depository bank	21	22
6. placement of securities	103	120
7. receipt and transmission of instructions	44	38
8. advisory services	110	115
8.1 regarding investments	110	115
8.2 regarding investment structure	-	-
9. supply of third-party services	1,132	1,105
9.1 portfolio management	518	509
9.1.1 individual	64	65
9.1.2 collective	454	444
9.2 insurance products	608	593
9.3 other products	6	3
d) Collection and payment services	**8**	**7**
e) Securization services	**-**	**-**
f) Factoring services	**-**	**-**
g) Tax collection services	**-**	**-**
h) Management of multilateral trading systems	**-**	**-**
i) Processing and management of current accounts	**7**	**8**
j) Other services	**21**	**22**
k) Securities lending transactions	**11**	**14**
Total	**2,564**	**2,533**

2.2 Fees and commission expense: analysis

	2020	2019
a) Guarantees received	**8**	**9**
b) Credit derivatives	**-**	**-**
c) Management and brokerage services:	**810**	**745**
1. trading in financial instrument	3	3
2. currency trading	-	-
3. portfolio management:	78	49
3.1 owned	9	9
3.2 on behalf of third parties	69	40
4. custody and administration of securities	15	12
5. placement of financial instruments	-	-
6. sales of financial products, products and services through non-branch channels	714	681
d) Collection and payment services	**12**	**11**
e) Other services	**9**	**10**
f) Securities lending transactions	**8**	**11**
Total	**847**	**786**

SECTION 4 - NET PROFIT (LOSS) ON TRADING ACTIVITIES - ITEM 80

4.1 Net profit (loss) on trading activities: analysis

	PROFIT	TRADING PROFITS	LOSS	TRADING LOSSES	NET PROFITS (LOSSES)
1. Financial assets held for trading	**-**	**1**	**-**	**-**	**1**
1.1 Debt securities	-	1	-	-	1
1.2 Equities	-	-	-	-	-
1.3 Units in mutual funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
Other financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**3**
3. Derivatives	**-**	**1**	**-**	**(1)**	**14**
3.1 Financial derivatives:	-	1	-	(1)	14
- Debt derivatives and interest rate derivatives	-	1	-	(1)	-
- Equity derivatives and index derivatives	-	-	-	-	-
- Currencies and gold	X	X	X	X	14
- Other	-	-	-	-	-
3.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected with fair value option	X	X	X	X	-
Total	**-**	**2**	**-**	**(1)**	**18**

SECTION 5 - NET PROFIT (LOSS) ON HEDGING DERIVATIVES - ITEM 90

5.1 Net profit (loss) on hedging derivatives: analysis

	2020	2019
A. Profit on:		
A.1 Fair value hedge derivatives	8	21
A.2 Hedged financial assets (fair value)	88	147
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Financial derivatives hedging financial flows	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total profit on hedging derivatives (A)	**96**	**168**
B. Loss on:		
B.1 Fair value hedge derivatives	(84)	(148)
B.2 Hedged financial assets (fair value)	(8)	(20)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Financial derivatives hedging financial flows	-	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
Total loss on hedging derivatives (B)	**(92)**	**(168)**
C. Net profit (loss) on hedging derivatives (A-B)	**4**	**-**
of which: net profit (loss) of hedges on net positions	-	-

SECTION 6 - NET PROFIT (LOSS) ON SALES/REPURCHASES - ITEM 100

6.1 Net profit (loss) on sales/repurchases: analysis

	2020			2019		
	PROFITS	LOSSES	NET PROFITS (LOSSES)	PROFITS	LOSSES	NET PROFITS (LOSSES)
Financial assets						
1. Financial assets measured at amortised cost	6	(5)	1	-	-	-
1.1 Loans and advances to banks	6	-	6	-	-	-
1.2 Loans and advances to customers	-	(5)	(5)	-	-	-
2. Financial assets measured at fair value through other comprehensive income	8	(3)	5	26	(2)	24
2.1 Debt securities	8	(3)	5	26	(2)	24
2.2 Loans	-	-	-	-	-	-
Total assets	**14**	**(8)**	**6**	**26**	**(2)**	**24**
Financial liabilities measured at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt on issue	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

SECTION 7 - NET PROFIT (LOSS) ON OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - ITEM 110

7.2 Net change in the value of other financial assets and liabilities measured at fair value through profit or loss: analysis of the other financial assets mandatorily measured at fair value

	PROFIT	PROFIT ON DISPOSAL	LOSS	LOSS ON DISPOSAL	NET PROFITS (LOSSES)
1. Financial assets	**15**	**-**	**(1)**	**(1)**	**13**
1.1 Debt securities (*)	14	-	-	-	14
1.2 Equities	-	-	(1)	(1)	(2)
1.3 Units in mutual funds	1	-	-	-	1
1.4 Loans	-	-	-	-	-
2. Financial assets: exchange rate differences	**X**	**X**	**X**	**X**	**-**
Total	**15**	**-**	**(1)**	**(1)**	**13**

(*) The gains mainly regarded the insurance policies taken out as part of the Personal Financial Adviser loyalty schemes.

SECTION 8 - NET IMPAIRMENT FOR CREDIT RISK - ITEM 130

8.1 Net impairment for credit risk related to financial assets measured at amortised cost:

	WRITE-DOWNS			WRITE-BACKS		2020	2019
	FIRST AND SECOND STAGE	THIRD STAGE		FIRST AND SECOND STAGE	THIRD STAGE		
		WRITE-OFF	OTHER				
A. Loans and advances to banks	**(9)**	**-**	**-**	**5**	**-**	**(4)**	**(2)**
- Loans	(6)	-	-	3	-	(3)	(2)
- Debt securities	(3)	-	-	2	-	(1)	-
of which: purchased or originated impaired loans	-	-	-	-	-	-	-
B. Loans and advances to customers	**(8)**	**-**	**(5)**	**8**	**3**	**(2)**	**(4)**
- Loans	(8)	-	(5)	3	3	(7)	-
- Debt securities	-	-	-	5	-	5	(4)
of which: purchased or originated impaired loans	-	-	-	-	-	-	-
Total	**(17)**	**-**	**(5)**	**13**	**3**	**(6)**	**(6)**

8.2 Net impairment for credit risk related to financial assets measured at fair value through other comprehensive income: analysis

	WRITE-DOWNS			WRITE-BACKS		2020	2019
	FIRST AND SECOND STAGE	THIRD STAGE		FIRST AND SECOND STAGE	THIRD STAGE		
		WRITE-OFF	OTHER				
A. Debt securities	(2)	-	-	1	-	(1)	-
B. Loans	-	-	-	-	-	-	-
- Due to customers	-	-	-	-	-	-	-
- Due to banks	-	-	-	-	-	-	-
of which: impaired financial assets that are purchased or originated	-	-	-	-	-	-	-
Total	**(2)**	**-**	**-**	**1**	**-**	**(1)**	**-**

SECTION 12 - ADMINISTRATIVE EXPENSES - ITEM 190

12.1 Personnel expenses: analysis

	2020	2019
1) Employees	**388**	**358**
a) Wages and salaries	242	245
b) Social security contributions	60	61
c) Termination indemnities	2	2
d) Pension costs	-	-
e) Provision for employee termination indemnities	1	1
f) Provision for retirement benefits and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments to external supplementary pension funds:	19	19
- defined contribution	16	16
- defined benefit	3	3
h) Costs arising from payment agreement based on own equity instruments	-	-
i) Other employee benefits (*)	64	30
2) Other staff	**1**	**2**
3) Directors and auditors	**3**	**3**
4) Retired staff	**-**	**-**
Total	**392**	**363**

(*) This item includes €40m for the accrual to the Provisions for Redundancies prescribed by the Integration Memorandum of 29 September 2020.

12.2 Average number of employees by category

	2020	2019
Employees:	**3,001**	**3,121**
a) Directors	91	93
b) Executive Management	1,841	1,926
c) Other employees	1,069	1,102
Other staff	**25**	**23**

12.4 Other employee benefits

These mainly comprised the provisions for voluntary redundancy, the provisions accrued for seniority bonuses, the company contributions to the Health Fund, and the cafeteria contributions.

12.5 Other administrative expenses: analysis

	2020	2019
IT costs	**37**	**36**
Maintenance costs for IT services and electronic equipment	35	35
Telephone, broadcasting and data transmission costs	2	1
Property management costs	**14**	**16**
Property rent and building charges	3	4
Security	1	1
Cleaning	3	3
Building maintenance	3	3
Power	3	4
Miscellaneous building costs	1	1
General operating expenses	**23**	**23**
Printed material, stationery, consumables and publications	2	2
Transport and other related services (including counting of valuables)	4	4
Search and information services	14	13
Postage and telegraphic expenses	3	4
Professional and insurance costs	**22**	**21**
Professional advice	12	10
Legal advice and court fees	4	6
Bank and customer insurance premiums	6	5
Promotional and advertising expenses	**6**	**7**
Services by third parties	**19**	**21**
Expenses for outsourcing within the Group	**79**	**74**
Costs related to banking system	**32**	**24**
Indirect personnel expenses	**3**	**6**
Other expenses	**5**	**6**
Indirect taxes	**265**	**251**
Total other administrative expenses	**505**	**485**

SECTION 13 - NET PROVISIONS FOR RISKS AND CHARGES - ITEM 200

13.1 Net provisions for credit risk associated with commitments to grant funds and financial guarantees issued: analysis

	2020		
	PROVISIONS	REALLOCATIONS	TOTAL
Commitments to grant finance	(1)	-	(1)
Financial guarantees issued	-	-	-

13.3 Net provisions to other provisions for risks and charges: analysis

	2020		
	PROVISIONS	REALLOCATIONS	TOTAL
Termination of Personal Financial Adviser agency agreements	(40)	5	(35)
Lawsuits and tax disputes	(18)	8	(10)
Costs relating to the Personal Financial Adviser Networks' Loyalty Schemes	(15)	-	(15)
Other	(17)	-	(17)
Total	**(90)**	**13**	**(77)**

SECTION 14 - DEPRECIATION OF PROPERTY AND EQUIPMENT - ITEM 210

14.1 Depreciation of property and equipment: analysis

	DEPRECIATION	NET ADJUSTMENTS FOR IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFIT (LOSS)
A. Property and equipment				
1. Functional property and equipment	(48)	-	-	(48)
- Owned	(5)	-	-	(5)
- Rights of use acquired under lease	(43)	-	-	(43)
2. Investment property and equipment	-	-	-	-
- Owned	-	-	-	-
- Rights of use acquired under lease	-	-	-	-
3. Inventories	X	-	-	-
Total	**(48)**	**-**	**-**	**(48)**

SECTION 15 - AMORTISATION OF INTANGIBLE ASSETS - ITEM 220

15.1 Amortisation of intangible assets: analysis

	AMORTISATION	NET ADJUSTMENTS FOR IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFIT (LOSS)
A. Intangible assets				
A.1 Owned	(24)	(11)	-	(35)
- Generated internally	(2)	-	-	(2)
- Other	(22)	(11)	-	(33)
A.2 Rights of use acquired under lease	-	-	-	-
Total	**(24)**	**(11)**	**-**	**(35)**

SECTION 16 - OTHER INCOME (EXPENSE) - ITEM 230

16.1 Other expense: analysis

Consolidation charges	4
Depreciation of leasehold improvements	3
Settlement of litigation	1
Other	2
Total 2020	**10**
Total 2019	**10**

16.2 Other income: analysis

Recovery of indirect taxes	259
Income on leases	1
Other income	6
Total 2020	**266**
Total 2019	**252**

SECTION 17 - PROFIT (LOSS) ON EQUITY INVESTMENTS - ITEM 250

17.1 Profit (loss) on equity investments: analysis

	2020	2019
1) Jointly-controlled entities		
A. Income	-	-
1. Revaluations	-	-
2. Profit on sales	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expenses	-	-
1. Write-downs	-	-
2. Impairment	-	-
3. Losses from sales	-	-
4. Other	-	-
Net profit (loss)	**-**	**-**
2) Entities subject to significant influence		
A. Income	11	11
1. Revaluations	11	11
2. Profit on sales	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expenses	1	3
1. Write-downs	1	3
2. Impairment	-	-
3. Losses from sales	-	-
4. Other	-	-
Net profit (loss)	**10**	**8**
Total	**10**	**8**

The items “Revaluations” and “Write-downs” consist of the income and expenses, respectively, that derive from the equity investments carried at equity.

SECTION 21 - INCOME TAXES FOR THE YEAR ON CONTINUING OPERATIONS - ITEM 300

21.1 Income taxes for the year on continuing operations: analysis

		2020	2019
1.	Current taxes (-)	(344)	(368)
2.	Changes to current taxes for prior years (+/-)	14	4
3.	Reduction in current taxes (+)	-	4
3.bis	Reduction in current taxes due to tax credit pursuant to Italian Law No. 214/2011 (+)	-	-
4.	Change in deferred tax assets (+/-)	13	(7)
5.	Change in deferred tax liabilities (+/-)	(23)	(12)
6.	**Taxes for the year (-)**	**(340)**	**(379)**

21.2 Reconciliation of theoretical tax burden and actual financial statement tax burden

	2020
Taxable income	**1,156**
Standard tax rate applicable	33%
Theoretical tax burden	381
Tax impact with respect to:	
Different tax rates applying to foreign subsidiaries	(53)
IRAP regional business tax and minor effects	12
Actual tax burden	**340**

SECTION 23 - NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS - ITEM 340

23.1 Detail of item 340 "Profit (loss) for the year of non-controlling interests"

	2020	2019
Equity investments in consolidated companies with significant non-controlling interests		
Intesa Sanpaolo Private Bank (Suisse) Morval	1	1
Other equity investments	-	-
Total	**1**	**1**

SECTION 24 - OTHER INFORMATION

In 2020 the Fideuram Group received no public subsidies to be reported pursuant to Article 35 of Decree Law No. 34/2019 ('growth decree'), converted by Law No. 58/2019, which imposes transparency obligations on information about grants, subsidies, benefits, contributions or aid in cash or in kind, "that are not general and are not in the form of consideration, remuneration or compensation", effectively paid out by the public administrations and by the parties envisaged in Article 2-bis of Legislative Decree No. 33/2013.

SECTION 25 - EARNINGS PER SHARE

Earnings per share

	2020		2019	
	ORDINARY SHARES	SAVINGS SHARES	ORDINARY SHARES	SAVINGS SHARES
Weighted average shares (number)	1,500,000,000	-	1,500,000,000	-
Income attributable to different share classes (€m)	817	-	906	-
Basic earnings per share (basic EPC) (euro)	0.545	-	0.604	-
Diluted earnings per share (diluited EPC) (euro)	0.545	-	0.604	-

PART D - TOTAL COMPREHENSIVE INCOME

COMPONENTS OF TOTAL COMPREHENSIVE INCOME

		2020	2019
10.	**Net profit (loss) for the year**	**816**	**905**
	Other comprehensive income not transferred to the income statement:	**(6)**	**(9)**
20.	Equity instruments measured at fair value through other comprehensive income	-	-
	a) changes in fair value	-	-
	b) transfers to other components of shareholders' equity	-	-
30.	Financial liabilities measured at fair value through profit or loss (changes in own credit rating):	-	-
	a) changes in fair value	-	-
	b) transfers to other components of shareholders' equity	-	-
40.	Hedging of equity instruments measured at fair value through other comprehensive income	-	-
	a) changes in fair value (hedged instrument)	-	-
	b) changes in fair value (hedging instrument)	-	-
50.	Property and equipment	(1)	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	(12)	(13)
80.	Non-current assets held for sale and discontinued operations	-	-
90.	Valuation reserves related to investments carried at equity	-	-
100.	Income tax on comprehensive income not transferred to the income statement	7	4
	Other comprehensive income that may be transferred to the income statement	**14**	**54**
110.	Hedging of net investments in foreign operations:	-	-
	a) changes in fair value	-	-
	b) transfers to income statement	-	-
	c) other changes	-	-
120.	Exchange rate differences:	-	(1)
	a) changes in value	-	-
	b) transfers to income statement	-	-
	c) other changes	-	(1)
130.	Cash flow hedges:	7	4
	a) changes in fair value	7	4
	b) transfers to income statement	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments (undesignated elements):	-	-
	a) changes in value	-	-
	b) transfers to income statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income:	6	63
	a) changes in fair value	12	53
	b) transfers to income statement	(7)	16
	- adjustments for credit risk	-	-
	- income/losses on disposal	(7)	16
	c) other changes	1	(6)
160.	Non-current assets held for sale and discontinued operations:	-	-
	a) changes in fair value	-	-
	b) transfers to income statement	-	-
	c) other changes	-	-
170.	Valuation reserves related to investments carried at equity:	7	7
	a) changes in fair value	7	7
	b) transfers to income statement	-	-
	- adjustments for impairment losses	-	-
	- income/losses on disposal	-	-
	c) other changes	-	-
180.	Income tax on comprehensive income transferred to the income statement	(6)	(19)
190.	**Total other comprehensive income**	**8**	**45**
200.	**Total comprehensive income (Item 10+190)**	**824**	**950**
210.	**Total comprehensive income attributable to non-controlling interests**	**(1)**	**(1)**
220.	**Total comprehensive income attributable to parent company**	**825**	**951**

PART E - INFORMATION ON RISK AND RELATED HEDGING POLICIES

INTRODUCTION

The Fideuram Group considers the effective management and organisation of risk control essential for ensuring the dependable and sustainable creation of value in a context of controlled risk, in which adequate capital, stable profits, substantial liquidity and a strong reputation form the foundation for maintaining present and future profitability.

Our risk management strategy is based on a complete and coherent vision of risk, considering both the macroeconomic scenario and the specific risk profile of the Group, stimulating the growth of risk culture and strengthening our transparent presentation of portfolio risk.

The underlying principles of risk management and control organisation are as follows:

- clearly identify the responsibilities pertaining to the assumption of risks;
- implement measurement and control systems aligned with international best practice;
- maintain organisational separation of the departments responsible for management and the departments responsible for control.

The Fideuram Group has formulated Risk Management Guidelines which implement the Guidelines issued by Intesa Sanpaolo. These documents specify the roles and responsibilities of the Company Bodies, departments and units, together with the methods and procedures required to ensure prudent corporate risk management.

The Company Bodies play a core role in the Group's risk management and control, each of which has specified competencies for ensuring appropriate risk management, identifying strategic and management policies, continuously verifying their effectiveness and specifying the duties and responsibilities of the departments and units involved in the processes. The following are involved in this work:

- the Company Bodies (Board of Directors and Board of Statutory Auditors);
- Managing Director and Joint General Managers;
- the Internal Audit Department;
- the Chief Financial Officer;
- the Banking Services, Finance and Treasury departments, each in their respective areas of responsibility;
- Corporate Affairs;
- the Chief Risk Officer.

Fideuram - Intesa Sanpaolo Private Banking has also established special committees, which have consultative roles and duties that include monitoring the risk management process and disseminating risk culture.

The Chief Risk Officer is responsible for the following in the risk management process:

- drawing up risk management guidelines and policies in line with the Group's strategies and objectives as well as Intesa Sanpaolo's guidelines, and coordinating their implementation;
- ensuring effective measurement and control of exposure to the various different types of risk.

The Chief Risk Officer is independent from the company units with operational management duties in risk areas, and reports hierarchically to the Managing Director and General Manager and functionally to Intesa Sanpaolo's Chief Risk Officer.

The dissemination of risk culture is supported through the publication and constant updating of internal regulations and through special training and refresher training courses for the personnel involved, using training catalogue courses and dedicated class-based training courses.

SECTION 1 - RISKS FROM CONSOLIDATION

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 Non-performing and performing exposures: amounts, adjustments, changes, and financial distribution

A.1.1 Analysis of financial assets by asset class and credit quality (book value)

ASSET CLASS/QUALITY	DOUBTFUL LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST DUE EXPOSURES	PERFORMING PAST DUE EXPOSURES	PERFORMING EXPOSURES	TOTAL
1. Financial assets measured at amortised cost	1	20	13	66	45,082	45,182
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	2,805	2,805
3. Financial assets measured at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	338	338
5. Financial assets held for sale	-	-	-	-	-	-
Total 31.12.2020	**1**	**20**	**13**	**66**	**48,225**	**48,325**
Total 31.12.2019	**1**	**19**	**15**	**99**	**45,149**	**45,283**

A.1.2 Analysis of financial assets by asset class and credit quality (gross and net amounts)

ASSET CLASS/ QUALITY	NON-PERFORMING				PERFORMING			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL PARTIAL WRITE-OFFS	GROSS EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	
1. Financial assets measured at amortised cost	51	(17)	34	-	45,186	(38)	45,148	45,182
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	2,807	(2)	2,805	2,805
3. Financial assets measured at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	338	338
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 31.12.2020	**51**	**(17)**	**34**	**-**	**47,993**	**(40)**	**48,291**	**48,325**
Total 31.12.2019	**50**	**(15)**	**35**	**-**	**44,992**	**(36)**	**45,248**	**45,283**

ASSET CLASS/QUALITY	ASSETS WITH CLEARLY LOW CREDIT QUALITY		OTHER ASSETS
	ACCRUED LOSSES	NET EXPOSURE	NET EXPOSURE
1. Financial assets held for trading	-	-	47
2. Hedging derivatives	-	-	16
Total 31.12.2020	**-**	**-**	**63**
Total 31.12.2019	**-**	**-**	**56**

B. DISCLOSURES ON STRUCTURED ENTITIES (OTHER THAN SECURITISATION VEHICLES)

B.2 Unconsolidated structured entities

B.2.2 Other structured entities

QUANTITATIVE INFORMATION

BALANCE SHEET ITEMS / TYPE OF STRUCTURED ENTITY	ACCOUNTING PORTFOLIOS UNDER ASSETS	TOTAL ASSETS (A)	ACCOUNTING PORTFOLIOS UNDER LIABILITES	TOTAL LIABILITIES (B)	NET BOOK VALUE (C = A-B)	MAXIMUM EXPOSURE TO RISK OF LOSS (D)	DIFFERENCE BETWEEN EXPOSURE TO RISK OF LOSS AND BOOK VALUE (E = D - C)
Mutual Fund	Other financial assets mandatorily measured at fair value	14		-	14	14	-

SECTION 2 - RISKS FROM PRUDENTIAL CONSOLIDATION

1.1 CREDIT RISK

QUALITATIVE INFORMATION

1. GENERAL INFORMATION

The Fideuram Group's lending activities support its core business of providing investment services to private customers. Loans and advances to customers principally consist of repayable-upon-demand current account overdrafts to counterparties who also receive investment services. Loans are mainly granted by agreeing a current account overdraft facility and are linked directly to the bank's private banking business. Lines of credit granted are normally secured by collateral in the form of pledges on products distributed by the Group (mutual funds and discretionary accounts), or equities or bonds listed on major regulated markets, or to a marginal extent by irrevocable mandates to sell financial instruments selected from those distributed within the Group. Loans and advances to banks consist of short-term interbank loans, principally to Intesa Sanpaolo and leading banks in the eurozone.

Impacts of the Covid-19 pandemic

The coronavirus pandemic has been a major threat to the resilience of the firms in the Group's loan portfolio. On the other hand, a series of unprecedented public measures have been implemented to support the economy, which must be considered in the risk assessment. The speed of changes in the economic and social context has exacerbated the uncertainty of the economic forecasts on which risk appetite estimates are based. So, during this phase, a greater capacity of adaptation and focus on the different challenges posed to current credit risk assessment models is necessary. Therefore, it was decided to recalibrate the risk appetite to avoid pro-cyclical actions and, at the same time, support the economy by maintaining a sound financial and capital position.

With regard to determination of the Expected Credit Loss (ECL), the macroeconomic context that dominated 2020 made it necessary to modify the methods used to calculate it so that it would better reflect the specific factors connected with the pandemic. The assessments of performing loans increased significantly during 2020. As early as March 2020, the Group was implementing the instructions issued by various supervisory authorities to supplement its ordinary assessment process with management overlay measures to produce an earlier initial estimate of the possible effects of the Covid-19 pandemic on credit risk assessments.

The economic effects of those actions were determined by:

- considering the full effect on the entire performing loan portfolio of the worst alternative scenario developed in December 2019, which showed evidence of an even worse economic slowdown than what was forecast by the European Central Bank;
- estimating the impact of the denotch of the riskiest part of the performing portfolio – defined with a top-down approach merely for evaluation purposes – through identification of the economic sectors most at risk.

It became possible to introduce a more structured assessment process in June 2020. The construction of the most-likely and alternative scenarios incorporated the macroeconomic projections of the European Central Bank issued on 4 June and of the Bank of Italy, while also considering the state guarantees and moratoria incorporated in the estimate of the forward-looking ECL. A specific additional burden was introduced for certain micro-sectors of economic activity that were especially impacted by the Covid crisis to include more granularity on the impact of the macroeconomic context on those sectors, and a methodological modification was made to the forecasting models (satellite models) by changing the macroeconomic cycle indicators (provided at the systemic level by the Bank of Italy) from the deterioration rates (transition to the doubtful loan category) to the default rates, with consequent adjustment of the significant increase in credit risk (SICR) thresholds. Finally, the macroeconomic scenario was updated in December 2020 through implementation of the instructions provided by the European Central Bank and the Bank of Italy, the significant increase in credit risk thresholds were updated, and the micro-sector correction was remodulated by using a more analytical and targeted method.

As for the ECL of non-performing loans, the macroeconomic projections of the European Central Bank and the Bank of

Italy of June and December 2020 were used to estimate the impact on forward-looking scenarios. As was done in previous years, the optimistic scenario was excluded by remaining based on the worst scenario.

2. CREDIT RISK MANAGEMENT POLICIES

2.1 Organisational aspects

The credit risk management policy, which is integrated and consistent with the guidelines issued by Intesa Sanpaolo, is subject to approval by the Corporate Bodies of Fideuram, which have the prerogative of making strategic risk management decisions for the Fideuram Group. The Group's credit risk policies are formulated by the Board of Directors and governed by internal lending regulations. These regulations ensure appropriate loan portfolio risk management, governing the authority to grant loans and specifying the company bodies so authorised, together with their related limits. The internal regulations also specify the organisational units responsible for managing credit risk, problem loans and non-performing loans. Credit risk management is carried out by a central unit that is separate from those in charge of granting and managing loans.

In the Fideuram Group, the authorisation levels for granting and managing loans are determined according to the face value of the granted loans (except for the subsidiary Intesa Sanpaolo Private Banking). A project is underway for alignment with the decision-making RWA analogously to what has been adopted in the Intesa Sanpaolo Group, where the components that contribute to determination of the Risk Weighted Assets (RWA) constitute the key elements for determining the authority to grant and manage loans, the limits of the Credit Risk Appetite (CRA) and the credit limit, the pricing of the loan, the calculation of the impairment on performing and non-performing exposures, as well as the calculation of the economic and regulatory capital. The authority levels limit the decision-making authority at the time the loan is granted, by specifying the delegated professionals and the decision-making procedures for the loans made to individual counterparties. If the granted loan exceeds specific limits, a "Compliance Opinion" must be requested from the delegated bodies of Intesa Sanpaolo.

2.2 Management, measurement and control systems

The Group's credit strategies are directed towards the efficient selection of individual borrowers. Irrespective of any collateral, the granting of any loan is always subject to an appropriate analysis of the applicant's creditworthiness and their current and prospective ability to generate adequate cash flows to repay the debt. The quality of the loan portfolio is ensured through the adoption of special operating procedures at every stage in the life of each loan, which use special monitoring systems to obtain prompt notification of any symptoms of impairment in the collateral securing the loans granted. In addition, dedicated application procedures monitor any signs of non-performing loan positions. This monitoring is carried out during every stage in the loan management process (enquiry, granting and monitoring) and consists of a critical analysis of all the relevant indicators and the periodic review of every position. Further controls are carried out by our central departments on both the nature and quality of the overall exposures. In addition, special controls are carried out to limit the concentration of exposure within the Intesa Sanpaolo Group. Risk monitoring and measurement tools and techniques developed within the Group are also used to this end.

Impacts of the Covid-19 pandemic

With regard to classification of the credit exposures, the spread of Covid-19 first made it necessary, as agreed by the banking system and institutions (governments and regulators), to grant still performing customers generalised payment suspension measures (moratoria) with simplified procedures and without penalty on the parties involved, i.e. banks and customers. These measures, partly governed by national regulations and partly decided independently by the banks, have been specifically regulated, as summarised in the specific Guidelines issued by the EBA ("Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis"). According to the EBA, the moratoria have to comply with certain specific requirements. The moratoria essentially must:

- be offered without distinction by the bank to a group of (performing) borrowers or in compliance with and pursuant to statutory provisions;
- not require waiver of contractual interest or principal but only a mere postponement/lengthening of payment terms.

After activation of the "EBA compliant" moratoria, the calculation of past-due payments to identify defaults (with consequent classification as Non-performing past due) is halted. Then, moratoria are not automatically considered to be a forbearance measure and, consequently, do not also constitute a trigger of significant increase in credit risk with slippage to Stage 2 pursuant to IFRS 9 (for those positions that are already in Stage 1).

The Fideuram Group has implemented the rules issued by the regulators (European Central Bank, EBA, Bank of Italy), even if very few cases of moratoria have been reported for private customers. At the operational level, the Group did not participate in the offer of credit to customers that featured special guarantees (State - Sa.Ce.) in compliance with the Decree of the President of the Council of Ministers "Cura Italia" and the Liquidity Decree, which is an exclusive prerogative of Intesa Sanpaolo, but it did update its own catalogue of products with ad hoc loans, characterised exclusively by subsidised rate conditions and less strict collateral requirements. That offer, which amounted to approximately €560m, is periodically monitored together with the other credit products in the catalogue.

2.3 Methods for measuring expected losses

The expected loss is the product of the exposure, the probability of default and the Loss Given Default.

In the Group, the probability of default is measured with rating models that differ according to the operating segment of the counterparty (Corporate, SME Retail, Retail, Sovereign States, Public Sector Entities and Banks). These models, developed by Intesa Sanpaolo, make it possible to summarise the counterparty's credit quality in a single measure, called the rating, which reflects the probability of default with a one-year horizon, calibrated to the average level of the business cycle. Moreover, the calculated rating are reconciled with the classifications of official rating agencies on the basis of a uniform reference scale.

The LGD models are based on the notion of "Economic LGD", i.e. the discounted value of cash flows received during the various phases of the recovery process net of any directly applicable administrative costs and the indirect management costs borne by the Group. The calculation of the LGD relies on models that are differentiated according to operating segment (Corporate, SME Retail, Retail, Factoring, Leasing, Public Entities and Banks). For banks, the model used to determine the Loss Given Default (LGD) diverges partly from the models developed for the other segments insofar as the model used to make estimates is based on the prices of the debt instruments observed 30 days after the official default date and related to a sample of banks that have defaulted worldwide, acquired from an external source.

Calculation of the exposure at default (EAD) uses specialised models that differ according to the operating segment (Corporate, SME Retail, Retail, Factoring, Leasing, Public Entities and Banks) and also considers the percentage of available but unused margin of a certain credit line that will be transformed into an exposure over a given time horizon (so called Credit Conversion Factor - CCF).

The expected loss (EL) estimation process is implemented consistently with supervisory regulations and is based on the same risk parameters used for the AIRB models described above. When determining the impairment of credit exposures, these parameters are adapted to assure full compliance with the requirements imposed by IFRS 9, which requires adoption of a point-in-time approach to incorporate in the calculation process all information available at the time of the measurement, including prospective information, such as macroeconomic scenarios and estimates, while the approach adopted in development of the internal models used to determine regulatory capital instead requires that the ratings be calibrated on the expected average level of the business cycle over the long-term ("Through the Cycle"), and thereby only partially reflecting current conditions.

The impairment of performing loans and past due loans is determined based on an expected loss impairment model to obtain more timely recognition of credit losses in the income statement. IFRS 9 requires entities to recognise expected credit losses in the 12 months (Stage 1) after initial recognition of a financial instrument, resulting from the product of PD, EAD and LGD. However, the time horizon for calculating expected loss becomes the entire residual life of the asset when there has been any significant deterioration in the credit quality of the financial instrument since initial recognition (Stage 2) or if the financial instrument is impaired (Stage 3).

The illustrated measurement method is also extended to endorsement credit and commitments. In regard to the latter, the unused margins on irrevocable credit lines are not included in the calculation base.

Changes due to Covid-19

In response to the new macroeconomic scenarios, the Intesa Sanpaolo Research Department has produced IFRS 9 scenarios in accordance with the scenarios (baseline, mild and severe) published in December by the European Central Bank and the Bank of Italy and also used in the credit risk assessment process to determine the Expected Credit Loss, broken down as follows:

1. the most likely (or baseline) scenario forecasts a significant recovery in Italian GDP in 2021 and 2022, while growth will slow down in 2023 while still remaining at strong;
2. the worst scenario, in which the major contraction in the Italian GDP in 2020 is followed by general stagnation in 2021 and a weak recovery in subsequent years;
3. the best scenario, which assumes full recovery from the 2020 downturn over the following two years, driven especially by a strong recovery in 2021.

With regard to the health situation, the best scenario essentially assumes the effective and rapid containment of the virus, due partly to the launch of massive vaccination campaigns by European countries, while the worst scenario assumes that infections will start spreading again and an extension/tightening of containment measures until mid-2021.
These scenarios were applied to obtain the forward-looking impacts of the parameters to determine the IFRS 9 ECL. Also in accordance with the guidance received from regulators and the best practices found on the market, specific management overlay measures were implemented to include ad hoc corrective measures, which were not captured by currently used models, to obtain a better reflection of specific Covid-19 impacts in the credit risk assessments.

Assessment of the significant increase in credit risk (SICR)
The IFRS Foundation has published the document "Covid-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic" which, while not amending IFRS 9, suggests a key to interpretation in the context of the current pandemic. It clarifies that entities should not continue applying the existing methods used to calculate the ECL, having recognised the difficulty of incorporating both the effects of the pandemic and the associated government aid in their models. Therefore, if the banks end up in that situation, post-model managerial adjustments will have to be considered. With regard to classification, it is confirmed that the grant of moratoria to customers should not automatically translate into holding that all of their contracts have suffered a significant increase in credit risk (SICR).

Additionally, the European Central Bank has recommended that entities should seek to identify the increase in credit risk as early as possible, independently of recourse to analytical or group assessment, by assessing the loans subject to moratoria more comprehensively and not using only the number of days past due as the criterion for identifying an SICR, and thus reminding them to use qualitative information also, as prescribed by IFRS 9.

Measurement of expected losses
The range of assessment methods described above has led to higher net impairment of loans to customers totalling €7m, mainly ascribable to recalibration of the valuation measures resulting from the pandemic.

2.4 Credit risk mitigation techniques

In order to mitigate the credit risk of loans and advances to customers, the Group normally obtains collateral, bank guarantees or irrevocable mandates to sell financial instruments.

The types of collateral obtained are principally products distributed by the Fideuram Group (mutual funds and discretionary accounts) or financial instruments listed on major regulated markets. Bonds are only accepted as collateral if the issuer or loan has an appropriate rating (by leading rating agencies).

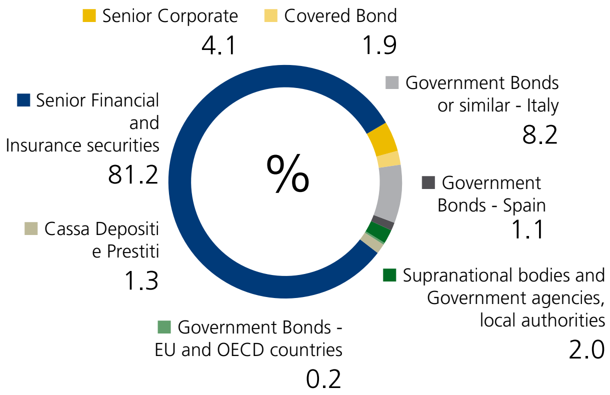
The value of the financial instruments obtained as collateral is discounted differentially in relation to the type of product and technical form concerned, as a precautionary measure when calculating the credit limit to be granted, with a view to protecting the Group against any fluctuations in market value. The concentration of collateral in issuers is very low, except for mutual funds and other products distributed by the Fideuram Group. There were no encumbrances at the time this report was prepared capable of undermining the legal validity of any collateral, which is moreover subject to periodic verification.

The Group uses bilateral netting agreements, which offset creditor and debtor positions in the event of the default of one counterparty, to mitigate the counterparty risk in Security Financing Transactions (SFT), specifically securities lending transactions and repurchase agreements. Aside from what has already been indicated (bilateral netting), when OTC (unregulated) derivatives are subject to a Clearing House, counterparty risk is mitigated through an additional level of collateralization represented by centralised margining. ISDA and ISMA/GMRA agreements are used to this end, which also allow to reduce the regulatory capital allocation while operating in accordance with the supervisory regulations.

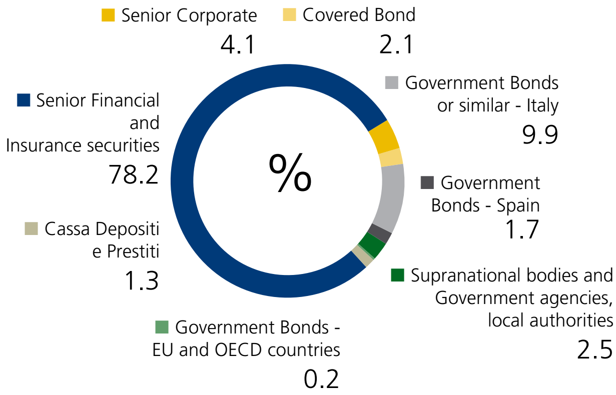
At 31 December 2020, the Group portfolio was broken down as follows by product type and rating.

Analysis by product type

31.12.2020

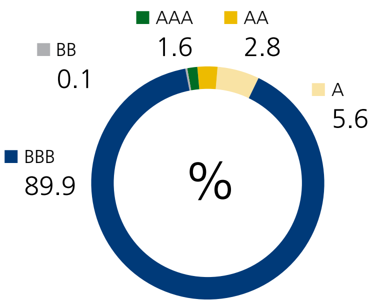


31.12.2019

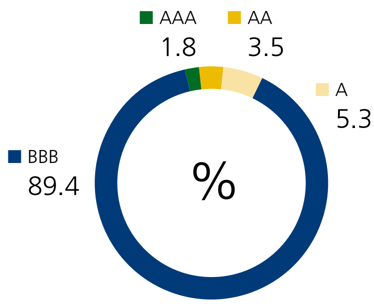


Analysis by rating

31.12.2020



31.12.2019



3. NON-PERFORMING EXPOSURES

3.1 Management strategies and policies

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 different categories according to their risk profile. Exposures to insolvent parties (even if insolvency has not been declared by court order) or parties in substantially equivalent situations are classified as doubtful loans, regardless of any loss estimates prepared by the intermediary. Exposures where the borrower is assessed as being unlikely to meet their payment obligations in full (principal and/or interest) are classified as unlikely to pay loans.
Lastly, loans that are past due and/or overdue which have exceeded the objective overdue payment conditions specified by the Bank of Italy are also considered problem loans. The Group's internal lending regulations govern the procedures for transferring performing positions to non-performing assets, and specify the different types of problem loans, their management and the company bodies empowered to authorise the transfer of positions between different classes of loans.

Doubtful loans, net of adjustments, accounted for a very small percentage of total loans (0.01% of loans to customers). Loss forecasts are formulated analytically for each individual loan based on all the relevant valuation factors (debtor assets, employment income and estimated recovery date etc.). The valuations are examined at regular intervals and revised if any significant new elements emerge.

3.2 Write-off

Then, we recall that in the case of non-performing loans, the Fideuram Group uses full or partial cancellation/removal of bad debts (write-off), and consequently recognises a loss on the remaining part that has not yet been adjusted in the following cases:

a) irrecoverability of the loan, resulting from certain and precise elements (e.g. the debtor has disappeared and has no assets, failure to recover anything from forfeiture of assets and property, failed foreclosures, collective creditor actions that end without complete recovery, if there are no additional guarantees that can be effectively enforced, etc.);
b) waiver of claim, consequent to unilateral forgiveness of the debt or the remaining debt when settlement agreements are made;
c) assignments of loans.

Any recoveries from collection after the write-off are recognised under reversals of impairment on the income statement.

3.3 Purchased or originated credit-impaired financial assets

In accordance with IFRS 9, the loans that are considered impaired from the very moment of their initial recognition in the balance sheet, due to the high credit risk associated with them, are defined as Purchased or Originated Credit-Impaired Asset (POCI). If they fall within the scope of application of impairment under IFRS 9, these loans are measured by creating, from their initial recognition date, provisions to cover the losses that cover the entire remaining lifetime of the loan (Expected Credit Loss lifetime). Since these are impaired loans, they initially have to be recognised as Stage 3, notwithstanding the possibility of being moved during their lifetime to Stage 2 if, according to the credit risk analysis, they are no longer impaired.
There were no POCI positions in the portfolio of the Fideuram Group at 31 December 2020.

4. FINANCIAL ASSETS SUBJECT TO COMMERCIAL RENEGOTIATION AND FORBORNE EXPOSURES

Forbearance measures represent the forbearance offered to a debtor who is facing, or is about to face difficulties in satisfying his own payment obligations (troubled debt). The term "forbearance" means both the contractual amendments that are accorded to the debtor in financial difficulty (modification) and the disbursement of a new loan so that the pre-existing obligation can be satisfied (refinancing). Forbearance also refers to the contractual modifications which the debtor may freely request under a contract that has already been signed, but only if the creditor believes that that debtor is in financial difficulty (embedded forbearance clauses). Therefore, the notion of "forborne" has to exclude renegotiation of contracts for commercial reasons/practice that are made irrespective of the debtor's financial difficulties.

The exposures subject to forbearance measures ("forborne assets" or "forborne exposures") are necessarily identified on the basis of a "by transaction" approach, in accordance with the provisions of EBA regulations. In this context, "exposure" refers to the renegotiated contract and not to all of the exposures to the same debtor.

Unlike the forbearance measures, which concern the outstanding loans to counterparties in financial difficulty, renegotiations for commercial reasons involve debtors who are not in financial difficulty and include all the transactions aimed at adjusting the cost of the debt to market conditions. These commercial renegotiations of loans involve a change in the original conditions of the contract, usually requested by the borrower and generally relating to aspects concerning the cost of the debt (or its duration), with a consequent economic benefit for the borrower. In general, whenever the bank carries out a renegotiation to avoid losing its customer, that renegotiation should be considered as substantial because, if it were not carried out, the customer would borrow from another intermediary and the bank would incur a decrease in expected future revenues.

Under specific conditions, these transactions are similar in accounting terms to the premature repayment of the original debt and the opening of a new loan.

With regard to the impact of economic support measures on the SICR assessment processes and the measurement of expected losses, reference is made to what is published in Part A - Accounting policies.

Loans and advances to customers: credit quality
(€m)

	31.12.2020		31.12.2019		CHANGE
	NET EXPOSURE	%	NET EXPOSURE	%	NET EXPOSURE
Doubtful loans	1	-	1	-	-
Unlikely to pay	20	-	19	-	1
Past due loans or overdue loans	13	-	15	-	(2)
Non-performing assets	**34**	**-**	**35**	**-**	**(1)**
Performing loans	9,821	80	9,294	79	527
Debt instruments	2,378	20	2,509	21	(131)
Loans and advances to customers	**12,233**	**100**	**11,838**	**100**	**395**

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 Non-performing and performing credit exposures: amounts, adjustments, changes, and financial distribution

A.1.1 Prudential consolidation - Analysis of financial assets by past-due bands (book value)

PORTFOLIOS/ RISK STAGES	FIRST STAGE			SECOND STAGE			THIRD STAGE		
	BETWEEN 1 AND 30 DAYS	BETWEEN MORE THAN 30 DAYS AND 90 DAYS	OVER 90 DAYS	BETWEEN 1 AND 30 DAYS	BETWEEN MORE THAN 30 DAYS AND 90 DAYS	OVER 90 DAYS	BETWEEN 1 AND 30 DAYS	BETWEEN MORE THAN 30 DAYS AND 90 DAYS	OVER 90 DAYS
1. Financial assets measured at amortised cost	24	6	2	8	18	8	1	1	32
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-
Total 31.12.2020	**24**	**6**	**2**	**8**	**18**	**8**	**1**	**1**	**32**
Total 31.12.2019	**52**	**12**	**2**	**24**	**8**	**1**	**2**	**-**	**33**

A.1.2 Prudential consolidation - Financial assets, commitments to grant funds and financial guarantees issued: changes in comprehensive adjustments and comprehensive provisions

REASONS/ RISK STAGES	TOTAL NET ADJUSTMENTS									
	ASSETS FALLING IN FIRST STAGE					ASSETS FALLING IN SECOND STAGE				
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS HELD FOR SALE	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS HELD FOR SALE	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS
Opening balance	**16**	**1**	**-**	**17**	**-**	**19**	**-**	**-**	**19**	**-**
Increases in purchased or originated financial assets	1	-	-	1	-	-	-	-	-	-
Cancellations other than write-offs	(1)	-	-	(1)	-	-	-	-	-	-
Net impairment for credit risk	4	-	-	4	-	(2)	1	-	-	-
Contractual changes without cancellation	-	-	-	-	-	-	-	-	-	-
Changes in estimation method	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	-
Other changes	1	-	-	1	-	-	-	-	-	-
Closing balance	**21**	**1**	**-**	**22**	**-**	**17**	**1**	**-**	**19**	**-**
Recoveries from collection on financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in income statement	-	-	-	-	-	-	-	-	-	-

A.1.3 Prudential consolidation - Financial assets, commitments to grant funds and financial guarantees issued: transfers between different credit risk stages (gross and face values)

PORTFOLIOS/RISK STAGES	GROSS VALUES/FACE VALUE					
	TRANSFERS BETWEEN FIRST STAGE AND SECOND STAGE		TRANSFERS BETWEEN SECOND STAGE AND THIRD STAGE		TRANSFERS BETWEEN FIRST STAGE AND THIRD STAGE	
	FROM FIRST STAGE TO SECOND STAGE	FROM SECOND STAGE TO FIRST STAGE	FROM SECOND STAGE TO THIRD STAGE	FROM THIRD STAGE TO SECOND STAGE	FROM FIRST STAGE TO THIRD STAGE	FROM THIRD STAGE TO FIRST STAGE
1. Financial assets measured at amortised cost	816	723	69	32	4	26
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Commitments to grant funds and financial guarantees issued	211	226	8	7	1	3
Total 31.12.2020	**1,027**	**949**	**77**	**39**	**5**	**29**
Total 31.12.2019	**722**	**856**	**60**	**7**	**12**	**7**

ASSETS FALLING IN THIRD STAGE					OF WHICH: PURCHASED OR ORIGINATED NON-PERFORMING FINANCIAL ASSETS	TOTAL PROVISIONS ON COMMITMENTS TO GRANT FUNDS AND FINANCIAL GUARANTEES ISSUED			TOTAL
FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS HELD FOR SALE	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS		FIRST STAGE	SECOND STAGE	THIRD STAGE	
15	**-**	**-**	**15**	**-**	**-**	**-**	**1**	**-**	**52**
-	-	-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	-	-	(1)
2	-	-	2	-	-	1	1	-	7
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	1
17	**-**	**-**	**17**	**-**	**-**	**1**	**2**	**-**	**60**
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-

A.1.3a Loans covered by Covid-19 support measures: transfers between different credit risk stages (gross values)

PORTFOLIOS/RISK STAGES	GROSS VALUES/FACE VALUE					
	TRANSFERS BETWEEN FIRST STAGE AND SECOND STAGE		TRANSFERS BETWEEN SECOND STAGE AND THIRD STAGE		TRANSFERS BETWEEN FIRST STAGE AND THIRD STAGE	
A. Financial assets measured at amortised cost	**1**	**-**	**-**	**-**	**-**	**-**
A.1. forborne in compliance with the GL	1	-	-	-	-	-
A.2. other forborne exposures	-	-	-	-	-	-
A.3. New loans	-	-	-	-	-	-
B. Loans measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
B.1. forborne in compliance with the GL	-	-	-	-	-	-
B.2. other forborne exposures	-	-	-	-	-	-
B.3. New loans	-	-	-	-	-	-
Total 31.12.2020	**1**	**-**	**-**	**-**	**-**	**-**

A.1.4 Prudential consolidation - On and off-balance-sheet exposures of loans and advances to banks: gross and net values

TYPE OF EXPOSURE/VALUE	GROSS EXPOSURE		TOTAL NET ADJUSTMENTS AND TOTAL PROVISIONS	NET EXPOSURE	TOTAL PARTIAL WRITE-OFFS
	NON-PERFORMING	PERFORMING			
A. Cash exposure					
A) Doubtful loans	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
c) Non-performing past due exposures	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past due exposures	X	-	-	-	-
- of which: forborne exposures	X	-	-	-	-
e) Other performing exposures	X	34,090	(18)	34,072	-
- of which: forborne exposures	X	-	-	-	-
Total A	**-**	**34,090**	**(18)**	**34,072**	**-**
B. Off-balance-sheet exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	504	-	504	-
Total B	**-**	**504**	**-**	**504**	**-**
Total (A+B)	**-**	**34,594**	**(18)**	**34,576**	**-**

A.1.5 Prudential consolidation - On and off-balance-sheet exposures of loans and advances to customers: gross and net values

TYPE OF EXPOSURE/VALUE	GROSS EXPOSURE		TOTAL NET ADJUSTMENTS AND TOTAL PROVISIONS	NET EXPOSURE	TOTAL PARTIAL WRITE-OFFS
	NON-PERFORMING	PERFORMING			
A. Cash exposure					
a) Doubtful loans	10	X	(9)	1	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to pay	26	X	(6)	20	-
- of which: forborne exposures	4	X	(2)	2	-
c) Non-performing past due exposures	15	X	(2)	13	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past due exposures	X	66	-	66	-
- of which: forborne exposures	X	-	-	-	-
e) Other performing exposures	X	14,175	(22)	14,153	-
- of which: forborne exposures	X	3	-	3	-
Total A	**51**	**14,241**	**(39)**	**14,253**	**-**
B. Off-balance-sheet exposures					
a) Non-performing	4	X	-	4	-
b) Performing	X	4,666	(3)	4,663	-
Total B	**4**	**4,666**	**(3)**	**4,667**	**-**
Total (A+B)	**55**	**18,907**	**(42)**	**18,920**	**-**

A.1.5a Loans covered by Covid-19 support measures: gross and net values

TYPE OF LOANS/VALUE	GROSS EXPOSURE	TOTAL NET ADJUSTMENTS AND TOTAL PROVISIONS	NET EXPOSURE	TOTAL PARTIAL WRITE-OFFS
A. Doubtful loans:	**-**	**-**	**-**	**-**
a) Forborne in compliance with the GL	-	-	-	-
b) Other forborne exposures	-	-	-	-
c) New loans	-	-	-	-
B. Loans in unlikely to pay:	**-**	**-**	**-**	**-**
a) Forborne in compliance with the GL	-	-	-	-
b) Other forborne exposures	-	-	-	-
c) New loans	-	-	-	-
C. Non-performing past due loans:	**-**	**-**	**-**	**-**
a) Forborne in compliance with the GL	-	-	-	-
b) Other forborne exposures	-	-	-	-
c) New loans	-	-	-	-
D. Other performing past due loans:	**-**	**-**	**-**	**-**
a) Forborne in compliance with the GL	-	-	-	-
b) Other forborne exposures	-	-	-	-
c) New loans	-	-	-	-
E. Other performing loans:	**7**	**-**	**7**	**-**
a) Forborne in compliance with the GL	7	-	7	-
b) Other forborne exposures	-	-	-	-
c) New loans	-	-	-	-
Total 31.12.2020	**7**	**-**	**7**	**-**

A.1.7 Prudential consolidation - On-balance sheet exposures of loans and advances to customers: changes in gross non-performing loans

REASONS/CATEGORIES	DOUBTFUL LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST DUE EXPOSURES
A. Gross exposure at beginning of period	**9**	**24**	**17**
- of which: loans disposed of but not written off	-	-	-
B. Increases	**2**	**14**	**70**
B.1 Transfers from performing exposures	-	7	66
B.2 Transfers from impaired financial assets that are purchased or originated	-	-	-
B.3 Transfers from other categories of non-performing exposures	1	5	-
B.4 Contractual changes without cancellation	-	-	-
B.5 Other increases	1	2	4
C. Decreases	**(1)**	**(12)**	**(72)**
C.1 Transfers to performing exposures	-	(8)	(51)
C.2 Write-off	-	-	-
C.3 Collections	(1)	(4)	(15)
C.4 Disposals	-	-	-
C.5 Losses on sales	-	-	-
C.6 Transfers to other categories of non-performing exposures	-	-	(6)
C.7 Contractual changes without cancellation	-	-	-
C.8 Other decreases	-	-	-
D. Gross exposure at end of period	**10**	**26**	**15**
- of which: loans disposed of but not written off	-	-	-

A.1.7bis Prudential consolidation - On-balance sheet exposure of loans and advances to customers: changes in gross loans ranked by credit quality

REASONS/QUALITY	FORBORNE EXPOSURES: NON-PERFORMING	FORBORNE EXPOSURES: PERFORMING
A. Gross exposure at beginning of period	**4**	**2**
- of which: loans disposed of but not written off	-	-
B. Increases	**-**	**1**
B.1 Transfers from non-forborne performing exposures	-	1
B.2 Transfers from forborne performing exposures	-	X
B.3 Transfers from non-performing forborne exposures	X	-
B.4 Transfers from non-performing exposures	-	-
B.5 Other increases	-	-
C. Decreases	**-**	**-**
C.1 Transfers to non-forborne performing exposures	X	-
C.2 Transfers to forborne performing exposures	-	X
C.3 Transfers to forborne exposures	X	-
C.4 Write-off	-	-
C.5 Collections	-	-
C.6 Disposals	-	-
C.7 Losses on sales	-	-
C.8 Other decreases	-	-
D. Gross exposure at end of period	**4**	**3**
- of which: loans disposed of but not written off	-	-

A.1.9 Prudential consolidation - On-balance sheet exposure of non-performing loans and advances to customers: changes in total adjustments

REASONS/CATEGORIES	DOUBTFUL LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE EXPOSURES	
	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES
A. Total adjustments at beginning of period	**8**	**-**	**5**	**2**	**2**	**-**
- of which: loans disposed of but not written off	-	-	-	-	-	-
B. Increases	**1**	**-**	**3**	**-**	**2**	**-**
B.1 Adjustments to impaired financial assets that are purchased or originated	-	X	-	X	-	X
B.2 Other adjustments	1	-	2	-	2	-
B.3 Losses on sales	-	-	-	-	-	-
B.4 Transfers from other categories of non-performing exposures	-	-	1	-	-	-
B.5 Contractual changes without cancellation	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases	**-**	**-**	**(2)**	**-**	**(2)**	**-**
C.1 Write-backs from year-end valuations	-	-	(1)	-	(1)	-
C.2 Write-backs following collections	-	-	(1)	-	-	-
C.3 Profit on sales	-	-	-	-	-	-
C.4 Write-off	-	-	-	-	-	-
C.5 Transfers to other categories of non-performing exposures	-	-	-	-	(1)	-
C.6 Contractual changes without cancellation	-	-	-	-	-	-
C.7 Other decreases	-	-	-	-	-	-
D. Total adjustments at end of period	**9**	**-**	**6**	**2**	**2**	**-**
- of which: loans disposed of but not written off	-	-	-	-	-	-

A.2 Classification of exposures by external and internal rating

A.2.1 Prudential consolidation - Analysis of financial assets, commitments to grant funds and financial guarantees issued by external rating classes (gross values)

EXPOSURES	EXTERNAL RATING CLASS						NO RATING	TOTAL
	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6		
A. Financial assets measured at amortised cost	**339**	**2,034**	**32,676**	**-**	**19**	**-**	**10,169**	**45,237**
- First stage	339	230	32,676	-	19	-	8,342	41,606
- Second stage	-	1,804	-	-	-	-	1,776	3,580
- Third stage	-	-	-	-	-	-	51	51
B. Financial assets measured at fair value through other comprehensive income	**367**	**1,058**	**1,094**	**68**	**63**	**-**	**157**	**2,807**
- First stage	346	986	983	68	40	-	152	2,575
- Second stage	21	72	111	-	23	-	5	232
- Third stage	-	-	-	-	-	-	-	-
C. Financial assets held for sale	-	-	-	-	-	-	-	-
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
TOTAL (A+B+C)	**706**	**3,092**	**33,770**	**68**	**82**	**-**	**10,326**	**48,044**
of which: impaired financial assets that are purchased or originated	-	-	-	-	-	-	-	
D. Commitments to grant funds and financial guarantees issued								
- First stage	1	-	136	-	-	-	3,790	3,927
- Second stage	-	-	-	-	-	-	876	876
- Third stage	-	-	-	-	-	-	4	4
TOTAL (D)	**1**	**-**	**136**	**-**	**-**	**-**	**4,670**	**4,807**
TOTAL (A+B+C+D)	**707**	**3,092**	**33,906**	**68**	**82**	**-**	**14,996**	**52,851**

		CREDIT RATING					
		CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6
Rating agency (ECAI)	S&P Global Ratings	from AAA to AA-	from A+ to A-	from BBB+ to BBB-	from BB+ to BB-	from B+ to B-	CCC+ and below
	Moody's	from Aaa to Aa3	from A1 to A3	from Baa1 to Baa3	from Ba1 to Ba3	from B1 to B3	Caa1 and below
	Fitch	from AAA to AA-	from A+ to A-	from BBB+ to BBB-	from BB+ to BB-	from B+ to B-	CCC+ and below

A.3 Analysis of secured loan exposures by type of guarantee

A.3.1 Prudential consolidation - On and off-balance sheet guaranteed exposure of loans and advances to banks

	GROSS EXPOSURE	NET EXPOSURE	COLLATERAL			
			BUILDINGS - MORTGAGES	BUILDINGS - FINANCIAL LEASING	SECURITIES	OTHER COLLATERAL
1. Cash exposure of secured loans	**-**	**-**	**-**	**-**	**-**	**-**
1.1 fully secured	-	-	-	-	-	-
- including impaired	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-
- including impaired	-	-	-	-	-	-
2. Off-balance-sheet exposures of secured loans	**5**	**5**	**-**	**-**	**-**	**4**
2.1 fully secured	-	-	-	-	-	-
- including impaired	-	-	-	-	-	-
2.2 partially secured	5	5	-	-	-	4
- including impaired	-	-	-	-	-	-

A.3.2 Prudential consolidation - On and off-balance sheet guaranteed exposure of loans and advances to customers

	GROSS EXPOSURE	NET EXPOSURE	COLLATERAL			
			BUILDINGS - MORTGAGES	BUILDINGS - FINANCIAL LEASING	SECURITIES	OTHER COLLATERAL
1. Cash exposure of secured loans	**9,129**	**9,110**	**694**	**-**	**7,141**	**721**
1.1 fully secured	8,491	8,478	693	-	7,060	705
- including impaired	27	23	4	-	19	-
1.2 partially secured	638	632	1	-	81	16
- including impaired	7	2	-	-	1	-
2. Off-balance-sheet exposures of secured loans	**3,922**	**3,918**	**1**	**-**	**3,505**	**370**
2.1 fully secured	3,821	3,818	1	-	3,463	350
- including impaired	3	3	-	-	3	-
2.2 partially secured	101	100	-	-	42	20
- including impaired	-	-	-	-	-	-

	PERSONAL GUARANTEES									TOTAL
	CREDIT DERIVATIVES					ENDORSEMENT CREDIT				
	CREDIT LINKED NOTES	OTHER DERIVATIVES				PUBLIC ENTITIES	BANKS	OTHER FINANCIAL INSTITUTIONS	OTHER PARTIES	
		CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL INSTITUTIONS	OTHER PARTIES					
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4**
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	4
	-	-	-	-	-	-	-	-	-	-

	PERSONAL GUARANTEES									TOTAL
	CREDIT DERIVATIVES					ENDORSEMENT CREDIT				
	CREDIT LINKED NOTES	OTHER DERIVATIVES				PUBLIC ENTITIES	BANKS	OTHER FINANCIAL INSTITUTIONS	OTHER PARTIES	
		CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL INSTITUTIONS	OTHER PARTIES					
	-	**-**	**-**	**-**	**-**	**-**	**432**	**-**	**33**	**9,021**
	-	-	-	-	-	-	2	-	18	8,478
	-	-	-	-	-	-	-	-	-	23
	-	-	-	-	-	-	430	-	15	543
	-	-	-	-	-	-	-	-	-	1
	-	**-**	**-**	**-**	**-**	**-**	**8**	**-**	**7**	**3,891**
	-	-	-	-	-	-	-	-	4	3,818
	-	-	-	-	-	-	-	-	-	3
	-	-	-	-	-	-	8	-	3	73
	-	-	-	-	-	-	-	-	-	-

B. DISTRIBUTION AND CONCENTRATION OF LOANS

B.1 Prudential consolidation - Analysis of on and off-balance sheet exposure of loans and advances to customers by sector

EXPOSURES/COUNTERPARTIES	PUBLIC ENTITIES		FINANCIAL INSTITUTIONS		OTHER FINANCIAL INSTITUTIONS (OF WHICH: INSURANCE COMPANIES)		NON-FINANCIAL COMPANIES		HOUSEHOLDS	
	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
A. Cash exposure										
A.1 Doubtful loans	-	-	-	(4)	-	-	-	(1)	1	(4)
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	12	(2)	8	(4)
- of which: forborne exposures	-	-	-	-	-	-	-	-	2	(2)
A.3 Non-performing past due exposures	-	-	-	-	-	-	1	-	12	(2)
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	2,862	(8)	1,464	(2)	513	-	2,781	(9)	7,112	(3)
- of which: forborne exposures	-	-	-	-	-	-	-	-	3	-
Total A	**2,862**	**(8)**	**1,464**	**(6)**	**513**	**-**	**2,794**	**(12)**	**7,133**	**(13)**
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	1	-	3	-
B.2 Performing exposures	-	-	133	-	-	-	1,120	(2)	3,410	(1)
Total B	**-**	**-**	**133**	**-**	**-**	**-**	**1,121**	**(2)**	**3,413**	**(1)**
Total (A+B) 31.12.2020	**2,862**	**(8)**	**1,597**	**(6)**	**513**	**-**	**3,915**	**(14)**	**10,546**	**(14)**
Total (A+B) 31.12.2019	**3,329**	**(13)**	**1,835**	**(5)**	**495**	**-**	**3,327**	**(7)**	**9,512**	**(13)**

B.2 Prudential consolidation - Analysis of territorial distribution of on and off-balance sheet exposure of loans and advances to customers

EXPOSURES/GEOGRAPHICAL AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
A. Cash exposure										
A.1 Doubtful loans	1	(9)	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	20	(6)	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	13	(2)	-	-	-	-	-	-	-	-
A.4 Performing exposures	12,551	(21)	1,182	(1)	483	-	-	-	3	-
Total A	**12,585**	**(38)**	**1,182**	**(1)**	**483**	**-**	**-**	**-**	**3**	**-**
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	4	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	4,652	(3)	6	-	4	-	-	-	1	-
Total B	**4,656**	**(3)**	**6**	**-**	**4**	**-**	**-**	**-**	**1**	**-**
Total (A+B) 31.12.2020	**17,241**	**(41)**	**1,188**	**(1)**	**487**	**-**	**-**	**-**	**4**	**-**
Total (A+B) 31.12.2019	**16,179**	**(38)**	**1,265**	**-**	**537**	**-**	**3**	**-**	**19**	**-**

B.2 bis Prudential consolidation - Breakdown by geographical area of business with customers domiciled in Italy (book value)

EXPOSURES/ GEOGRAPHICAL AREAS	NORTH-WEST		NORTH-EAST		CENTRAL ITALY		SOUTH AND ISLANDS	
	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
A. Cash exposure								
A.1 Doubtful loans	-	-	-	(1)	1	(7)	-	(1)
A.2 Unlikely to pay	4	(1)	6	(2)	3	(1)	7	(2)
A.3 Non-performing past due exposures	7	(1)	1	-	2	-	3	(1)
A.4 Performing exposures	4,266	(5)	1,985	(3)	5,100	(10)	1,200	(3)
Total A	**4,277**	**(7)**	**1,992**	**(6)**	**5,106**	**(18)**	**1,210**	**(7)**
B. Off-balance-sheet exposures								
B.1 Non-performing exposures	2	-	1	-	1	-	-	-
B.2 Performing exposures	1,893	(1)	1,078	-	1,039	(1)	642	(1)
Total B	**1,895**	**(1)**	**1,079**	**-**	**1,040**	**(1)**	**642**	**(1)**
Total (A+B) 31.12.2020	**6,172**	**(8)**	**3,071**	**(6)**	**6,146**	**(19)**	**1,852**	**(8)**
Total (A+B) 31.12.2019	**5,455**	**(6)**	**2,625**	**(4)**	**6,388**	**(23)**	**1,711**	**(5)**

B.3 Prudential consolidation - Analysis of territorial distribution of on and off-balance sheet exposure of loans and advances to banks

EXPOSURES/ GEOGRAPHICAL AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
A. Cash exposure										
A.1 Doubtful loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	33,409	(18)	272	-	164	-	13	-	214	-
Total A	**33,409**	**(18)**	**272**	**-**	**164**	**-**	**13**	**-**	**214**	**-**
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	157	-	9	-	-	-	-	-	-	-
Total B	**157**	**-**	**9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2020	**33,566**	**(18)**	**281**	**-**	**164**	**-**	**13**	**-**	**214**	**-**
Total (A+B) 31.12.2019	**29,668**	**(14)**	**1,252**	**-**	**230**	**-**	**38**	**-**	**47**	**-**

B.3 bis Prudential consolidation - Analysis of territorial distribution of on and off-balance sheet exposures of loans and advances to banks resident in Italy (book value)

EXPOSURES/ GEOGRAPHICAL AREAS	NORTH-WEST		NORTH-EAST		CENTRAL ITALY		SOUTH AND ISLANDS	
	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
A. Cash exposure								
A.1 Doubtful loans	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	33,176	(17)	152	-	81	(1)	-	-
Total A	**33,176**	**(17)**	**152**	**-**	**81**	**(1)**	**-**	**-**
B. Off-balance-sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	157	-	-	-	-	-	-	-
Total B	**157**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2020	**33,333**	**(17)**	**152**	**-**	**81**	**(1)**	**-**	**-**
Total (A+B) 31.12.2019	**29,477**	**(14)**	**139**	**-**	**52**	**-**	**-**	**-**

C. SECURITISATIONS

QUALITATIVE INFORMATION

At 31 December 2020, the loan portfolios of the Group still contained the mezzanine and junior tranches of the notes issued by a securitisation vehicle which acquired the non-performing loan portfolio of Casse Cr Cesena, Cr Rimini, and Cr San Miniato, as part of the bail-out of the three banks which the Group joined in 2016 through its participation in the Voluntary Scheme and the establishment of a dedicated fund.
The entire exposure in junior notes was fully written down in 2017.

D. DISPOSAL TRANSACTIONS

A. FINANCIAL ASSETS DISPOSED OF BUT NOT WRITTEN OFF

QUALITATIVE INFORMATION

The item Financial assets disposed of but not written off regarded repurchase agreements.
In 2012, the Group entered into six repurchase agreements with the former Banca IMI (now Intesa Sanpaolo) in order to improve the overall risk/return ratio of the portfolio. The repurchase agreements had the same terms as the maturities of a number of BTP Italian government bonds with a total face value of €467.8m and maturities between 2019 and 2033 that Fideuram acquired from market counterparties in previous years.
These bonds were already recorded under financial assets available for sale and subsequently reclassified under financial assets measured at amortised cost, while maintaining the hedge against interest rate risk by using interest rate swaps. The liquidity obtained from this transaction was used to purchase bonds issued by Intesa Sanpaolo. The Group simultaneously entered into six financial guarantee contracts to cover the associated credit risk, again with Banca IMI, which on average expire three years before the maturities of the related bonds. At 31 December 2020, four of these contracts had expired, with a residual notional value of €200m.
The bank went through a rigorous process to determine how these repurchase agreements should be recognised, analysing the underlying aims of the contractual agreements in the light of the guidance provided by the Supervisory Authorities in document No. 6 of 8 March 2013 on the accounting treatment of long-term structured repurchase transactions, issued jointly by the Bank of Italy, the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) and the Italian Insurance Regulator (IVASS). The analysis considered the structure, cash flows and risks connected with the transactions concerned to verify whether they could be considered term-structured repurchase transactions as described in this document and whether, in accordance with the principle of substance over form, they accord with the guidelines on the basis of which the transaction is substantially the same as a derivative contract and a credit default swap in particular.
The aforementioned transactions clearly differ in certain respects from term-structured repurchase agreement transactions as described in the document. The differences are specifically as follows:

- the BTP Italian government bonds and the Interest Rate Swaps hedging interest rate risk were already held by the Bank through independent purchases made in prior years (between 2008 and 2010);
- said transactions were entered into with different market counterparties from the repurchase agreements;
- the cash flows from the transactions are not substantially the same as those of credit derivatives;
- the different management purpose of the transactions considered as a whole, which aim to cover counterparty risk through the purchase of a financial guarantee.

The transactions were therefore recognised separately depending on the type of contract concerned.

QUANTITATIVE INFORMATION

D.1 Prudential consolidation - Financial assets disposed of recognised in full and associated financial liabilities: book value

	FINANCIAL ASSETS DISPOSED OF RECOGNISED IN FULL				ASSOCIATED FINANCIAL LIABILITIES		
	BOOK VALUE	OF WHICH: OBJECT OF SECURITISATIONS	OF WHICH: OBJECT OF SALES CONTRACTS WITH BUYBACK CLAUSE	INCLUDING IMPAIRED	BOOK VALUE	OF WHICH: OBJECT OF SECURITISATIONS	OF WHICH: OBJECT OF SALES CONTRACTS WITH BUYBACK CLAUSE
A. Financial assets held for trading	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**267**	**-**	**267**	**-**	**(233)**	**-**	**(233)**
1. Debt securities	267	-	267	-	(233)	-	(233)
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**939**	**-**	**939**	**-**	**(714)**	**-**	**(714)**
1. Debt securities	939	-	939	-	(714)	-	(714)
2. Loans	-	-	-	-	-	-	-
Total 31.12.2020	**1,206**	**-**	**1,206**	**-**	**(947)**	**-**	**(947)**
Total 31.12.2019	**833**	**-**	**833**	**-**	**(559)**	**-**	**(559)**

D.3 Prudential consolidation - Disposal transactions with transfer of liabilities exclusively for assets disposed of and not entirely cancelled: fair value

	RECOGNISED IN FULL	PARTIALLY RECOGNISED	TOTAL	
			31.12.2020	31.12.2019
A. Financial assets held for trading	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
C. Financial assets measured at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**267**	**-**	**267**	**-**
1. Debt securities	267	-	267	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
E. Financial assets measured at amortised cost	**922**	**-**	**922**	**820**
1. Debt securities	922	-	922	820
2. Loans	-	-	-	-
Total financial assets	**1,189**	**-**	**1,189**	**820**
Total associated financial liabilities	**(946)**	**-**	**(946)**	**(559)**
Net value at 31.12.2020	**243**	**-**	**243**	**X**
Net value at 31.12.2019	**261**	**-**	**X**	**261**

1.2 MARKET RISK

1.2.1 INTEREST RATE RISK AND PRICE RISK – REGULATORY TRADING BOOK

QUALITATIVE INFORMATION

A. General information

The trading book mainly serves Group customers. The trading book also includes a securities component resulting from market transactions and foreign exchange and exchange rate derivative transactions, which are likewise aimed at meeting the needs of the Group's customers and asset management companies.

Impacts of the Covid-19 pandemic
With regard to the impact of the Covid-19 pandemic on market risk dynamics, the exceptional circumstances that dominated the financial markets between the first and second quarters of 2020 led to revisions in the RAF framework in May, affecting both the trading and the hold to collect and sell measurements.

B. Management procedures, and methods for measuring interest rate risk and price risk

Impacts of the Covid-19 pandemic
The emergency situation connected with the pandemic has not had a major impact on the rate risk profile of the Fideuram Group, given the tiny number of moratoria cases (only ten requests were received from customers for suspension and remodulation of their payments), and thus not triggering specific rate risk hedging or mitigation measures.

1.2.2 - INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

QUALITATIVE INFORMATION

A. General aspects, management procedures, and methods for measuring interest rate risk and price risk

The Fideuram Group complies with the instructions of Intesa Sanpaolo concerning market risks and extends its governance and control role 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, a stable investment portfolio and a service portfolio.
The liquidity portfolio is defined as a portfolio containing financial assets and liabilities held for the purpose of:

- providing a liquidity reserve through securities deemed eligible with central banks or readily liquidated;
- comply with/optimise regulatory liquidity ratios;
- invest any excess liquidity in anticipation of future investments with a short-term investment horizon or with a moderate risk profile;
- optimise the risk profile through the use of derivative trading and/or hedging instruments.

This portfolio has a prudent minimum limit of assets deemed eligible with the Central Bank, as determined on a prudent basis.

The size of the stable investment portfolio depends on the structure of the Group's inflows, investments and shareholders' equity. It is defined as the portfolio containing positions in financial assets with a minimum mandatory holding period of 30 days, save for exceptional market events that require their disposal.
In particular, it consists of financial investments acquired when there is excess structural liquidity and contains low risk positions acquired for the purpose of benefiting from the corresponding coupon flow, whose expected holding period is for the medium-long term at the time of purchase. Derivative instruments may be used to optimise the risk profile of that portfolio. Given the characteristics of the portfolio in question, the Hold to Collect business model is associated with the relevant securities.
The service portfolio mainly serves customers and includes:

- positions connected with the offer of products/services to customers, such as bonds to be offered as repurchase agreements, foreign currency and foreign exchange derivative trading, for intermediation purposes;
- a component resulting from market transactions aimed at meeting the needs of the Group's asset management companies.

The Group has developed a pricing methodology for the measurement of financial instruments which rigorously implements the provisions of the IAS/IFRS international financial reporting standards. This measurement is based on the concept of Fair Value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In addition, the fair value measurement must incorporate a counterparty risk premium in the form of a Credit Value Adjustment (CVA) for assets and a Debit Value Adjustment (DVA) for liabilities.
The 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 Approach).

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 taken out to guarantee market yields to 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 between the average present values of the contractual commitments of the insurer and the average present values of the contractual commitments of 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 hedges 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.

An approach consistent with fair value measurement hierarchy Level 2 is used for the measurement of derivatives, based on commonly accepted valuation processes and fed by market data providers. Hedging and treasury derivatives taken out in ordinary investment activities (interest and exchange rate derivatives in particular) that are not traded on regulated markets, but traded bilaterally with market counterparties, are known as over-the-counter (OTC) instruments and valued using special pricing models.

The banking book comprises long-term investment securities, interest rate hedging derivatives and short and medium-long term loans. The banking book totalled €48bn at 31 December 2020.

QUANTITATIVE INFORMATION

Banking Book

(€m)

	31.12.2020	31.12.2019	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through other comprehensive income	2,805	3,189	(384)	-12
Debt securities classified as loans to banks	13,595	12,766	829	6
Debt securities classified as loans to customers	2,378	2,509	(131)	-5
Hedging derivatives	16	20	(4)	-20
Total securities and derivatives	**18,794**	**18,484**	**310**	**2**
Loans to customers	19,354	17,198	2,156	13
Loans to banks	9,855	9,329	526	6
Total loans	**29,209**	**26,527**	**2,682**	**10**
Total banking book	**48,003**	**45,011**	**2,992**	**7**

The internal system used to measure interest rate risk evaluates and describes the effect of changes in interest rates on the economic value and interest income and identifies all significant sources of risk that influence the banking book:

- repricing risk: risk originating from mismatches in due dates (for fixed rate positions) and the rate revision date (for variable rate positions) of the financial items due to parallel movements in the yield curve;
- yield curve risk: risk originating from mismatches in due dates and the rate revision date due to changes in the inclination and shape of the yield curve;
- basis risk: risk originating from the imperfect correlation in the adjustment of the interest income and interest expense rates of variable rate instruments, which may differ due to their indexing parameter, rate revision procedure, indexing algorithm, etc. This risk arises after non-parallel changes in market rates.

The interest rate risk of the banking book is measured using the following methods:

1. shift sensitivity of the economic value (ΔEVE);
2. net interest income:
   - shift sensitivity of net interest income (ΔNII);
   - dynamic simulation of net interest income (NII);
3. Value at Risk (VaR).

Shift sensitivity

The shift sensitivity of the economic value (or shift sensitivity of the fair value) measures the change in the economic value of the banking book and is calculated at the level of individual cash flow for each financial instrument, on the basis of different instantaneous rate shocks and reflects the changes in the discounted value of the cash flows of positions already carried on the balance sheet for the entire remaining duration until maturity (run-off balance sheet).

In the measurements, the balance sheet items are represented according to their contractual profile, with the exception of those categories of instruments that feature risk profiles different from the contractually envisaged ones. For these transactions, it was consequently decided to use a behavioural representation in order to calculate the risk measurements. In particular:

- for loans, prepayments are taken into account so as to reduce the exposure to rate risk (overhedge) and liquidity risk (overfunding);
- for those items that are contractually payable on demand, a financial representation model is implemented to reflect the behavioural characteristics of stability of the assets and partial and delayed reaction to the changes in market rates, in order to stabilise net interest income both in absolute and variable terms over time;
- the cash flows used both for the contractual and the behavioural type are developed at the contractual rate or at the FTP.

A multicurve system is used to determine the present value. This calls for the use of different discounting curves and "forwarding" according to the type of instrument and the tenor of its indexing. To determine the shift sensitivity, the shock standard to which all the curves are subject is defined as the parallel and uniform shift of the curves by +100 basis points. In addition to the +100 standard scenario, the measure of economic value (EVE) is also calculated on the basis of the six scenarios prescribed by the BCBS document and on the basis of historic stress simulations aimed at identifying the works and best cases.

The shift sensitivity of net interest income quantifies the impact on short-term net interest income of a parallel, instantaneous, and permanent shock in the interest rate curve. The sensitivity of net interest income is measured with a method that permits estimating the expected change in net interest income, after a shock in the curves generated by items that are subject to a revision of the rate on a time horizon ("gapping period") set at 12 months from the analysis date.

This measure highlights the effect of changes in market rates on the net interest income generated by the measured portfolio in the perspective of a constant balance sheet, excluding any potential effects deriving from the new transactions and from future changes in the mix of assets and liabilities. Therefore, it cannot be considered a forecasting indicator of the future level of net interest income.

To determine the changes in net interest income (ΔNII), the standard scenarios of a parallel rate shock of +/ 50 basis points are applied, referring to a time horizon of twelve months. Moreover, dynamic simulations are run on the net interest income that combine shifts in the yield curves with changes in the base and liquidity differentials, and the changes in behaviour of customers in different market scenarios.

The changes in net interest income and economic value are subject to monthly monitoring in accordance with the limits and sub-limits approved by the Group Financial Risk Committee.

Accordingly, the measurements are shown according to the details used to run the test, in terms of credit limit and sub-credit limit, time buckets (short, medium, and long-term), company, and currency.

The scenarios used to check the limits are:

- to check exposure in terms of ΔEVE: instantaneous and parallel shock of +100 bps;
- to check exposure in terms of ΔNII: instantaneous and parallel shock of +/-50 bps.

For a parallel upward movement in the rate curve by 100 bps, the sensitivity value at 31 December was a negative -€12.5m; likewise, even the interest margin sensitivity was negative -€120.2m in the event of a -50 bps shock.

Value at Risk

The Value at Risk is calculated as the maximum potential loss of the market value of the portfolio that might occur during the following ten business days with a statistical confidence level of 99% (parametric VaR). The VaR is also used to consolidate the exposure to financial risks assumed after banking book activities, and thus also considering the benefits generated by the diversification effect. The VaR calculation models feature several limits, since they are based on the statistical assumption of a normal distribution of yields and on the observation of historic data, which might not be followed in future. Therefore, the results of the VaR do not guarantee that any possible future losses cannot exceed the calculated statistical estimates.

At 31 December 2020, the Value at Risk calculated for a one-day time horizon, in light of the rate, credit spread and volatility components, returned to ordinary levels (€5.6m) after a period of intense volatility on the financial markets connected with the Covid-19 emergency. In fact, a significant increase in the market risk of a proprietary portfolio was found beginning 9 March, with the assigned limit being exceeded (€16m, in contrast with a limit of €9m). In response to the extraordinary market situation, the Group Financial Risk Committee revised the VaR limits, assigning the Fideuram Group a new threshold of €19m, which allowed it to stay within the limits.

1.2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, management processes, and methods for measuring exchange rate risk

Exchange rate risk is defined as the possibility of fluctuations in market exchange rates generating either positive or negative changes in the value of the Group's net assets.

The principle sources of exchange rate risk are:
- purchases of securities and other financial instruments in foreign currencies;
- buying and selling of foreign currencies;
- collection and/or payment of interest, commission, dividends or administrative expenses in foreign currencies.

Spot and forward transactions on foreign exchange markets were mainly entered into with the aim of optimising proprietary risk arising in relation to the buying and selling of foreign currencies to and from customers.

B. Hedging of exchange rate risk

Exchange rate risk is mitigated by the practice of funding in the same currency as the assets, while the residual exposures are included in the trading book.

QUANTITATIVE INFORMATION

1. Analysis of assets and liabilities and derivatives by currency of denomination

ITEMS	CURRENCIES					
	US DOLLAR	STERLING	YEN	CANADIAN DOLLAR	SWISS FRANC	OTHER CURRENCIES
A. Financial assets	**613**	**63**	**29**	**2**	**272**	**51**
A.1 Debt securities	276	-	-	-	12	-
A.2 Equities	-	-	-	-	-	-
B. Loans to banks	304	63	26	2	13	24
C. Loans to customers	32	-	3	-	23	27
A.5 Other financial assets	1	-	-	-	224	-
B. Other assets	**1**	**-**	**-**	**-**	**1**	**-**
C. Financial liabilities	**804**	**85**	**51**	**6**	**104**	**58**
C.1 Due to banks	72	-	-	-	2	4
C.2 Due to customers	731	85	51	6	94	54
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	1	-	-	-	8	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives						
- Options						
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other derivatives						
+ Long positions	1,264	44	103	3	173	29
+ Short positions	1,386	46	99	2	151	45
Total assets	**1,878**	**107**	**132**	**5**	**446**	**80**
Total liabilities	**2,190**	**131**	**150**	**8**	**255**	**103**
Balance (+/-)	**(312)**	**(24)**	**(18)**	**(3)**	**191**	**(23)**

1.3 DERIVATIVES AND HEDGING POLICIES

1.3.1 TRADING DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1 Financial trading derivatives: notional values at the end of the period

UNDERLYING ASSETS/ TYPES OF DERIVATIVES	31.12.2020				31.12.2019			
	OVER THE COUNTER			REGULATED MARKETS	OVER THE COUNTER			REGULATED MARKETS
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES			CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		
		WITH NETTING AGREEMENTS	WITHOUT NETTING AGREEMENTS			WITH NETTING AGREEMENTS	WITHOUT NETTING AGREEMENTS	
1. Debt securities and interest rate derivatives	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	1	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity derivatives and index derivatives	**-**	**-**	**14**	**-**	**-**	**-**	**512**	**-**
a) Options	-	-	14	-	-	-	512	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**3,452**	**3,633**	**-**	**-**	**3,449**	**3,793**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	2,063	1,304	-	-	2,534	1,941	-
c) Forward	-	1,389	2,329	-	-	915	1,852	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**3,452**	**3,648**	**-**	**-**	**3,449**	**4,305**	**-**

A.2 Financial trading derivatives: gross positive and negative fair value - distribution by product

TYPES OF DERIVATIVES	31.12.2020				31.12.2019			
	OVER THE COUNTER			REGULATED MARKETS	OVER THE COUNTER			REGULATED MARKETS
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES			CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		
		WITH NETTING AGREEMENTS	WITHOUT NETTING AGREEMENTS			WITH NETTING AGREEMENTS	WITHOUT NETTING AGREEMENTS	
1. Positive fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	26	4	-	-	23	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	12	5	-	-	7	6	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**38**	**9**	**-**	**-**	**30**	**6**	**-**
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	5	15	-	-	2	19	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	5	28	-	-	-	12	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**10**	**43**	**-**	**-**	**2**	**31**	**-**

A.3 OTC financial trading derivatives: notional values, gross positive and negative fair value by counterparty

UNDERLYING ASSETS	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL INSTITUTIONS	OTHER PARTIES
Contracts other than netting agreements				
1) Debt securities and interest rate derivatives				
- notional values	X	-	1	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity derivatives and index derivatives				
- notional values	X	-	2	12
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional values	X	155	3,390	88
- positive fair value	X	1	8	-
- negative fair value	X	-	42	1
4) Commodities				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Netting agreements				
1) Debt securities and interest rate derivatives				
- notional values	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity derivatives and index derivatives				
- notional values	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional values	-	3,452	-	-
- positive fair value	-	38	-	-
- negative fair value	-	10	-	-
4) Commodities				
- notional values	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional values	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial hedging derivatives: notional values

UNDERLYING/RESIDUAL LIFE	UP TO 1 YEAR	OVER 1 YEAR AND UP TO 5 YEAR	OVER 5 YEARS	TOTAL
A.1 Debt derivatives and interest rate derivatives	1	-	-	1
A.2 Equity derivatives and index derivatives	-	-	14	14
A.3 Currency and gold derivatives	7,085	-	-	7,085
A.4 Commodity derivatives	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2020	**7,086**	**-**	**14**	**7,100**
Total 31.12.2019	**7,736**	**-**	**18**	**7,754**

1.3.2 ACCOUNTING HEDGES

QUALITATIVE INFORMATION

Upon first-time adoption of IFRS 9, the Group exercised the option allowed by the standard to continue applying all the rules of IAS 39 for all types of hedges (micro and macro). Therefore, the provisions of IFRS 9 for hedging do not apply.

A. Fair value hedging

The Fideuram Group engages in hedging to immunise its banking book from changes in the fair value of investments caused by movements in the interest rate curve (interest rate risk).

The Group adopts both specific hedges (micro fair value hedge) and generic hedges (macro fair value hedge).

The micro fair value hedges mainly hedge bonds that are purchased. Macro fair value hedges of fixed rate loans were introduced. The hedges are characterised by the missing identification of the individual underlying assets that are hedged. This choice, determined by the natural fractioning (both in terms of number and amount) of the mortgage exposures, entails periodic checks that the sensitivity and fair value of the hedging derivative (or derivatives) are sufficient to cover the same measures calculated on the hedged assets. The type of hedge in question is implemented by purchasing amortizing Interest Rate Swaps with a long maturity date (usually 30 years), which require quarterly amortisation of the same amount for both the pay fixed and receive floating legs, with the latter being indexed to the 3-month Euribor benchmark.

At the end of December 2020, the overall size of the existing eight hedges was about €248m in original notional value.

All the macro fair value hedges that were subsequently completed are fully effective and efficient in terms of both sensitivity and fair value and in situations of capital gains and losses on the derivatives.

The principal types of derivatives used are represented by interest rate swaps (IRS) that are plain bullet or have an accreting notional, inflation linked, overnight index swap (OIS), cross currency swap (CCS) realised with independent counterparties or with other Group companies which, in turn, hedge the risk on the market.

The derivatives are not listed on regulated markets, but traded on OTC circuits. The OTC contracts also include those that are intermediated through clearing houses.

B. Cash flow hedging

The Group adopted a new type of hedge to mitigate the risk of exposure to changes in future cash flows attributable to movements of the interest rate curve (so-called Cash Flow Hedge). Specifically, the hedged flows are those associated with the coupons of a floating-rate Intesa Sanpaolo bond with a residual maturity of four years. The hedge was sized with reference to a notional value of €1.1bn by means of four IRS. The methods of performing effectiveness tests are similar to those relating to the hedging of micro fair value hedges, with some differences linked to the fact that the subject of the hedge are the cash flows and not the value of the hedged asset.

D. Hedging instruments

The principal causes for the ineffectiveness of the model adopted by the Fideuram Group to check the effectiveness of the hedges are attributable to the following phenomena:

- mismatching between the notional amount of the derivative and the underlying recognised at the time of initial designation or generated subsequently, as in the case of partial repayments of loans or the buyback of bonds;
- application of different curves on the hedging derivative and the hedged item. Derivatives, which are normally collateralised, are discounted on the Eonia curve, while the hedged objects are discounted on the indexing curve of the hedging instrument;
- inclusion in the effectiveness test of the value of the variable leg of the hedging derivative, in the case of a fair value hedge.

The ineffectiveness of the hedge is promptly recognised in order to:

- determine the effect in the income statement;
- assessment of the possibility of continuing to apply hedge accounting rules.

The Fideuram Group does not use dynamic hedges, as defined in IFRS 7, paragraph 23C.

E. Hedged items

The principal types of hedged items are:

- debt securities carried as assets;
- fixed rate loans;
- previously set coupons of variable rate loans.

Debt securities carried as assets

These are hedged in micro fair value hedge relationships, using IRS, OIS and CCS as hedging instruments. Interest rate risk is hedged for the entire duration of the bond. The Dollar Offset Method is used to test the effectiveness of the hedge. This method is based on the relationship between the accumulated changes (since the beginning of the hedge) in fair value of the hedging instrument, attributable to the hedged risk, and the changes in fair value of the hedged item (delta fair value), net of accrued interest.

Fixed rate loans

The Group has designated micro fair value hedge or macro fair value hedge relationships, mainly using IRS as hedging instruments. Interest rate risk is hedged for the entire duration of the underlying. The Dollar Offset Method is used to test the effectiveness of the micro hedges. For macro hedges, the hedged loan portfolio is of the open type, i.e. it is composed of a changing bask of fixed rate instruments managed at the aggregate level through the hedging derivatives that are stipulated over time. The effectiveness of the macro hedges on fixed rate loans is periodically tested with specific prospective and retrospective tests aimed at demonstrating that the portfolio which might be hedged contains an amount of assets whose sensitivity profile and changes in fair value for interest rate risk reflect those of the derivatives used for the hedge.

Previously set coupons of variable rate loans

The fixed coupon of variable rate loans is hedged in micro fair value hedge relationships, using OIS as hedging instruments. The purpose of this type of hedging is to immunise the interest rate risk determined by the previously set coupons of variable rate loans.

The Dollar Offset Method is used to test the effectiveness of the hedge, while the effective amount of the hedged items is tested with a capacity test.

QUANTITATIVE INFORMATION

A. FINANCIAL HEDGING DERIVATIVES

A.1 Financial hedging derivatives: notional values at the end of the period

UNDERLYING ASSETS/ TYPES OF DERIVATIVES	31.12.2020				31.12.2019			
	OVER THE COUNTER			REGULATED MARKET	OVER THE COUNTER			REGULATED MARKET
	CENTRAL COUNTERPARTIES	CENTRAL COUNTERPARTIES			CENTRAL COUNTERPARTIES	CENTRAL COUNTERPARTIES		
		WITH NETTING AGREEMENTS	WITHOUT NETTING AGREEMENTS			WITH NETTING AGREEMENTS	WITHOUT NETTING AGREEMENTS	
1. Debt securities and interest rate derivatives	**84**	**5,518**	**-**	**-**	**-**	**6,188**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	84	5,518	-	-	-	6,188	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity derivatives and index derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**61**	**-**	**-**	**-**	**67**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	61	-	-	-	67	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**84**	**5,579**	**-**	**-**	**-**	**6,255**	**-**	**-**

A.2 Financial hedging derivatives: gross positive and negative fair value - distribution by product

TYPES OF DERIVATIVES	POSITIVE AND NEGATIVE FAIR VALUE			
	31.12.2020			
	OVER THE COUNTER			REGULATED MARKETS
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		
		WITHOUT CENTRAL COUNTERPARTIES	WITHOUT NETTING AGREEMENTS	
1. Positive fair value				
a) Options	-	-	-	-
b) Interest rate swap	-	16	-	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**-**	**16**	**-**	**-**
2. Negative fair value				
a) Options	-	-	-	-
b) Interest rate swap	26	915	-	-
c) Cross currency swap	-	13	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**26**	**928**	**-**	**-**

31.12.2019				CHANGE IN VALUE USED TO DETERMINE INEFFECTIVENESS OF HEDGE	
OVER THE COUNTER			REGULATED MARKETS	31.12.2020 TOTAL	31.12.2019 TOTAL
CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES				
	WITHOUT CENTRAL COUNTERPARTIES	WITHOUT NETTING AGREEMENTS			
-	-	-	-	-	-
-	20	-	-	16	20
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	**20**	**-**	**-**	**16**	**20**
-	-	-	-	-	-
-	913	-	-	-	-
-	17	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	**930**	**-**	**-**	**-**	**-**

1. BUSINESS MODEL
2. EXTERNAL CONTEXT AND STRATEGIES
3. PERFORMANCE
4. GOVERNANCE
5. CONSOLIDATED FINANCIAL STATEMENTS

A.3 OTC financial hedging derivatives: notional values, gross positive and negative fair value by counterparties

UNDERLYING ASSETS	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL INSTITUTIONS	OTHER PARTIES
Contracts other than netting agreements				
1) Debt securities and interest rate derivatives				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity derivatives and index derivatives				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional values	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Netting agreements				
1) Debt securities and interest rate derivatives				
- notional values	84	5,518	-	-
- positive fair value	-	16	-	-
- negative fair value	26	915	-	-
2) Equity derivatives and index derivatives				
- notional values	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional values	-	61	-	-
- positive fair value	-	-	-	-
- negative fair value	-	13	-	-
4) Commodities				
- notional values	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional values	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial hedging derivatives: notional values

UNDERLYING/RESIDUAL LIFE	UP TO 1 YEAR	OVER 1 YEAR AND UP TO 5 YEAR	OVER 5 YEARS	TOTAL
A.1 Debt derivatives and interest rate derivatives	653	1,877	3,072	5,602
A.2 Equity derivatives and index derivatives	-	-	-	-
A.3 Currency and gold derivatives	-	61	-	61
A.4 Commodity derivatives	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2020	**653**	**1,938**	**3,072**	**5,663**
Total 31.12.2019	**1,162**	**1,793**	**3,300**	**6,255**

1.4 LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General aspects, management processes, and methods for measuring liquidity risk

Liquidity risk is the risk that the Group will fail to satisfy its own payment commitments due to its inability both to obtain funds on the market (funding liquidity risk) and to 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 over both the short and medium-long term. This objective is developed by the "Group Guidelines for Governance of Liquidity Risk" approved by the Corporate Bodies of Intesa Sanpaolo.

The guidelines incorporate the latest regulatory provisions covering liquidity risk and illustrate the duties of the various corporate functions, the rules and set of control and management processes designed to assure prudent monitoring of that risk, by preventing crisis situations from arising. In particular, from the organisational point of view, the duties assigned to the Board of Directors have been defined in detail, and top management is delegated with several important compliance measures, such as approval of the measurement methods, definition of the principal assumptions underlying the stress scenarios, and the composition of the attention indicators used to activate emergency plans.

In regard to measurement metrics and tools to attenuate liquidity risk, aside from defining the methodological framework used to measure the short-term and structural liquidity indicators, the maximum tolerance limit for liquidity risk (risk appetite), the methods used to define the Liquidity Reserves, and the rules and parameters for performing the stress tests are formalised.

The short-term liquidity indicators aim to assure an adequate and balanced level between negative and positive cash flows having a certain or estimated due date falling within a 12-month time horizon, with the aim of confronting periods of tension, including extended ones, on the different funding markets, inter alia through the formation of adequate liquidity reserves represented by liquid assets on private markets or which can be refinanced at central banks. Accordingly and consistently with the maximum limit on tolerance for liquidity risk, the system of limits is defined by envisaging two short-term indicators over a one-week time horizon (estimated accumulated imbalance of wholesale operations) and a one-month time horizon (Liquidity Coverage Ratio - LCR), respectively.

The LCR indicator, whose minimum limit has been 100%, has the purpose of reinforcing the short-term liquidity risk profile, assuring that it holds sufficient, unrestricted high-quality liquid assets (HQLA) that may be easily and immediately converted into cash on private markets to satisfy liquidity requirements at 30 days in a liquidity stress scenario as defined in the Delegated Regulation (EU) No. 61/2015.

The structural Liquidity Policy requires adoption of the structural requirement mandated by the Basel III Net Stable Funding Ratio (NSFR) regulation. That indicator aims to promote greater use of stable inflows, preventing medium and long-term operations from causing excessive imbalances to be financed on a short-term basis. Accordingly, it sets a minimum acceptable amount of funding for more than one year according to the needs originating from the liquidity and residual duration characteristics of off-balance sheet assets and exposures.

In that context, the Contingency Funding Plan (CFP) has been implemented. This contains different lines of action that can be activated to deal with potential stress situations, indicating the dimension of the mitigating effects that could be pursued over a short-term time horizon. Moreover, it is required that governance procedures be in place to govern a possible liquidity crisis, defined as a situation of difficulty or incapacity to meet one's own cash commitments as they fall due, unless procedures are activated and/or tools are used in a way that cannot be associated with ordinary administration in terms of their intensity or procedures.

The Contingency Liquidity Plan (CLP), which sets itself the goals of protecting Group assets and, at the same time, guaranteeing the continuation of operations in the face of a grave liquidity emergency, assures that warning signs are identified, that they are continuously monitored, that the procedures to be activated are defined in the case that liquidity tensions occur, as well as the immediate lines of action and the tools for intervening to resolve the emergency.

Adequate and timely disclosures on the development of market conditions and the Group's position have been issued to the Corporate Bodies and to the internal Committees, to assure full awareness and the governability of the different risk factors.

The Fideuram Group manages liquidity risk in accordance with Intesa Sanpaolo's Liquidity Risk Governance Guidelines, which ensure prompt implementation of national and supranational legal and regulatory changes. The key principles of said regulatory changes introduce prudential rules regarding both short-term liquidity risk management and long-term liquidity risk management (structural liquidity).

The Group's solidity is based on balance sheet liabilities that are mainly centred on retail customer deposits. These are deposits that benefit from considerable stability over time, meaning that the Fideuram 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.

Impacts of the Covid-19 pandemic

The health emergency caused by the Covid-19 pandemic has posed unique challenges even in terms of liquidity risk. Since the beginning of the emergency, the Group has preventively taken all necessary management and control measures to mitigate the potential worsening of its liquidity conditions. The Group liquidity position – which is supported by adequate high quality liquid assets (HQLA) and the significant contribution made by stable retail inflows – remained within the risk limits prescribed by the current Group Liquidity Policy throughout all of 2020. Both regulatory indicators, LCR and NSFR, were amply higher than regulatory requirements. The Liquidity Coverage Ratio (LCR) of the Fideuram Group, measured in accordance with the Commission Delegated Regulation (EU) No. 61/2015, averaged[1] 123% during 2020. Even the NSFR confirmed substantially higher than 100%, being supported by a solid, stable base of inflows from customers and the new TLTRO inflows with the ECB. The NSFR of the Fideuram Group remained amply higher than 100.

1. The figure shown refers to the simple average of the last 12 monthly observations, in accordance with the EBA "Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation EU No. 575/2013", June 2017.

QUANTITATIVE INFORMATION

1. Analysis of financial assets and liabilities by remaining contractual term (€)

ITEMS/TIME BANDS	DEMAND DEPOSITS	BETWEEN MORE THAN 1 AND 7 DAYS	BETWEEN MORE THAN 7 AND 15 DAYS	BETWEEN MORE THAN 15 DAYS AND 1 MONTH	BETWEEN MORE THAN 1 MONTH AND 3 MONTHS	BETWEEN MORE THAN 3 MONTHS AND 6 MONTHS	BETWEEN MORE THAN 6 MONTHS AND 1 YEAR	BETWEEN MORE THAN 1 AND 5 YEARS	OVER 5 YEARS	UNSPECIFIED MATURITY
Cash assets	**10,141**	**1,522**	**803**	**1,002**	**1,134**	**785**	**4,449**	**14,735**	**10,131**	**2,769**
A.1 Government securities	-	-	-	-	2	66	29	112	2,312	-
A.2 Other debt securities	-	-	12	2	18	195	1,550	7,246	7,175	-
A.3 Units in mutual funds	14	-	-	-	-	-	-	-	-	-
A.4 Loans	10,127	1,522	791	1,000	1,114	524	2,870	7,377	644	2,769
- Banks	1,973	1,520	652	759	859	475	2,812	7,040	85	2,769
- Customers	8,154	2	139	241	255	49	58	337	559	-
Cash liabilities	**34,568**	**1,007**	**572**	**662**	**726**	**97**	**754**	**4,531**	**1,016**	**-**
B.1 Deposits and current accounts	34,407	88	178	644	681	82	731	3,768	623	-
- Banks	533	-	-	-	50	-	-	-	623	-
- Customers	33,874	88	178	644	631	82	731	3,768	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	161	919	394	18	45	15	23	763	393	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	195	487	10	789	-	-	61	-	-
- Short positions	-	354	-	-	913	56	5	-	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	1	8	2	4	-	-	-
- Short positions	-	-	-	5	5	7	13	-	-	-
C.3 Deposits and loans receivable										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to grant finance										
- Long positions	-	-	-	-	-	-	-	1	-	1
- Short positions	1	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	36	-	-	1	6	14	22	42	10	1
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

(Other currencies)

ITEMS/TIME BANDS	DEMAND DEPOSITS	BETWEEN MORE THAN 1 AND 7 DAYS	BETWEEN MORE THAN 7 AND 15 DAYS	BETWEEN MORE THAN 15 DAYS AND 1 MONTH	BETWEEN MORE THAN 1 MONTH AND 3 MONTHS	BETWEEN MORE THAN 3 MONTHS AND 6 MONTHS	BETWEEN MORE THAN 6 MONTHS AND 1 YEAR	BETWEEN MORE THAN 1 AND 5 YEARS	OVER 5 YEARS	UNSPECIFIED MATURITY
Cash assets	**505**	**-**	**2**	**1**	**41**	**10**	**71**	**158**	**-**	**107**
A.1 Government securities	-	-	-	-	41	7	69	88	-	-
A.2 Other debt securities	-	-	2	-	-	-	2	70	-	-
A.3 Units in mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	505	-	-	1	-	3	-	-	-	107
- Banks	427	-	-	-	-	-	-	-	-	107
- Customers	78	-	-	1	-	3	-	-	-	-
Cash liabilities	**938**	**-**	**-**	**82**	**6**	**66**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	938	-	-	82	6	66	-	-	-	-
- Banks	9	-	-	69	-	-	-	-	-	-
- Customers	929	-	-	13	6	66	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	471	-	-	911	52	5	-	-	-
- Short positions	-	312	484	9	789	-	2	61	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to grant finance										
- Long positions	-	-	-	-	-	-	-	-	-	1
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	4
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1.5 OPERATIONAL RISK

QUALITATIVE INFORMATION

A. General aspects, management processes, and methods for the measurement of operational risk

Operational risk is defined as the risk of loss arising from inadequate or ineffective internal processes, human resources or systems, or from external events. Operational risk also includes legal and compliance risk, model risk, information technology risk and financial disclosure risk; instead, strategic and reputational risks are not included.

The Group implements an operational risk assumption and management strategy based on the principles of prudent management and aimed at guaranteeing its long-term soundness and business continuity. Moreover, the Group devotes special attention to striking an optimal balance between growth and earnings targets and the consequent risks.

To that end, the Group drew up a framework for the management of operational risks some time ago, establishing rules and organisational processes for measuring, managing and monitoring operational risk.

The Group calculates its capital requirement using the Advanced Measurement Approach (AMA or internal model) in partial use with the Standardised Approach (TSA) and Basic Indicator Approach (BIA) to meet its supervisory requirements.

Impacts of the Covid-19 pandemic

From the beginning of the emergency, the Group decided to implement preventive measures to guarantee its business continuity and, at the same time, preserve the highest level of security for customers and employees. This was also done in light of the rapid developments observed in the world of cyber threats, which try to exploit people's fears and sense of urgency and the opportunities offered by the remote banking solutions activated by financial institutions for fraudulent purposes. In particular, the business continuity plan was activated, and additional actions were immediately developed to respond effectively to the spread of the pandemic (e.g. extension of smart-working to nearly all staff at the central offices, to the online branch personnel and to part of the employees at physical branches, reinforcement of the IT infrastructure for remote connectivity), the digital transformation was accelerated, moving up major capital expenditure to develop the methods for interacting with customers (e.g. expansion of the services offered via Internet and Mobile Banking), the security infrastructure for access to the corporate network and the data and information protection measures were gradually upgraded to boost the capacity to deal with the large increase in cyber threats and attacks (e.g. Distributed Denial of Service, malware), and numerous training programmes and communication campaigns were launched to make customers and employees aware of the growing number of social engineering/phishing campaigns. Moreover, the long-term sustainability of the solutions implemented by the most critical vendors was tested.

With regard to the health protection measures for colleagues and customers, personal protective equipment like masks and gloves was purchased and distributed, sanitising gel was provided, and company premises were periodically sanitised. Among the various mitigation actions described above, only this last component was considered in calculation of the regulatory capital requirement for operational risks.

Additionally, from the very beginning of the emergency, branch access was organised in such a way as to comply with precise social distancing rules and rules relative to the number of colleagues and customers present on company premises, in order to protect the health of both employees and customers. The approach taken was adapted over time in response to the various governmental orders and contagion trends.

Also in view of guaranteeing the protection of employees, an Infection Risk Model was developed to support the decision-making process for implementation of the measures to be implemented, for example, the re-entry plan for management personnel with duties that could be performed remotely at company offices, in compliance with social distancing regulations. A medical screening questionnaire was developed. That questionnaire has to be filled out by the employees before they can be authorised to return to their offices, and is a tool that allows planning the presence of human resources at the office. This tool guarantees centralised monitoring of the total number of people present at the central offices.

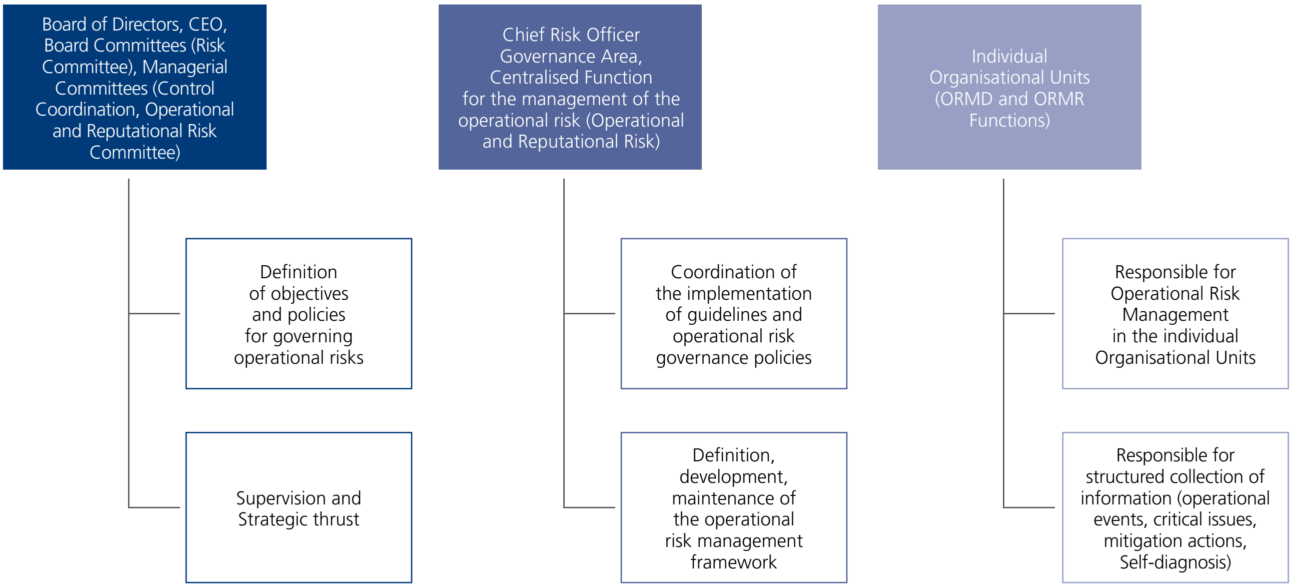
A vaccination campaign was conducted at the end of 2020, featuring voluntary participation, for the administration of the flu vaccine and pneumonia vaccine to employees.

Governance Model

An effective and efficient risk management framework presupposes that it be tightly integrated in the decision-making processes and management of company operations. Therefore, Intesa Sanpaolo has decided to engage the Organisational Units (business units, central/supporting units) of the Parent Company, banks and Group companies with direct responsibility in the Operational Risk Management Process.

The operational risk governance model is developed in view of:

- optimising and developing the organisational safeguards, interrelationships and information flows among the existing Organizational Units and integration of the operational risk management approach with other company models developed to deal with specific risks (e.g. Business Continuity, Computer Security, etc.);
- transparency and distribution of the models, methods, and analytical, assessment and measurement criteria used to facilitate the process of cultural dissemination and comprehension of the logics underlying the adopted choices.



ICT risk

Consistently with the methodological framework defined for the governance of operational risks and, the ICT risk governance management model is developed in view of integration and coordination of the specific skills of the units involved.

ICT (Information and Communication Technology) Risk means the risk of incurring economic losses, reputational harm, and loss of market share in connection with the use of information and communication technology. In the integrated representation of business risks, this type of risk is prudently considered according to specific aspects, including operational, reputational, and strategic risks.

ICT risk consists of:

- Cyber risk: the risk of incurring economic losses, reputational harm, and loss of market share due to:
  - any unauthorised access or attempted access to the Group information system and the data and information stored on it;
  - any event (malicious or involuntary) facilitated or caused by the use of technology or connected with it that has or might have a negative impact on the integrity, availability, confidentiality and/or authenticity of the corporate data and information, or on the continuity of business processes;
  - improper use and/or dissemination of digital data and information, even if not directly produced and managed by the Group.

  Cyber risk includes IT security risk.

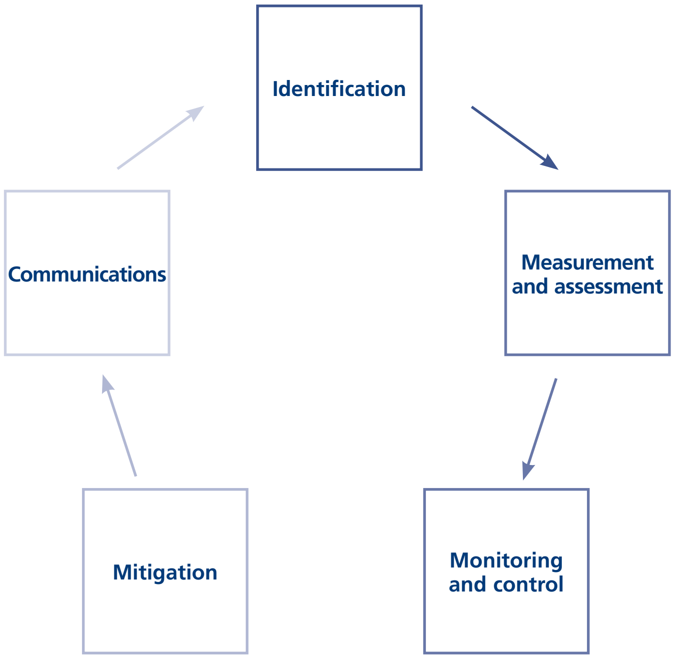
- IT risk: the risk of incurring economic losses, reputational harm, and loss of market share in connection with use of the corporate information system and connected with the malfunctioning of hardware, software and networks.

The Group considers its information system to be a tool of primary importance for achieving its own strategic, business and social responsibility objectives, inter alia in light of the critical importance of the business processes that depend on it. Consequently, it is committed to creating a resilient environment and investing in activities and infrastructure aimed at minimising the potential impact of ICT events and to protect the business, its image, customers and employees.

Therefore, the Group has implemented a system of principles and rules designed to identify and measure the ICT risk to which corporate assets are exposed, assess the existing safeguards and identify the adequate procedures for handling such risks, as compatible with the operational risk management process.

OPERATIONAL RISK MANAGEMENT PROCESS

The Group's Operational Risk Management Process is broken down into the following phases:



Identification

The identification phase covers the activities of gathering and classifying the qualitative and quantitative information that permit identification and description of the potential areas of operational risk.

It specifically envisages:

- the collection and updating of data about operational events (Loss Data Collection), with this activity being delegated to the Organisational Units;
- identification of the business processes and components of the information system at greatest potential risk;
- determination of the applicability and relevance of the defined operational risk factors;
- identification of the projects that will require major modifications to the information system or modifications to major components of the information system;
- identification of the major risk scenarios, inter alia according to the external context (e.g. external data loss, regulatory developments, emerging trends, strategic and threat intelligence);
- identification and analysis of the problems affecting the operational areas of the Group.

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

The Fideuram Group 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 Managing Director is responsible for ensuring the suitability and effectiveness over time of the risk management and control systems, and the procedures used for determining the capital requirement;
- the Internal Audit Department is responsible for periodically auditing the operational risk management system, and for reporting on it to the Company Bodies;
- the Audit Coordination Committee, is a technical body created to reinforce interfunctional coordination and cooperation among the audit functions;
- the Operational Risk Committee is a consultative body that is responsible for analysing the reports on the operational risk profile 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 - Intesa Sanpaolo Private Banking), is responsible for organising and maintaining the set of activities provided for by the operational risk management system.

Measurement and assessment

The measurement and assessment phase comprises the activities performed for the qualitative and quantitative determination of exposure to Group operational risks.
It calls for:

- performance of the operational and ICT risk exposure assessment process (Self-diagnosis: the set of Operational and ICT Risk Assessment processes) at least once annually;
- the execution of preventive analyses of operational and ICT risks stemming from agreements with third parties (e.g. outsourcing of activities), business transactions or projects, introduction or revision of new products and services, start-up of new activities and entry into new markets;
- determination of the importance of the identified problems;
- transformation of the gathered assessments (e.g. internal and external operational loss data, monitoring levels of risk factors, likelihood and impact if the risk scenarios are realised) in summary risk measurements;
- determination of the economic and regulatory capital through the internal model and the simplified methods defined by current laws and regulations.

Monitoring and control

The purpose of the monitoring phase is to perform ongoing analysis and monitoring of changes in the exposure to operational risks. It is based on the structured organisation of the results obtained from the identification, assessment, measurement and observation of indicators that represent a good proxy of exposure to operational risks (e.g. limits, early warnings and indicators defined in the RAF).

Mitigation

The mitigation phase consists of the activities designed to limit exposure to operational risks, defined on the basis of what is revealed during identification, measurement, assessment and monitoring. It calls for:

- the identification, development and implementation of the corrective measures ("mitigation actions") necessary to remedy the detected monitoring deficiencies or bring the identified deficiencies back within the defined tolerance range;
- the promotion of initiatives to disseminate the operational risk culture inside the Group;
- the development of operational risk transfer strategies, in view of streamlining insurance coverage and any other forms of risk transfer adopted by the Group over time.

In that regard, aside from relying on a traditional insurance program (for protection against unlawful acts such as employee misconduct, theft and damage, transport of cash and cash equivalents, computer fraud, counterfeiting, cyber crime, fire and earthquake, and for civil liability), while complying with all the related regulatory requirements and leveraging the financial benefits envisaged by law, the Group has taken out an insurance policy known as an Operational Risk Insurance Programme, which provides greater cover and significantly higher limits, transferring the risk of substantial operational losses to the insurance market.

In addition, the Group has its own business continuity solutions that can be deployed to contain risks regarding its premises and infrastructures and the impact of events such as environmental disasters, international crises and social protests.

Communications

The communications phase consists in the arrangement of appropriate flows of information connected with the management of operational risks, designed to provide, for example, information useful for:

- analysis and comprehension of any dynamics underlying changes in the level of exposure to operational risks;
- analysis and comprehension of the main critical issues identified;
- the development of mitigation actions and intervention priorities.

Self-diagnosis

Self-diagnosis is the annual process through which the Organisational Units identify their own level of exposure to operational and ICT risks. It consists of the Operational Risk Assessment and ICT Risk Assessment, which are comprised in turn of:

- Assessment of the Operational Context (AOC): activities through which major risk factors are identified and the associated monitoring level is assessed[2].
- Scenario Analysis (SA): prospective analytical method that is elaborated in a systematic process which is typically repeated with a predetermined frequency but which may be performed ad hoc. It consists in imagining the occurrence of particular situations (or scenarios) and forecasting their consequences. Once they have been identified and appropriately classified, the scenarios have to be assessed. In other words, it is necessary to determine their likelihood of occurrence (frequency) and the potential impact (average impact and worst case), if they occur, of the situation described by the scenario itself.

Internal model for the measurement of operational risk

The internal model for calculating capital absorption of the Group has been designed to combine all the main sources of information, whether quantitative (operational loss: internal and external events) or qualitative (Self-Diagnosis: Scenario Analysis and Assessment of the Operational Context).

The capital at risk is therefore considered to be the minimum amount at Group level which would be required to meet the maximum potential loss that could be incurred. It is estimated using a Loss Distribution Approach model (an actuarial statistical model for calculating the Value at Risk of operational losses), which is applied both to the quantitative data and to the results of the scenario analysis over a one-year time horizon, with a confidence interval of 99.90%. This method also involves applying a correction factor obtained from qualitative risk assessments of the operating context (AOC), in order to take the effectiveness of the internal controls in the various different Organisational Units into account.

2. The applicability and significance of the Risk Factors related to ICT risk are assessed by the technical units, cybersecurity units and business continuity units, while those related to operational risk are assessed by the Decentralised Operational Risk Management.

QUANTITATIVE INFORMATION

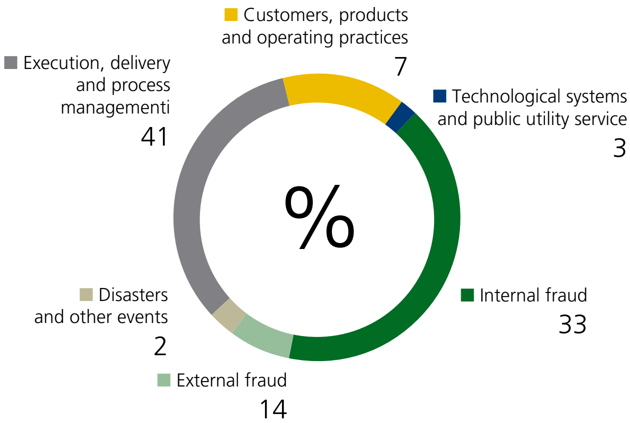
The Fideuram Group calculates its capital requirement using the Advanced Measurement Approaches (AMA) authorised by the Supervisory Authority. The resulting capital absorption amounted to €194m at 31 December 2020, up from 31 December 2019 (€181m).

The allocation of operating losses recognised during the year according to type of event (and whose amount exceeds the reporting limits set for the Group) shows that most of them can be classified in the risk class "Execution, delivery and management of processes", which, in addition to normal costs resulting from errors in process execution and management, consisted of an accrual to cover possible non-recurring charges amounting to about €2.9m connected with penalties and interest from tax assessments on the Group's role as withholding agent and the risk class "Internal Misconduct", consisting of losses due to the misappropriation of customer assets by Personal Financial Advisers. The remaining losses, which involved lesser amounts, were expenses generated by external crimes (ATM card theft, cyber fraud and cloning of payment cards), disputes with customers over commercial relationships and data flow anomalies. The costs connected with the Covid-19 pandemic (expenses for sanitisation and purchase of personal protective equipment, non-recoverable penalties for missed participation at previously scheduled events) totalled €335k and flowed into the risk class "Disasters and other events". The expenses incurred so that employees can operate on a smart working basis or to upgrade IT and security systems have to be treated as investments and not extra costs directly connected with the pandemic.

In particular, "internal misconduct", which historically represents the most significant risk class for the Private Banking Division, included two new cases of fraud perpetrated by two former Personal Financial Advisers in 2020: one is ascribable to the Sanpaolo Invest Network, which led to accrual of a provision for €1.8m and the other is ascribable to Fideuram Network, which resulted in payment of compensation for about €30k. The item, which had an aggregate total of €4.8m, includes €6.4m in new accruals to provisions for prior positions, compensation and legal fees for about €1.2m, and releases of provisions for about €4.6m.

The Group continued its work on improving the processes and controls in place to mitigate risk and contain loss, and participated fully in every initiative launched by Intesa Sanpaolo.

Analysis of operational loss 2020



Legal and tax risk

The Group is involved in civil and tax lawsuits as well as in criminal proceedings against third parties as part of its normal business operations.

The Group monitors pending cases constantly in consultation with external legal advisers, examining them in the light of the relevant contractual documents, the conduct concerned, internal investigations and any critical aspects highlighted by the aforesaid legal advisers during lawsuits. The Group has set aside provisions for legal disputes to cover, among other things, the liabilities that could, according to internal and external legal advice, be incurred as a result of pending legal and other disputes.

At 31 December 2020, these provisions totalled €78m. The total provisions and the amount of the individual provisions set aside are calculated based on external and internal legal advisers' estimations of the proceedings having negative outcomes. As a consequence of said process, certain pending proceedings in which the Group is involved and regarding which a negative outcome is considered either remote or not quantifiable are not included in the provisions for legal disputes. At 31 December 2020, the number and value of pending proceedings were not such as to have any potential significant impact on the business, assets or financial situation of the Group. More specifically, existing litigation may be classified as follows:

1. Cases regarding alleged unlawful and/or improper conduct by former Personal Financial Advisers authorised to offer products and services outside Group premises

The majority of legal proceedings against the Group regard requests for compensation for damages in response to alleged unlawful conduct by former financial advisers authorised to offer products and services off Group premises. The Group's involvement where damaging events of this kind are concerned is linked to the fact that it is considered jointly and severally liable with its Personal Financial Advisers pursuant to article 31, subparagraph 3, of the Italian Finance Consolidation Act (Testo Unico della Finanza - TUF), which specifies that the broker is jointly and severally liable for any damages to third parties caused by a personal financial adviser authorised to offer products and services outside company premises, even when responsibility for said damages has been ascertained in a court of criminal law. This type of complaint is in most cases due to acts of appropriation, forged signatures on contractual forms and the issue of false statements and/or reports to customers.
In June 2020, Fideuram renewed with Generali Italia, in co-insurance with AIG, through the broker AON S.p.A., a Personal Financial Adviser misconduct insurance policy which covers claims consequent upon unlawful acts committed by Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking Personal Financial Advisers for amounts in excess of €3m. The annual per-claim limit provided for in the policy is €16m (to cover all complaints, including out-of-court settlements, regarding the unlawful/improper conduct of a single Personal Financial Adviser).

An inspection performed by the Audit Department exposed major irregularities committed by a Personal Financial Adviser of Sanpaolo Invest. The audits confirmed that serious irregularities were committed that caused damage to several customers, such as the misappropriation of funds and reports showing untrue increases in value. On 28 June 2019, the Company terminated with cause the agency agreement it had with the Personal Financial Adviser and reported the facts of the case to the Judicial Authorities and Supervisory Authority for Personal Financial Advisers, which first suspended and then expelled the Personal Financial Adviser from the Unified Register of Financial Advisers in December 2019. After the crime was committed, the Company received a total of 276 claims for compensation (including claims, mediation, and lawsuits), for a total of about €62m, mostly based on alleged embezzlement of money, losses from disavowed transactions involving financial instruments, false statements and debiting of fees and commission related to the advisory service. Currently, 173 claims are pending, having a present value of about €51m, after the settlement of 103 positions (34 settled and 69 withdrawn or settled in consequence of commercial agreements). A total of €4.2m has been recovered from the wrongfully credited customers (and already returned to the damaged customers), with about €4m in seizures currently pending.
An asset freeze order was issued against the personal financial adviser, equal in amount to what was found on accounts and deposits made at banks and on his social security account as reported by Enasarco. In the consequent court trial, the former personal financial adviser made a counterclaim for a total of €0.6m, for the failure to pay him his termination benefits. Moreover, another lawsuit was filed against the former personal financial adviser for recovery of the receivables deriving from his own agency agreement, for a total of €1.6m, plus interest, as compensation in lieu of notice, a penalty on a loan agreement, and the return of bonus advances.
The Company has set aside adequate provisions connected with the aforementioned fraud case, considering the foreseeable outlays without taking the insurance coverage into account.

2. Cases regarding securities in default and losses on investments in financial products

Other lawsuits brought against the Company by customers seek voidance and/or compensation for damages arising from the purchase of securities in default or which have otherwise depreciated significantly, and cases in which the customer alleges infringement of the regulations governing the provision of investment services and activities, consequently requesting the cancellation of transactions, refunding of the principal invested and/or compensation for damages.

3. Disputes initiated by former Personal Financial Advisers authorised to offer products and services outside Group premises regarding alleged breaches of their agency contract

There are a few lawsuits of this kind brought by former Fideuram and Sanpaolo Invest Personal Financial Advisers authorised to offer products and services off Group premises, which involve complaints regarding alleged breach of contract. They are mainly requests for the payment of various termination indemnities, commissions and compensation for damages.

4. Disputes regarding banking and other operations

These sorts of lawsuits are mainly connected with normal banking operations (e.g. capitalisation of interest, claims from receivers and the disposal of pledged assets) and/or miscellaneous complaints raised for various reasons not falling within any other category, and which consist in claims for compensation or restitution.

5. Disputes regarding supervisory investigations

An appeal proceeding is pending in this category. It has Sanpaolo Invest pitted against the Italian Ministry of Economy and Finance and the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB), which launched a penalty proceeding following supervisory investigations, regarding the years 1992-1997. In particular, Sanpaolo Invest and the managers involved contest the imposition of financial penalties totalling €213,000, and the existence of inefficiencies and/or omissions in its management processes as alleged by the Supervisory Authority. In fact, the CONSOB investigations into the years 1992-1997 led to the formulation of a number of allegations concerning the inadequacy of the procedures in place with Personal Financial Advisers for the provision of services and, likewise, the inadequacy of the controls on said services, 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 accepted the appeal against the penalties brought by Sanpaolo Invest and its managers, 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 Economy and Finance, returning the case to the Rome Court of Appeal. The Court of Appeal, to which the case was returned, issued an order on 11 February 2011, annulling the penalties against Sanpaolo Invest and its managers. On 28 March 2012, the Italian Ministry of Economy and Finance and the CONSOB filed an appeal before the Court of Cassation against the aforementioned Rome Court of Appeal decision. 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 returned 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 first hearing for discussion of the lawsuit was scheduled for 26 October 2021.

6. Tax disputes

After inspections carried out at Fideuram in 2014 and 2015, the Lazio Regional Office of the Italian Revenue Agency, Large Taxpayers Office, alleged non-compliance in 2009, 2010, and 2011 with respect to withholding tax on interest earned on accounts outside Italy linked to mutual funds distributed by the bank. The assessment notices were appealed by the company, which, most recently, lost the case at the hearings held before the Regional Tax Court. Convinced that it acted correctly, the company will continue to defend its own reasons before the Court of Cassation.
Nevertheless, considering the rejection of its appeal before the court of second instance for all the years involved in the dispute over failure to charge withholding tax, the company decided to accrue €4.9m in the risk provision to cover the costs, including penalties and interest, that will be owed if it loses at the last level of jurisdiction.

With regard to Intesa Sanpaolo Private Banking, after an audit carried out in 2012, litigation is underway concerning the deductibility of the goodwill resulting from the transfer of business units. Given the multi-year nature of the item, that adjustment covered all the years from 2011 to 2015, with the request for a total of €20.7m in tax claims, plus penalties and interest.
As of today, the outcomes at the courts of first and second instance of the action brought by the company with an appeal against the assessment notices have all been positive, except for one year. The various cases are currently awaiting the outcome of the hearing before the Regional Tax Court or Court of Cassation. Since the tax office's claim is groundless, no amount has been set aside in the provision for risks and charges.

PART F - INFORMATION ON CONSOLIDATED SHAREHOLDERS' EQUITY

SECTION 1 - CONSOLIDATED SHAREHOLDERS' EQUITY

A. QUALITATIVE INFORMATION

Capital management in the Fideuram - Intesa Sanpaolo Private Banking Group is principally directed towards ensuring that the shareholders' equity and capital ratios of Fideuram and its banking and financial subsidiaries are consistent with their risk profiles and capital requirements and allow adequate allocation of the capital to the value creation process.
The banking and financial companies in the Group are required to comply with the capital adequacy requirements established by the harmonised regulations set out in Directive 2013/36/EU (Capital Requirements Directive - CRD IV) and European Union Regulation No. 573/2013 (Capital Requirements Regulation - CRR) of 26 June 2013, which implement the standards developed by the Basel Committee on Banking Supervision (so-called Basel III framework) in the European Union, and on the basis of Bank of Italy Circulars No. 285 and No. 286 of 17 December 2013.
These rules provide for a notion of own funds that is distinct from the shareholders' equity recorded in the accounts, and which is calculated as the algebraic sum of positive and negative items that are included on the basis of capital quality.
The Group companies monitor their respect for the regulatory capital ratios during the year and on a quarterly basis, taking appropriate direction and control actions with regard to the capital items when necessary. Whenever a company transaction is to be conducted, the capital adequacy is assessed together with any related interventions that may be required regarding the shareholders' equity and/or capital items that impact on the minimum capital requirements.

The share capital and share premium reserve were the same as the amounts for the corresponding items in the shareholders' equity of Fideuram and of non-controlling shareholders. The item Other reserves comprises Fideuram's remaining reserves and any changes in the shareholders' equity of the companies included in the scope of consolidation and of non-controlling interest shareholders.
At 31 December 2020, Fideuram - Intesa Sanpaolo Private Banking's share capital was €300,000,000 divided into No. 1,500,000,000 ordinary shares with no par value.
The Group did not hold any treasury shares at 31 December 2020.

B. QUANTITATIVE INFORMATION

B.1 Consolidated shareholders' equity: analysis by type of company

	PRUDENTIAL CONSOLIDATION	INSURANCE COMPANIES	OTHER COMPANIES	ELIMINATIONS AND ADJUSTMENTS FROM CONSOLIDATION	TOTAL
1. Share capital	300	-	-	-	300
2. Share premium reserve	206	-	-	-	206
3. Reserves	1,784	-	-	-	1,784
4. Equity instruments	-	-	-	-	-
5. (Treasury shares)	-	-	-	-	-
6. Valuation reserves:	41	-	-	-	41
- Equity instruments measured at fair value through other comprehensive income	-	-	-	-	-
- Hedging of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-
- Financial assets (other than equity instruments) measured at fair value through other comprehensive income	24	-	-	-	24
- Property and equipment	14	-	-	-	14
- Intangible assets	-	-	-	-	-
- Hedging of net investments in foreign operations	-	-	-	-	-
- Cash flow hedges	7	-	-	-	7
- Hedging instruments (undesignated elements)	-	-	-	-	-
- Exchange rate differences	5	-	-	-	5
- Non-current assets held for sale and discontinued operations	-	-	-	-	-
- Financial liabilities measured at fair value through profit or loss (changes in own credit rating)	-	-	-	-	-
- Actuarial gains (losses) on defined benefit pension plans	(26)	-	-	-	(26)
- Valuation reserves related to investments carried at equity	11	-	-	-	11
- Special revaluation laws	6	-	-	-	6
7. Net profit (loss) for the year (+/-) for the Group and non-controlling interests	816	-	-	-	816
Total	**3,147**	**-**	**-**	**-**	**3,147**

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: analysis

	PRUDENTIAL CONSOLIDATION		INSURANCE COMPANIES		OTHER COMPANIES		ELIMINATIONS AND ADJUSTMENTS FROM CONSOLIDATION		TOTAL	
	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	25	(1)	-	-	-	-	-	-	25	(1)
2. Equities	-	-	-	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-	-	-	-
Total 31.12.2020	**25**	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**	**25**	**(1)**
Total 31.12.2019	**24**	**(4)**	**-**	**-**	**-**	**-**	**-**	**-**	**24**	**(4)**

1. BUSINESS MODEL
2. EXTERNAL CONTEXT AND STRATEGIES
3. PERFORMANCE
4. GOVERNANCE
5. CONSOLIDATED FINANCIAL STATEMENTS

B.3 Valuation reserves for financial assets measured at fair value through other comprehensive income: changes in the year

	DEBT SECURITIES	EQUITIES	LOANS
1. Opening balance	**20**	**-**	**-**
2. Increases	**12**	**-**	**-**
2.1 Increases in fair value	11	-	-
2.2 Impairment for credit risk	-	X	-
2.3 Transfers to income statement of negative reserves from realisation	1	X	-
2.4 Transfers to other components of shareholders' equity (equity securities)	-	-	-
2.5 Other increases	-	-	-
3. Decreases	**8**	**-**	**-**
3.1 Decreases in fair value	3	-	-
3.2 Reversal of impairment for credit risk	-	-	-
3.3 Transfers to income statement from positive reserves: from realisation	5	X	-
3.4 Transfers to other components of shareholders' equity (equity securities)	-	-	-
3.5 Other decreases	-	-	-
4. Closing balance	**24**	**-**	**-**

B.4 Valuation reserves for defined-benefit plans: changes in the year

	ACTUARIAL GAINS/LOSSES
1. Opening balance	**(21)**
2. Increases	**-**
2.1 Actuarial gains	-
2.2 Other changes	-
3. Decreases	**5**
3.1 Actuarial losses	5
3.2 Other changes	-
4. Closing balance	**(26)**

PART G – BUSINESS COMBINATION TRANSACTIONS OF COMPANIES OR COMPANY DIVISIONS

SECTION 1 - TRANSACTIONS COMPLETED IN THE YEAR

1.1 Business combination transactions

The Bank did not engage in any business combination transactions in the year as governed by IFRS 3.

A single non-recurring intercompany transaction was realized within the Fideuram Group – and thus outside the scope of application of IFRS 3. In consideration of the fact that the transaction was entered into exclusively for the purposes of reorganisation, it was recognised keeping the financial statement values unchanged without recognising of its effects in the consolidated financial statements. That transaction, finalised on 21 September 2020, refers to the merger through incorporation of Morval SIM into Intesa Sanpaolo Private Banking, with retroactive effect for tax and accounting purposes to 1 January 2020.

SECTION 2 - TRANSACTIONS COMPLETED AFTER THE YEAR

2.1 Business combination transactions

After the end of 2020, no business combination transactions were realised during the year as governed by IFRS 3.

The spin-off of the Intesa Sanpaolo Private Banking business unit comprised by the Managed Assets organisational unit was completed when it took legal, accounting and tax effect on 1 January 2021. That unit is responsible for providing the asset management service, meaning the portfolio management activity pursuant to Article 1, subparagraph 5, d), of the Consolidated Law on Finance (“GPI Unit”), to Fideuram Asset Management SGR. The GPI Unit was assigned all legal creditor and debtor relationships that compose it in an economically organised unit, in the entirety of the assets and liabilities. The GPI Unit was spun off according to the principle of continuity in the accounts for a book value of €100k, equal to the net equity value. Its assignment to Fideuram Asset Management SGR caused a corresponding reduction in the book shareholders’ equity of Intesa Sanpaolo Private Banking. Fideuram Asset Management SGR recognised the assets and liabilities included in the GPI Unit at the value for which they were recognised in the books of Intesa Sanpaolo Private Banking. The net value of the GPI Unit was recognised in the books of Fideuram Asset Management SGR for €20k in share capital and €80k for other reserves.

PART H - TRANSACTIONS WITH RELATED PARTIES

OPERATING ASPECTS

The Board of Directors of Fideuram - Intesa Sanpaolo Private Banking adopted, most recently with a resolution on 4 February 2021, following the procedures provided for by Italian law, the amendment of the Group Regulations governing the management of transactions with Intesa Sanpaolo S.p.A. Related Parties, Group Associated Parties and Insiders in accordance with ex art. 136 of Italian Banking Consolidation Act (Testo Unico Bancario - TUB) and adopted the new text of the related Addendum (hereinafter, the "Regulations").
The Regulations take into account both the regulations issued by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB), pursuant to article 2391 bis of the Italian Civil Code, and the Supervisory Regulations brought in by the Bank of Italy on 12 December 2011 regarding bank and banking group risk assets and conflicts of interest in respect of associated parties, the latter issued to implement article 53, subparagraph 4 et seq. of the Italian Banking Consolidation Act (Testo Unico Bancario - TUB) and in accordance with resolution No. 277 of the Italian Interministerial Committee for Credit and Savings (CICR) of 29 July 2008 and, in addition, the rules set out in article 136 of the Italian Banking Consolidation Act.
The Regulations govern the following for the entire Intesa Sanpaolo Group:

- the criteria for identifying Related Parties and Associated Parties;
- the investigative and decision-making process for transactions with Related Parties and associated parties, together with the process for providing information to the Company Bodies on said transactions;
- information provided to the market on transactions with Related Parties;
- the prudential limits and the requirements for periodically notifying the Bank of Italy about risk assets in respect of Associated Parties;
- the rules regarding controls and organisational supervision;
- the general disclosure and abstention rules for the management of the personal interests of company directors, employees and agents/freelancers, including those other than Associated Parties.

In accordance with the Regulations, the following are considered Intesa Sanpaolo Related Parties: parties holding a controlling interest or a major interest sufficient to exert significant influence, subsidiaries and associate companies, joint ventures, the Group's pension funds, Intesa Sanpaolo Directors and Key Managers and their close relatives, and significant equity investments.
Group Associated Parties are instead comprised of the Associated Parties of each bank in the Group (including Fideuram - Intesa Sanpaolo Private Banking) and each significant authorised intermediary with regulatory capital exceeding 2% of consolidated shareholders' equity.
The following are considered Associated Parties:

i. shareholders that exercise control or significant influence and their respective company groups;
ii. subsidiaries, joint subsidiaries and associate companies, as well as entities in which the latter have a controlling interest, including jointly with others;
ii. company directors and their relatives up to the second degree of consanguinity or affinity and significant equity investments.

As a self-regulatory measure, the Regulations were extended to:

i. Intesa Sanpaolo shareholders and related company groups that hold shares with voting rights in the Parent Company above the minimum threshold provided for by the regulations on the disclosure of significant investments in listed companies;
ii. Companies where members of the Board of Directors are close family members of managers with executive positions at the Group's banks or significant authorised intermediaries;
iii. Companies in which the Group has significant equity or financial interests.

The parties considered Insiders by the Regulations also include the related parties as defined by IAS 24.
The Regulations specify the various investigative safeguards that need to be observed in carrying out transactions with Intesa Sanpaolo Related Parties, Group Associated Parties and Insiders in accordance with ex art. 136 of the Italian Banking Consolidation Act (Testo Unico Bancario - TUB), to satisfy the need for the substantial propriety of the transactions and requiring, among other things, a detailed examination of the reasons and interests, of the asset-related, economic and financial effects, and of the conditions of the transaction.
Consistently with the rules adopted by CONSOB and the Bank of Italy, a system of full or partial exemptions from application of the rules also applies.
The decision-making procedures for transactions with Intesa Sanpaolo Related Parties and Group Associated Parties are differentiated as follows:

- transactions of negligible amount: with a value of €250k or less for natural persons and €1m or less for parties that are not natural persons (exempted from application of the regulations);
- transactions of minor significance: with a value above the thresholds for transactions of negligible amount (€250k or less for natural persons and €1m or less for parties that are not natural persons) but less than or equal to the thresholds for transactions of major significance indicated as follows;

- transactions of major significance: with a value that is above the 5% threshold of the indicators specified by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) and the Bank of Italy (approximately €2.5bn for the Intesa Sanpaolo Group);
- transactions requiring the approval of the shareholders' meeting in accordance with the law or the By-Laws.

The Related Parties Committee, made up of three non-executive and mostly independent members of the Bank's Board of Directors, as provided by the By-laws, plays a consultative role in the process for approving transactions with Intesa Sanpaolo Related Parties and Group Associated Parties. When deemed appropriate, the Committee may use independent experts according to the significance, special economic or structural characteristics of the transaction or the nature of the related party or associated party.

Transactions of major significance require the company departments to involve the Committee in the investigative and negotiation phases by sending a complete flow of prompt information, with the committee being empowered to request further information and formulate observations.

All transactions with a Related Party or Associated Party that are not exempted pursuant to the Regulations are subject to the Parent Company's consent and a resolution of the Board of Directors, following consultation with the Related Parties Committee. Moreover, transactions with Related Parties or Associated Parties are conditioned on an opinion by the aforesaid Committee and a resolution by the Board of Directors, even if they are ordinary and made on an arm's length basis, if those transactions are subject to resolution by the Board of Directors according to the corporate rules.

The Regulations envisage specific safeguards if the Board of Directors approves a transaction of greater or lesser magnitude, notwithstanding the negative opinion of the independent Committee.

The Regulations likewise specify the general criteria for the reports to be submitted, at least quarterly, to the Board of Directors and Board of Statutory Auditors on transactions with Related Parties and Associated Parties completed in the reference period, to give a complete overview of the most significant transactions that are executed, and of the volumes and principal characteristics of all delegated transactions. The reports must detail all the transactions, even if they are exempt from the decision-making process, with a value above the thresholds for transactions of negligible amount. These exclude financing transactions of minor significance and banking inflows between group companies (provided that they do not involve a subsidiary with significant interests of another related party or associated party and feature non-market or standard conditions). Ordinary transactions of minor significance between group companies under arm's length conditions, on the other hand, are to be reported annually in an aggregate report. In addition to covering the obligations provided for in article 2391 of the Italian Civil Code and article 53 of the Italian Banking Consolidation Act (Testo Unico Bancario - TUB) regarding the interests of directors, the Regulations also govern Insider transactions in accordance with article 136 of the TUB and therefore adopt the escalated decision-making procedure (unanimous resolution of the Board of Directors, excluding the vote of the director concerned, and vote in favour by the members of the Board of Statutory Auditors) provided for to permit bank directors to enter into liabilities either directly or indirectly with the bank in which they hold their position.

1. INFORMATION ON REMUNERATION OF SENIOR MANAGERS WITH STRATEGIC RESPONSIBILITIES

	31.12.2020
Short-term benefits	7
Post-employment benefits	-
Other long-term benefits	1
Employment termination indemnity	-
Payment in shares	1
Total	**9**

2. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

Fideuram - Intesa Sanpaolo Private Banking S.p.A. is wholly owned and controlled directly by Intesa Sanpaolo S.p.A..

In accordance with the law and the internal procedures issued by Intesa Sanpaolo and the bank, all transactions with related parties during 2020 were conducted under arms-length conditions as for unrelated parties of corresponding nature and risk, or – in the absence of any reference – under mutually-beneficial conditions, verified taking all the related circumstances, the distinctive characteristics of the transaction and Group interests into account. The bank did not in any case engage in any atypical or unusual transactions and/or transactions under non-standard financial and contractual conditions for the types of related parties concerned.

As part of the process of integrating UBI Banca into the Intesa Sanpaolo Group, the Boards of Directors of Fideuram and Intesa Sanpaolo Private Banking, meeting on 2 November and 30 October 2020, respectively, approved to the extent of their responsibilities the project for partial demerger of UBI Banca S.p.A. in favour of Fideuram S.p.A. and Intesa Sanpaolo Private Banking S.p.A. The object of the project is:

- the assignment to Fideuram of the 100% stake held by UBI Banca in IW Bank S.p.A., together with the business unit of UBI consisting of the units dedicated to providing the service activities in favour of IW Bank;
- the assignment to Intesa Sanpaolo Private Banking of the UBI Banca business unit comprised by the divisional unit called "TOP Private Banking" and organised for the activity and services in favour of high net worth customers and companies.

The spin-off of the equity investment in IW Bank to Fideuram will be made according to the principle of continuity in the accounts for a net value equal to the book value of the equity investment.

The service unit of IW Bank will be assigned to Fideuram with all legal creditor and debtor relationships composing it in an economically organised unit, in the entirety of the assets and

liabilities that are connected with its activity in any way, with a valuation of €2m. The assignment will be made according to the principal of continuity in the accounts and without the issuance of new shares.
The Private Banking unit will be assigned to Intesa Sanpaolo Private Banking with all legal creditor and debtor relationships composing it in an economically organised unit, in the entirety of the assets and liabilities that are connected with its activity in any way, with a valuation of €21m. The net value of the Private Banking business unit assigned to Intesa Sanpaolo Private Banking will be recognised, in the same beneficiary Company:

- €12min share capital, with the issuance of No. 3,000,000 ordinary shares of Intesa Sanpaolo Private Banking without par value, which will be assigned to Intesa Sanpaolo and then sold to Fideuram at a price equal to the economic value of the business unit;
- €9m in Other reserves – reserves from transactions under common control. No cash adjustment is required.

Inter alia, taking into account the fact that the merger through incorporation of UBI Banca into Intesa Sanpaolo will be realised upon completion of the demerger, and on the same date but with immediately subsequent effect.
The Board of Directors meetings of Fideuram, Intesa Sanpaolo Private Banking, Sanpaolo Invest SIM, Fideuram Asset Management SGR and Fideuram Asset Management (Ireland) held in December approved, within the limits of their respective responsibilities, the execution of an agreement with BlackRock Financial Management for the supply of a services platform named Aladdin as the only end-to-end solution at the Group level in support of the supply chains of Asset Management, Wealth Management and related Risk Management activities, with the consequently partial outsourcing of the information systems of the cited companies to BlackRock Financial Management.
The Fideuram Board of Directors meeting of 4 May 2020 approved the renewal of the service contract in place with Intesa Sanpaolo, as amended with the provision of new policymaking, monitoring and support services.
The existing service contracts between Intesa Sanpaolo and the following subsidiaries of the Group: Sanpaolo Invest, Siref Fiduciaria, Intesa Sanpaolo Private Banking, Fideuram Asset Management SGR and Fideuram Asset Management (Ireland) were also renewed.
All Fideuram's other relations with its own subsidiaries and with other Intesa Sanpaolo Group companies may be considered to form part of the Bank's ordinary operations. Fideuram uses the brokerage services of Intesa Sanpaolo for buying and selling securities. These transactions are conducted under arm's-length conditions.

All amounts receivable and payable and all income and expenses at 31 December 2020 regarding companies in the Intesa Sanpaolo Group are summarised below:

Assets 31.12.2020

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Debt and equity securities	14,010	73
Loans and advances to banks	18,475	95
Loans and advances to customers	187	2
Financial derivatives	25	40
Property and equipment	20	6
Other assets	33	2

Liabilities 31.12.2020

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Due to banks	3,068	85
Due to customers	452	1
Financial derivatives	649	64
Other liabilities	101	9
Guarantees and commitments	136	3

Income Statement 2020

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Interest income	137	49
Interest expense	(27)	32
Fee and commission income	784	31
Fee and commission expense	(24)	3
Net profit (loss) on the financial assets	(2)	n.s.
Administrative expenses	(89)	10
Depreciation of property and equipment	(7)	15

n.s.: not significant

Relationships with companies in the Intesa Sanpaolo Group

(€m)	ASSETS	LIABILITIES	GUARANTEES AND COMMITMENTS	INCOME	EXPENSES
Parent Company					
Intesa Sanpaolo S.p.A.	31,914	3,808	136	230	155
Companies controlled by the Parent Company					
Eurizon Capital S.A.	-	-	-	1	-
Eurizon Capital SGR. S.p.A.	26	-	-	108	1
Fideuram Vita S.p.A.	455	372	-	478	12
Intesa Sanpaolo Bank Luxembourg S.A.	258	-	-	1	-
Intesa Sanpaolo Harbourmaster III S.A.	1	1	-	-	1
Intesa Sanpaolo Holding International S.A.	1	1	-	-	1
Intesa Sanpaolo Life dac	4	79	-	40	-
Intesa Sanpaolo Servitia S.A.	-	-	-	-	2
Intesa Sanpaolo Vita S.p.A.	40	8	-	84	1
RBM Assicurazione Salute S.p.A.	-	1	-	-	-
UBI Banca S.p.A.	51	-	-	3	-

PART I - SHARE-BASED PAYMENT ARRANGEMENTS

QUALITATIVE INFORMATION

1. DESCRIPTION OF THE SHARE-BASED PAYMENT ARRANGEMENTS

1.1 Bonus scheme based on financial instruments

The Supervisory Regulations regarding the remuneration and bonus and incentive scheme policies and practices of banks and banking groups stipulate, inter alia, that part of the bonuses awarded to "Risk Takers" (at least 50%) be in the form of financial instruments allocated over a long-term time horizon.
To that end, at 31 December 2020 the Fideuram Group had a total of €23m in Intesa Sanpaolo stock in its portfolio, which is recognised in the balance sheet under financial assets measured at fair value through profit or loss.
The shares will be assigned to the participants in accordance with the implementation regulations of the bonus systems, which as a rule require the participants to have been in continuous service up until the moment the shares are actually delivered, and make each deferred part of the bonus (whether in the form of cash or financial instruments) subject to an ex-post correction mechanism (known as a malus condition) which can reduce the amount paid and the number of any shares allocated in relation to the extent to which certain specific financial/asset targets that measure the sustainability of the results achieved over time have been met.

1.2 Long-term investment plans 2018-2021: POP and LECOIP 2.0

At the same time that the Business Plan 2018-2021 was launched, two new long-term incentive plans were begun, targeting different population clusters:

- POP (Performance-based Option Plan) reserved for the Top Management, Risk Takers, and Key Managers;
- LECOIP 2.0 Plan reserved for the Managers and remaining staff.

In regard to Top Management, the Risk Takers, and Key Managers, who have a direct impact on Group results, it was deemed necessary to adopt a tool explicitly connected with achievement of the Business Plan targets and with an adequate risk/return profile reflecting the role played and the levels of ambition and challenge of the new Business Plan.
The POP Plan is based on financial instruments connected to the Intesa Sanpaolo shares (call option) and subject to achievement of key performance conditions of the Business Plan, as well as to individual activation and access conditions (compliance breach).
The entire amount accrued will be paid in shares and over a time horizon of 3-5 years, according to the cluster to which the beneficiary belongs, after checking the malus conditions, which are defined specularly to the activation conditions, over the years when these are envisaged.
Moreover, in June 2018, the Group signed an assumption of obligations agreement with JP Morgan. That agreement transferred the obligation to deliver to the Group employees any ordinary shares due upon expiration of the POP Options and, consequently, assumption of all the volatility risks of the Plan by the counterparty itself.
In regard to the Managers and remaining staff, the 2018-2021 LECOIP 2.0 retention plan was introduced, substantially continuing the LECOIP 2014-2017.
The LECOIP 2.0 plan, which is intended to facilitate the sharing at all organisation levels of the value created over time after the Business Plan targets are met and to promote identification with and a spirit of belonging to the Group, is assigned in certificates issued by JP Morgan, i.e. share-based financial instruments. In particular, the LECOIP 2.0 Plan envisages:

- the free assignment to employees of newly issued Intesa Sanpaolo ordinary shares resulting from a bonus issue (free shares);
- the free assignment to employees of additional Intesa Sanpaolo ordinary shares resulting from the same bonus issue (matching shares), and subscription by the employees of newly issued Intesa Sanpaolo ordinary shares in a cash capital increase reserved for employees in which the shares were discounted from their market value (Discounted Shares).

The certificates are broken down into two categories and have different characteristics according to whether they are allocated to Professional employees or Managers within the Italian operations of the Group. The certificates reflect the terms of certain options whose underlying consists of Intesa Sanpaolo ordinary shares and allow employees to receive on maturity, unless certain events occur, an amount in cash (or in Intesa Sanpaolo ordinary shares) equal to the original market value of the free shares and the matching shares for the Professional employees and 75% of that market value for the Manager employees, plus any gain from the original market value, connected with the amount of free shares, matching shares, and discounted shares.

Both of the long-term incentive plans in question (POP and LECOIP 2.0) fall within the scope of application of IFRS 2 and can be referred to as equity-settled share-based payment transactions ("equity-settled plans"). In regard to the POP Plan, the fair value of the instruments representing the capital covered by the plan (represented by the fair value of the options adjusted for the availability restriction imposed on the shares after the options are exercised) was defined at the allocation date and not modified thereafter. The Plan requires satisfaction of non-market service and performance conditions (the activation and performance conditions), which were taken into account to determine the number of shares for measuring the cost of the plan. These estimates will be revised during the vesting period and until maturity. The cost of the plan as defined hereinabove is recognised in the

income statement as the cost of labour pro rata temporis over the vesting period of the benefit, as a balancing entry for a specific shareholders' equity reserve. When events occur such as to cause employees to lose their right to the benefits of the POP Plan (performance conditions, activation conditions, and resignation or termination), cash revenue is recognised in the financial statements. In regard to the right to assume obligations – since it can essentially be construed as the operational method adopted by the Group to fulfil its obligation to make physical delivery of the shares resulting from the Plan – they shall be represented in the accounts as an equity instrument recognised as a balancing entry in shareholders' equity.
In regard to the LECOIP 2.0 Plan, the fair value of the instruments representing the capital covered by the plan (equal to the sum of the fair value of the shares assigned for free and the fair value of the discount for the paid shares) was calculated at the allocation date and not modified thereafter. The Plan requires satisfaction of non-market service and performance conditions (trigger events), which were taken into account to determine the number of shares for measuring the cost of the plan. These estimates will be revised during the vesting period and until maturity. The cost of the plan as defined hereinabove is recognised in the income statement as the cost of labour pro rata temporis over the vesting period of the benefit, as a balancing entry for a specific shareholders' equity reserve.
When events occur such as to cause employees to lose their right to the benefits of the LECOIP 2.0 certificates (trigger events and resignation or termination), a financial asset (the assigned receivable representing the Certificates) is recognised in the balance sheet as a balancing entry in shareholders' equity. In particular, under IFRS 9, the Certificates recognised in the Group financial statements have to be classified as Financial assets mandatorily measured at fair value.

QUANTITATIVE INFORMATION

2. OTHER INFORMATION

2.1 Development of the bonus scheme based on financial instruments

	NUMBER OF SHARES	PER-SHARE FAIR VALUE (euro)
Intesa Sanpaolo Shares at 31 December 2019	**3,641,404**	**2.3485**
- Shares acquired in the year	8,932,304	1.8518
- Shares allocated in the year	912,370	1.7151
Intesa Sanpaolo Shares at 31 December 2020	**11,661,338**	**1.9126**

2.2 Long-term investment plans 2018-2021: POP and LECOIP 2.0

	LECOIP 2.0 PLAN									NUMBER OF LECOIP CERTIFICATES AT 31.12.2019	CHANGES IN THE YEAR	NUMBER OF LECOIP CERTIFICATES AT 31.12.2020	AVERAGE FAIR VALUE AT 31.12.2020
	FREE SHARES AT JULY 2018		MATCHING SHARES AT JULY 2018		DISCOUNTED SHARES AT JULY 2018		SELL TO COVER SHARES AT JULY 2018		TOTAL NUMBER OF SHARES ALLOCATED AT JULY 2018				
	NUMBER OF SHARES	AVERAGE PER-SHARE FAIR VALUE	NUMBER OF SHARES	AVERAGE PER-SHARE FAIR VALUE	NUMBER OF SHARES	AVERAGE PER-SHARE FAIR VALUE	NUMBER OF SHARES	AVERAGE PER-SHARE FAIR VALUE					
TOTAL EMPLOYEES	1,166,440	2.4750	3,655,740	2.4750	33,755,260	0.3771	7,442,736	2.5416	46,020,176	4,664,618	(140,605)	4,524,013	2.3645

The income statement effects of the Lecoip 2.0 Plan totalled €12m in 2020.

	PERFORMANCE - BASED OPTION PLAN (POP)						
	NUMBER OF POP OPTIONS AT JULY 2018	AVERAGE PER-SHARE FAIR VALUE AT JULY 2018	NUMBER OF POP OPTIONS AT 31.12.2019	AVERAGE PER-SHARE FAIR VALUE AT 31.12.19	CHANGES IN THE YEAR	NUMBER OF POP OPTIONS AT 31.12.2020	AVERAGE PER-SHARE FAIR VALUE AT 31.12.2020
TOTAL RISK TAKERS	26,976,939	0.3098	25,975,932	0.0560	(362,121)	25,613,811	0.0004

The income statement effects of the POP Plan totalled €2m in 2020.

PART M - DISCLOSURE ON LEASES

This section provides the information required by IFRS 16 that has not been presented in other parts of the financial statements.

SECTION 1 - LESSEE

QUALITATIVE INFORMATION

The Group mainly has real estate leases and car leases in force. The number of lease contracts at 31 December 2020 totalled 628, of which 588 for real estate leases, with the rights-of-use worth a total of €281m.

The real estate leases mainly consist of properties for use as offices, bank branches, or Personal Financial Advisers' offices. Within Italy, the lease contracts normally have a term longer than 12 months and typically feature renewal and termination options that can be exercised by the lessor and the lessee as prescribed by law or specific contractual provisions. These contracts usually do not include the purchase option at the end of the lease term or significant restoration costs. According to the characteristics of Italian lease contracts and the provisions of Law 392/1978, in case of a new lease having a term of six years and the option for tacit renewal of the lease once every six years, the total duration of the lease is set at twelve years. This general guidance is superseded if there are new elements or specific situations within the contract.

The contracts referring to other leases mainly concern cars. These are long-term rental contracts for cars provided to the employees (mixed personal and business use) or the organisational units of the individual companies. These contracts generally have a four-year term, with monthly payments, with no renewal option and do not include a purchase option. The contract may be extended according to management of the car fleet. If it is terminated prematurely, a penalty may apply.

The lease contracts other than those relating to real estate or cars represent a negligible amount.

During 2020, no sale or leaseback transactions were made.

Sublease transactions represent an insignificant amount and concern intercompany relationships.

As previously mentioned in the accounting policies, the Group uses the exemptions allowed by IFRS 16 for short-term leases (having a term less than or equal to 12 months) or leases for assets having a low value (worth less than or equal to €5,000).

QUANTITATIVE INFORMATION

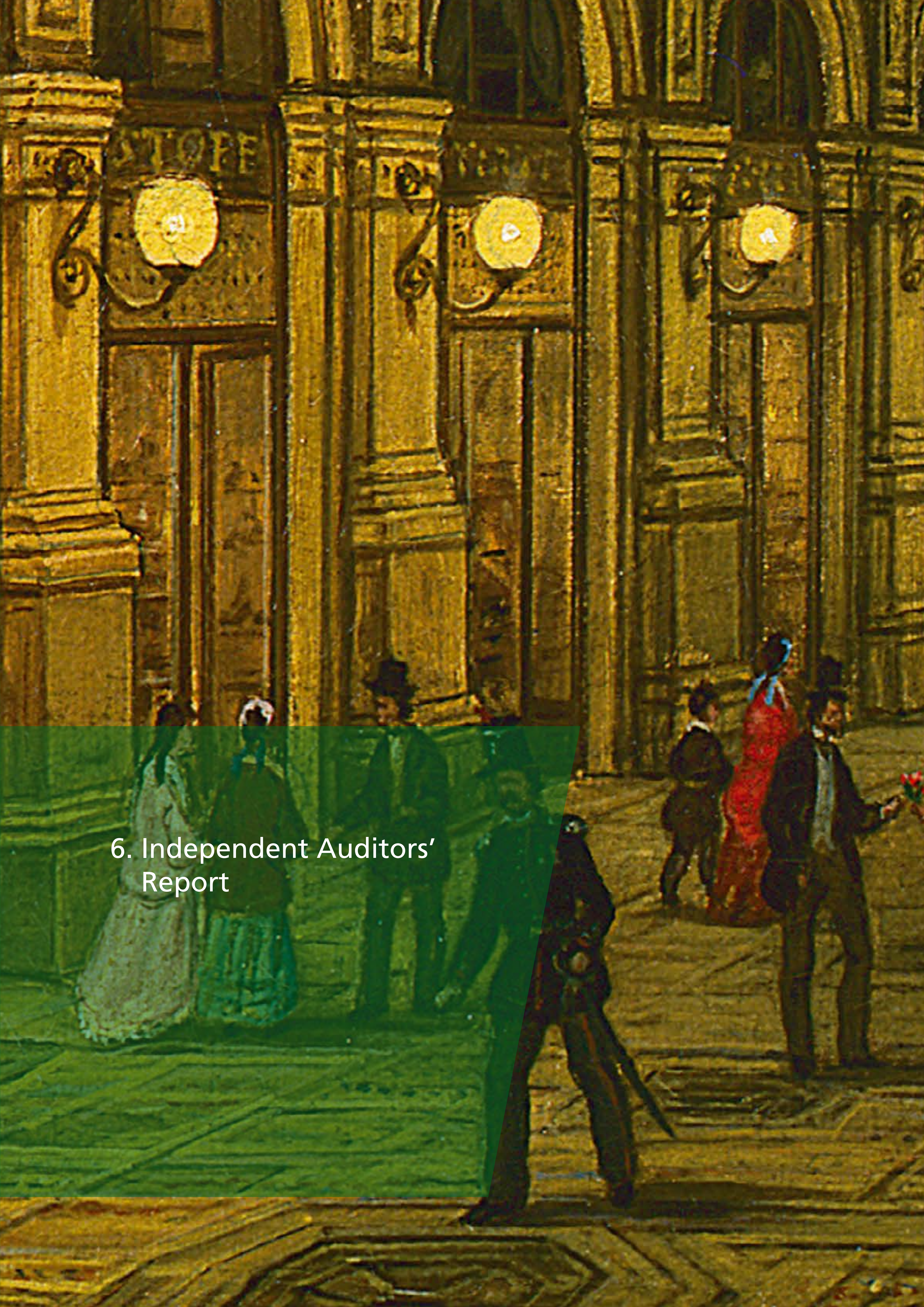
Part B - Assets in the Notes to the consolidated financial statements contains information about the rights of use acquired with leases (Table 9.1 - Property and equipment used in operations: analysis of assets measured at cost) and Part B - Liabilities shows the debts for leases (Table 1.1 - Financial liabilities measured at amortised cost - Due to banks: analysis and Table 1.2 - Financial liabilities measured at amortised cost - Due to customers: analysis).

Part C of the Notes to the consolidated financial statements contain information on the interest expense for debts for leases and the other costs connected with the rights of use acquired with leases. Reference is made to the specific sections for more details.

The following table breaks down the depreciation expenses for right-of-use assets in the various categories, consistently with the presentation of property and equipment.

Depreciation expenses by asset class

	2020
Property and equipment used in operations	
a) buildings	42
b) furniture	-
b) electronic equipment	-
d) other	1
Total	**43**



6. Independent Auditors' Report

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the sole shareholder of
Fideuram - Intesa Sanpaolo Private Banking S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Fideuram - Intesa Sanpaolo Private Banking Group (the "group"), which comprise the consolidated balance sheet as at 31 December 2020, the consolidated income statement and the statements of consolidated comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Fideuram - Intesa Sanpaolo Private Banking Group as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 43 of Legislative decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Fideuram - Intesa Sanpaolo Private Banking S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of provisions for risks and charges

Notes to the consolidated financial statements: PART A - Accounting policies, sections 10 "Provisions for risks and charges" and 16 "Other information"; PART B - Notes to the consolidated balance sheet, section 10 "Provisions for risks and charges"; PART C - Notes to the consolidated income statement, section 13 "Net provisions for risks and charges"; PART E – Information on risk and related hedging policies

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2020 include provisions for risks and charges of €568 million. They comprise provisions for pending disputes (€78 million), personal financial advisers' termination indemnities (€261 million) and loyalty schemes (€68 million). Measuring provisions for risks and charges for pending disputes is a complex activity, with a high degree of uncertainty, and entails directors' estimates about the outcome of the dispute, the risk of losing and the timing for its settlement. Measuring provisions for risks and charges for the personal financial advisers' termination indemnities and loyalty schemes is a complex activity, with a high degree of uncertainty, and entails directors' actuarial-based estimates about the probability of payments, the expected payment timing and the average personal financial advisers' (and related customers') retention rates. For the above reasons, we believe that measuring provisions for risks and charges is a key audit matter.	Our audit procedures included: — understanding the process for the measurement of the provisions for risks and charges and assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls; — analysing the discrepancies between past years' estimates of the provisions for risks and charges and actual figures resulting from the subsequent settlement of legal disputes, in order to check the accuracy of the estimation process; — sending written requests for information to the legal advisors assisting the group companies about the assessment of the risk of losing pending legal disputes and the quantification of the related liability and checking the consistency of the information obtained with the elements considered by the directors to measure the provisions for risks and charges; — analysing the reasonableness of the assumptions used to measure the provisions for risks and charges relating to the main legal disputes through discussions with the relevant internal departments and analysis of the supporting documentation; — analysing the reasonableness of the assumptions, actuarial assumptions and methods used by the directors to estimate the liability for personal financial advisers' termination indemnities and loyalty schemes; we carried out these procedures with the assistance of experts of the KPMG network;

	— assessing the appropriateness of the disclosures provided in the notes about the provisions for risks and charges.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 43 of Legislative decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on

the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 20 March 2013, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2013 to 31 December 2021. On 30 March 2020, they approved the termination by mutual agreement of the above engagement in relation to the 2021 statutory audit.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The parent's directors are responsible for the preparation of the group's directors' report at 31 December 2020, which is comprised of paragraphs from 2.1 to 2.3 of section 2 "External context and strategies", paragraphs from 3.1 to 3.4, 3.7, 3.8.1 and 3.9 of section 3 "Performance" and paragraph 4.2 of section 4 "Governance" (the "directors' report"), and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the group's consolidated financial statements at 31 December 2020 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the group's consolidated financial statements at 31 December 2020 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Exemption from the preparation of the non-financial statement

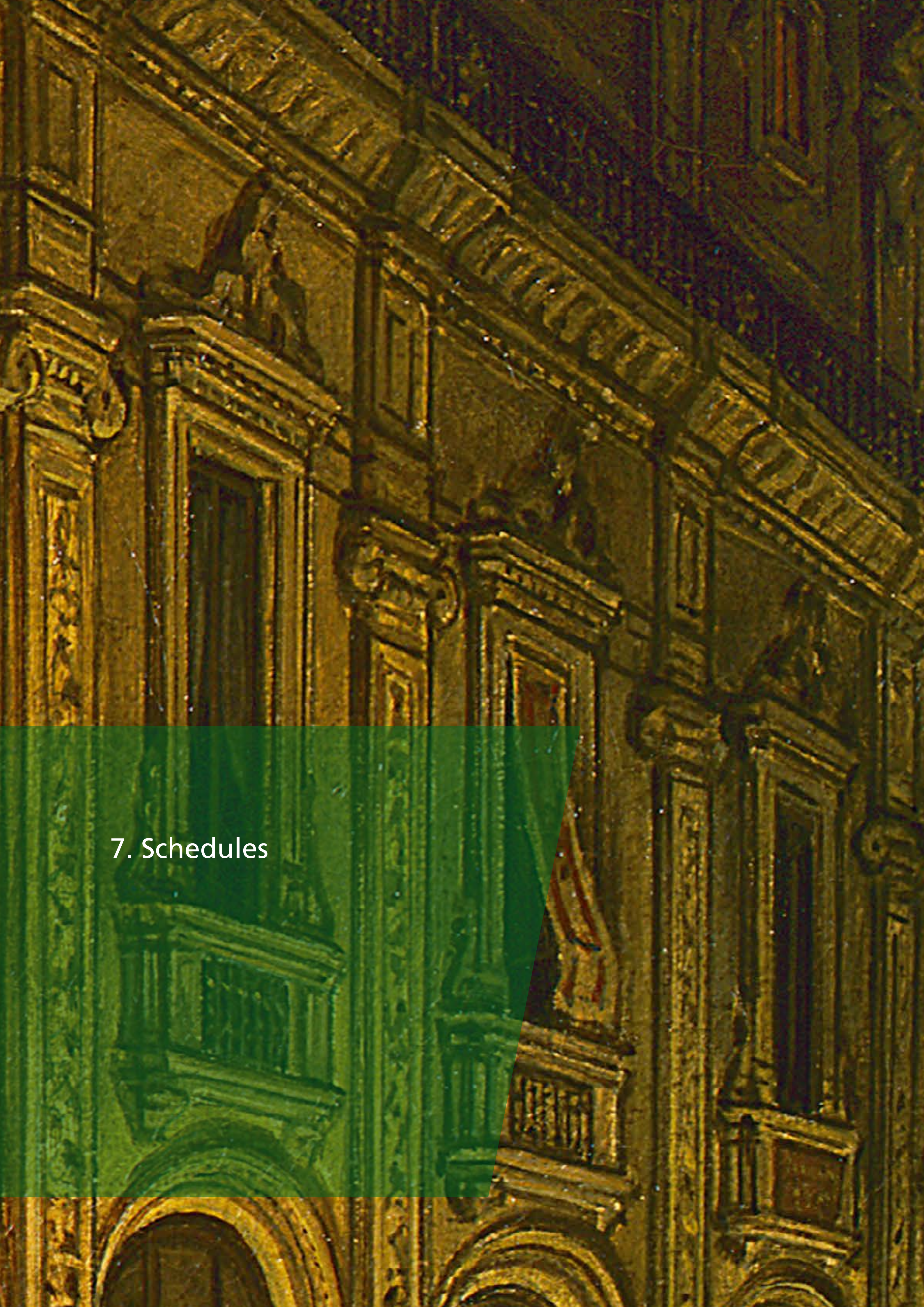
As disclosed in the directors' report, the parent's directors availed of the exemption from the preparation of the non-financial statement pursuant to article 6.1 of Legislative decree no. 254 of 30 December 2016.

Rome, 22 March 2021

KPMG S.p.A.

(signed on the original)

Giovanni Giuseppe Coci
Director of Audit



7. Schedules

7.1 Non financial reporting methodology

The non-financial disclosures have been included in the Directors' Report to highlight the connections among the various financial and environmental, social and governance information in the value creation process. These disclosures are addressed to all stakeholders identified in the Fideuram Group Code of Ethical Conduct.

2020 to perform comprehensive oversight of ESG projects in the Private Banking Division. The Sustainability Manager has been asked to participate in the activities of the ESG Control Unit that supports the Management Committee – Business and (ESG) Sustainability Plan Session – of Intesa Sanpaolo in strategic policymaking on ESG themes, exercising operational coordination for the implementation of the most important ESG initiatives and evaluating the appropriateness and soundness of the new initiatives in that area.
In the context of non-financial reporting, there has been a CSR Officer assigned to the Private Banking Division for several years now.

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

REFERENCE STANDARDS

Since 2013, the Fideuram Group has reported financial and non-financial information in the Integrated Annual Report. This year's Integrated Annual Report has been prepared on the same basis as the Integrated Annual Report at 31 December 2019, confirming the Group's commitment to transparent performance reporting.

The non-financial disclosure has been prepared in accordance with the GRI Sustainability Reporting Standards drawn up by the Global Reporting Initiative (GRI) in 2016.
The GRI Standards guidelines offer two options for the preparation of compliant sustainability reporting: Core and Comprehensive. Both options can apply for any organisation, irrespective of its size, sector or location. The choice of option does not have any effect on the quality of the reporting. The Group has prepared this Integrated Annual Report in line with the Core option, considered more in keeping with the principles of conciseness and connectivity of an Integrated Report.
The Report contents have been selected based on the principles outlined in the "Integrated Reporting" Framework of the IIRC, in the GRI Standards guidelines, and the AA1000APS AccountAbility standard.

In particular, the materiality principle set out in GRI Standards, which considers information material when its omission could significantly influence the decisions of users of the report, has been adopted to define the material topics for reporting the most significant risks and opportunities for the Group.

An aspect is defined as material if it simultaneously:

- reflects the organisation's significant economic, environmental and social impacts (defined on the basis of Management opinion);
- substantively influences the assessments and decisions of stakeholders (defined on the basis of a specific stakeholder engagement).

When implementing the materiality analysis process, the Group was inspired by, among other things, the definition of materiality contained in the "Integrated Reporting" Framework, according to which materiality for the organisation and for its stakeholders is taken to mean the potential to affect, positively or negatively, the ability to create value for the Group.

The principles of stakeholder inclusiveness, sustainability context and completeness were also taken into account in determining the reporting content.
The information quality criteria and scope of reporting were likewise determined taking the related GRI principles into consideration (accuracy, balance, clarity, comparability, reliability, and timeliness).

In addition, Fideuram has decided to express its commitment to sustainable development by identifying which Sustainable Development Goals (SDG) of the UN Agenda 2030 it intends to pursue in the course of company operations. In keeping with the Paris Global Climate Conference, the Group has committed itself to monitoring and reporting on greenhouse gas emissions to identify and implement actions to reduce its ecological footprint.

The data and information provided on Scope 1 and Scope 2 greenhouse gas (GHG) emissions were prepared in accordance with the international Greenhouse Gas Protocol, and with the guidelines set out in the GRI Standards.

THE REPORTING PROCESS

The non financial information reporting process has been formally established through the definition of a specific operating guide under the supervision of the Financial Management Governance Unit. All our company departments contribute to drafting the Integrated Annual Report and operate to establish dialogue with stakeholders. Data collection for the report is centralised in the Administration and Reporting Department and implemented by sending specific requests to the different departments involved.

MEASUREMENT SYSTEMS

The indicators used in our non financial reporting have been chosen in accordance with the reference standard and the results of the materiality analysis process. Almost all the data are direct measurements obtained from accounting data and other information systems, with the exception of a small number of estimates, which are all appropriately identified. To ensure accuracy of measurement and period-on-period comparability in interpreting the indicators, the Group departments have been equipped with appropriate information to ensure the measurement methods are applied correctly. The financial indicators come from the accounting system and are in line with the International Financial Reporting Standards.

PERIOD AND SCOPE OF REPORTING

The non-financial reporting is published annually. The data presented refer to the 2020 financial year and are, where applicable, compared with the previous two years.

The scope of reporting refers to the companies included in the consolidated financial statements, with any limitations appropriately identified. The non-financial data (economic, social, environmental and governance) have been restated as necessary compared with 2019, to take the amendments to the scope of consolidation into account and enable comparison of the data for different periods.

MATERIALITY ANALYSIS

The Group updated the materiality analysis during the year to reflect the new managerial structure of the Private Banking Division.

The materiality analysis process involved Group management and stakeholders and was carried out in five stages as follows:

1. **Identification of a list of topics**, in line with the Group's strategic objectives, through an analysis of subjects relevant to the banking sector (for example: "Sustainability Topics for Sectors: what do stakeholders want to know", provided by the GRI, and "Material Sustainability Issues for the Financial Sector", provided by the Sustainability Accounting Standards Board - SASB), study of our internal documents (minutes of the company bodies and Code of Ethical Conduct), and a benchmark analysis of the documents published by our main competitors and comparable operators, as well as by reviewing a media search on coverage of the Group.
2. **Categorisation and selection of material topics** through an internal assessment by the Administration and Reporting Department. A shortlist of topics material to value creation in the Group is drawn up during this phase. The topics identified in the first phase are then assigned to the stakeholder categories: Customers, Shareholders, Colleagues (Personal Financial Advisers and Employees), Suppliers, the Community and Institutions and the Environment.
3. **Prioritisation of material topics** through questionnaires submitted to Group management and a sample of external stakeholders in order to take both internal and external perspectives into consideration. The questionnaire covers 16 material topics and the respondents are asked to assign a materiality (relevance) score of 1 to 7 to each of them.
   For the internal perspective, Management is asked to assess each topic's capacity to generate opportunities for the Group, influencing its ability to create value. For the external perspective, the aspects that guide the stakeholders' scoring of priorities are as follows:
   - the topic's impact on expectations of the Group;
   - the materiality of the topic in terms of the need to receive information on the performance, actions and future plans of the Group.
4. **Prioritisation of stakeholders** by management, assigning a percentage weight to each category of stakeholders that interact with the Group regarding:
   - the stakeholder category's influence on the Group;
   - the stakeholder category's dependency on the Group.
5. **Process review by management**
   Management reviews the results of the materiality analysis.

Materiality Analysis Process

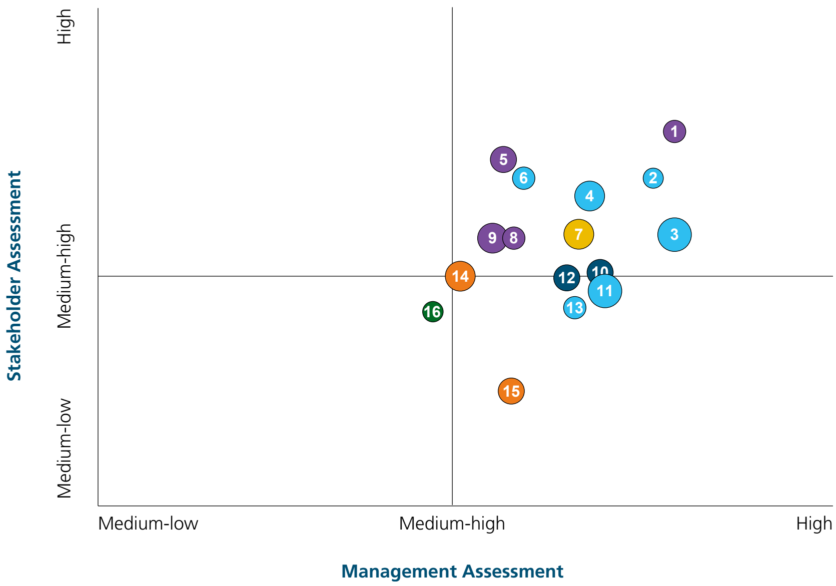
PHASES	1. Identification of a list of topics	2. Categorisation and selection of material topics	3. Prioritisation of material topics	4. Prioritisation of stakeholders	5. Process Review by Management
OBJECTIVES	- Identify the material topics for the sector, for the Fideuram Group and for its stakeholders - Identify and prioritise significant stakeholders	- Identify the material topics for the creation of value in the Fideuram Group through an internal analysis	- Assess the potential of each topic to generate risks and opportunities regarding the ability to create prospective value. Internal analysis and External analysis (Stakeholder Analysis)	- Assess the importance of the main stakeholder categories in terms of influence on the Group and dependency on the Group	- Review prioritisation of the topics in relation to their impact on the Group's strategies - Report procedure followed and results obtained
OUTPUTS	- Tree of topics - Stakeholders tree	- Shortlist of material topics	- Preparation of materiality matrix	- Preparation of materiality matrix and stakeholder matrix	- Sharing of materiality matrix with Management - Publication of Integrated Annual Report focused on material aspects

The materiality matrix below shows the positioning of topics in relation to their priority for the Group and relevance for stakeholders.

The area between the two variables is divided into bands of increasing materiality for the creation of value. The material topics are those in the top right-hand quadrant of the matrix, and it is on these that the Group has prevalently focused its sustainability performance monitoring and reporting.

The sizes of the circles in the chart are directly proportional to the importance of the individual topics in the value creation process, and were defined in relation to the contribution of each topic to the various different drivers.

Materiality matrix



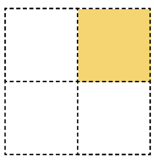
MATERIAL TOPICS (HIGH RELEVANCE)

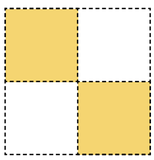
1 = Maintenance of Group solidity and profitability
2 = Development of sales networks and dissemination of financial culture
3 = Brand Reputation
4 = Digitalisation
5 = Risk management
6 = Customer Satisfaction
7 = Development and distribution of sustainable (ESG) investments
8 = Corporate governance
9 = Compliance

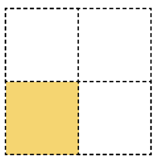
STAKEHOLDER

- Customers
- Personal Financial Advisers
- Employees
- Community and Institutions
- Governance
- Environment

The materiality assessments of the individual topics are shown in relation to the matrix quadrants below:







HIGH RELEVANCE

1.	MAINTENANCE OF GROUP SOLIDITY AND PROFITABILITY
2.	DEVELOPMENT OF SALES NETWORKS AND DISSEMINATION OF FINANCIAL CULTURE
3.	BRAND REPUTATION
4.	DIGITALISATION
5.	RISK MANAGEMENT
6.	CUSTOMER SATISFACTION
7.	DEVELOPMENT AND DISTRIBUTION OF SUSTAINABLE (ESG) INVESTMENTS
8.	CORPORATE GOVERNANCE
9.	COMPLIANCE

MEDIUM-HIGH RELEVANCE

10.	MANAGEMENT OF CUSTOMER PORTFOLIOS
11.	ADEQUACY AND INNOVATION OF FINANCIAL PRODUCTS ON OFFER
12.	TRAINING AND DEVELOPMENT OF PERSONAL FINANCIAL ADVISERS
13.	FOCUS ON CUSTOMERS WHO ARE HIGH NET WORTH INDIVIDUALS
14.	EMPLOYEE TRAINING
15.	INCENTIVE SYSTEMS AND CAREER PATHS

MEDIUM-LOW RELEVANCE

16.	CLIMATE CHANGE

The table below shows the material topics and their related indicators when they are linked to given GRI Standards aspects. Topics with medium to low materiality for both management and stakeholders (in the lower left quadrant) are not shown in the table.

Table of impact scope of material aspects of GRI Standards Core option (High relevance)

MACRO-CATEGORY	TOPIC	RELATED GRI STD ASPECT	GRI STD INDICATORS	IMPACT INSIDE THE ORGANISATION	IMPACT OUTSIDE THE ORGANISATION
Maintenance of Group solidity and profitability	- Market competitiveness - Capital adequacy	Economic Performance Market presence	201-1, 201-4, 202-1	Fideuram Group	Customers Supervisory Authority Community
Development of sales networks and dissemination of financial culture	- Strengthening the sales network and dedicated channels for contacting existing and potential customers - Customisation of product offering to meet customer needs - Developing consulting services, so as to anticipate market requirements - Prompt and effective response to customer needs - Financial education and promotion of a culture for responsible investment management - New tools available to customers	Economic Performance Employment Training and Education	201-1, 201-4, 401-1, 404-2, 404-3	Fideuram Group Personal Financial Advisers	Customers Supervisory Authority Community
Brand reputation	- IT security in terms of preventing online fraud and personal data protection (privacy) of customers - Adequacy of controls over the distribution networks	Anti-corruption Anti-Competitive Behaviour Public Policies Customer Privacy Socioeconomic Compliance	205-2, 205-3, 206-1, 415-1, 418-1, 419-1	Fideuram Group	Customers Supervisory Authority Community
Digitalisation	- E-banking and services virtualization - Availability of diversified and interactive channels for Bank-customer communications - Cybersecurity	Product responsibility	FS14	Fideuram Group	Customers Community
Risk management	- Anti-competitive and antitrust policies - Management of business-related risks	Anti-Competitive Behaviour Public Policies	206-1, 415-1	Fideuram Group	Supervisory Authority Community
Customer satisfaction	- Accessibility of services for customers with physical disabilities - Customer satisfaction evaluation of quality of services offered by the Group - Effective management of customer reports and complaints to improve service	Customer Privacy Compliance Customer satisfaction Socioeconomic Compliance Complaints	418-1, 419-1, FS14	Fideuram Group Personal Financial Advisers	Customers Supervisory Authority Community
Development and distribution of sustainable (ESG) investments	- Inclusion of ethical, social and environmental criteria in evaluation of investments (e.g. green bond and social venture fund) - Governance of ESG themes	Customer satisfaction	FS1	Fideuram Group Personal Financial Advisers	Customers Community
Corporate Governance	- Transparency and clarity in management of decision-making processes - Conflict of interest management - Policies and initiatives to limit the risk of incidents of corruption occurring - Remuneration and compensation policies for members of the Board of Directors	Anti-corruption Diversity and Equal Opportunities Socioeconomic Compliance	205-3, 405-1, 419-1	Fideuram Group	Supervisory Authority Community
Compliance	- Regulatory compliance - Appropriate updating on developments in the reference regulatory framework	Socioeconomic Compliance	419-1	Fideuram Group	Supervisory Authority Community

Table of impact scope of material aspects of GRI Standards Core option (Medium-high relevance)

MACRO-CATEGORY	TOPIC	RELATED GRI STD ASPECT	GRI STD INDICATORS	IMPACT INSIDE THE ORGANISATION	IMPACT OUTSIDE THE ORGANISATION
Management of customer portfolios	- Transparent management of customer portfolios - Monitoring of Personal Financial Adviser-customer relations - Strengthening retention mechanisms (both for Personal Financial Advisers and customer portfolios)	Marketing and Labelling Customer Privacy Socioeconomic Compliance Complaints	417-3, 418-1, 419-1, FS6, FS16	Fideuram Group Personal Financial Advisers	Customers Supervisory Authority Community
Adequacy and innovation of financial products on offer	- Adequate cost of financial products in relation to the quality of service offered - Appropriate products offered in relation to customers' financial culture - Information provided is understandable and relevant (e.g. prospectuses) - Product and service innovation	Marketing and Labelling Complaints Product responsibility	417-3, FS14	Fideuram Group Personal Financial Advisers	Customers Community
Training and development of Personal Financial Advisers	- Recruitment and integration of young talent in sales network through diverse systems of entry to the profession - Specialist training for Personal Financial Advisers - Further development of the tools supporting advisory services	Training and Education	404-1	Fideuram Group Personal Financial Advisers	Customers Supervisory Authority Community
Focus on customers who are High Net Worth Individuals	- Customers with financial assets potentially in excess of €10,000,000 - Focus on HNWI customers to obtain economies of scale and ensure creation of value in a manner that is sustainable over time - Growth and development prospects in the market	Economic Performance Marketing and Labelling	102-43, 201-1, 417-3	Fideuram Group Personal Financial Advisers	Customers Supervisory Authority
Staff Training	- On-the-job training - Induction of new employees and young colleagues - Monitoring quality and effectiveness of training - Training programmes tailored to individual positions and needs	Training and Education	404-1, 404-2, 404-3	Fideuram Group Employees	Customers
Incentive systems and career paths	- Performance management system (assessment of employee performance and transparency of criteria used) - Remuneration systems with reward mechanisms for management and colleagues (MBO, bonuses, balanced management of remuneration differentials etc.) - Transfer and sharing of competencies between colleagues - Attraction capability, development and retention mechanisms	Employment Labor/Management Relations Remuneration and incentives	202-1, 401-1, 401-2, 402-1, 403-2, 404-3	Fideuram Group Employees	Community

STAKEHOLDER ENGAGEMENT

The Fideuram Group developed and implemented its stakeholder engagement process adopting the principles set out in the AA1000APS standard developed by AccountAbility (the Institute of Social and Ethical Accountability), which identifies the foundations on which effective stakeholder engagement is built in the following principles:

- **inclusiveness**: promoting stakeholder participation in the development and achievement of an accountable and strategic approach to sustainability;
- **materiality**: determining the relevance and significance of an issue to an organisation and its stakeholders;
- **responsiveness**: an organisation's ability to respond to stakeholder issues, through decisions, actions, results and communication.

A management model has been designed to enable us to monitor the entire engagement process with the objective of adhering to the three principles of the AA1000APS standard. This monitoring extends from the mapping of stakeholders and quality assessment of engagement initiatives to the proposals and weaknesses that emerge, and the action plan resulting from balancing corporate strategy and input from stakeholders.
The stakeholders involved in the materiality analysis process were selected at the end of the phase involving Group Management.

The stakeholders were selected to meet the following requirements:

RESPONSIBILITY	Parties for whom the Group has responsibilities (legal, financial and operational) that are formalised in regulations, contracts and company policies.
INFLUENCE	Parties that are currently or could in the future be able to influence the Group's decision-making processes. Can include parties who have an informal influence over those with formal decision-making powers.
PROXIMITY	Parties with whom the Group has established long-term relations and parties on whom the Group depends for its day-to-day operations.
REPRESENTATION	Parties that by law or culture and tradition act in a representative capacity for other individuals.
STRATEGY	Parties with whom the Group has entered into direct or indirect relations in line with its policies and strategic choices.

The following stakeholder groups were identified: customers, Shareholder, Personal Financial Advisers, employees, suppliers and associations.

7.2 Overview tables of GRI indicators

OVERVIEW TABLE OF GRI INDICATORS

GRI STANDARDS	DISCLOSURE		PARAGRAPH
GRI 101: FOUNDATION 2016			
GENERAL DISCLOSURES			
GRI 102: General disclosures 2016	102-1	Name of the organization	Cover (Fideuram - Intesa Sanpaolo Private Banking Group)
	102-2	Activities, brands, products, and services	Business model Advanced Advisory Service Business segments The Fideuram Group does not finance or invest in the equities of companies which operate in sensitive or controversial sectors, or in blacklisted countries.
	102-3	Location of headquarters	Back cover
	102-4	Location of operations	Group structure
	102-5	Ownership and legal form	Ownership structure Role of sub-holding company
	102-6	Markets served	Business model Business segments Customer segmentation Segment reporting Geographical distribution of Networks
	102-7	Scale of the organization	Key Performance Indicators
	102-8	Information on employees and other workers	Employees Personal Financial Advisers Calculations made per “unit”.
	102-9	Supply chain	Suppliers
	102-10	Significant changes to the organization and its supply chain	In 2020, there were no significant changes compared with the previous year.
	102-11	Precautionary Principle or approach	The Fideuram Group adopts a precautionary approach to the assessment and management of risks.
	102-12	External initiatives	The values and history of the Group
	102-13	Membership of associations	The financial system and other institutions
	STRATEGY		
	102-14	Statement from senior decision-maker	Chairman's Statement Managing Director's Statement
	102-15	Key impacts, risks, and opportunities	Key Performance Indicators Financial risk Corruption risk monitoring Suppliers
	ETHICS AND INTEGRITY		
	102-16	Values, principles, standards, and norms of behavior	The values and history of the Group
	GOVERNANCE		
	102-18	Governance structure	Organisational structure Company management Internal audit system
	102-22	Composition of the highest governance body and its committees	Organisational structure Company management A delegation process has not yet been formalised for social and environmental topics. However, responsibility for these topics lies with the Board of Directors. Information on other delegation mechanisms is provided in the section on the Fideuram Group Model of Governance.
	102-23	Chair of the highest governance body	Company management
	102-25	Conflicts of interest	Company management Audit system

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GRI STANDARDS	DISCLOSURE		PARAGRAPH
GRI 102: General disclosures 2016	**STAKEHOLDER ENGAGEMENT**		
	102-40	List of stakeholder groups	Stakeholders
	102-41	Collective bargaining agreements	Contractual Relations
	102-42	Identifying and selecting stakeholders	Stakeholders Sustainability reporting methodology: "Stakeholder engagement"
	102-43	Approach to stakeholder engagement	Tools supporting Advisory Services Network services Customer events Sustainability reporting methodology: "Stakeholder engagement"
	102-44	Key topics and concerns raised	No significant topics or problems were reported by Group stakeholders over the last three years.
	REPORTING CRITERIA		
	102-45	Entities included in the consolidated financial statements	Group structure Role of sub-holding company Sustainability reporting methodology: "Period and scope of reporting"
	102-46	Defining report content and topic Boundaries	Sustainability reporting methodology
	102-47	List of material topics	Sustainability reporting methodology: "Materiality analysis", "Materiality matrix"
	102-48	Restatements of information	The comparative figures have been restated on a like-for-like basis to take the contribution of the Morval Vonwiller Group, acquired in second quarter 2018.
	102-49	Changes in reporting	During 2020, no significant changes were made compared with the previous year's report.
	102-50	Reporting period	31.12.2020
	102-51	Date of most recent report	March 2020
	102-52	Reporting cycle	Sustainability reporting methodology: "Period and scope of reporting"
	102-53	Contact point for questions regarding the report	Fideuram in a click
	102-54	Claims of reporting in accordance with the GRI Standards	About this Report Sustainability reporting methodology: "Reference standards"
	102-55	GRI content index	Overview tables of GRI indicators
	102-56	External assurance	Independent Auditors' Report
MATERIAL TOPICS			
ECONOMIC PERFORMANCE			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	Financial capital
	103-2	The management approach and its components	Financial capital
	103-3	Evaluation of the management approach	Governance
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	Stakeholders Distribution of value Group donations by sector supported
	201-4	Financial assistance received from government	Notes to the consolidated financial statements (Section 24 - Other information)
MARKET PRESENCE			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	Group structure Distribution of customers by geographical area Financial capital Productive capital
	103-2	The management approach and its components	Financial capital
	103-3	Evaluation of the management approach	Governance
GRI 202: Market presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Contractual Relations (Employees) Contractual Relations (Personal Financial Advisers) Remuneration and incentives Geographical distribution of Networks
PROCUREMENT PRACTICES			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	Suppliers
	103-2	The management approach and its components	Suppliers
	103-3	Evaluation of the management approach	Governance
GRI 204: Procurement Policies 2016	204-1	Proportion of spending on local suppliers	Suppliers

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GRI STANDARDS	DISCLOSURE		PARAGRAPH
ANTI-CORRUPTION			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	Governance
	103-2	The management approach and its components	Governance
	103-3	Evaluation of the management approach	Governance
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	Employees Corruption risk monitoring
	205-3	Confirmed incidents of corruption and actions taken	No episodes of corruption were reported during the last three years.
ANTI-COMPETITIVE BEHAVIOUR			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	The Group has solutions in place, implemented by its internal audit units, to monitor compliance with current regulations regarding anti-competitive behaviour, anti-money laundering and embargoes, and operates in close collaboration with the relevant authorities to this end.
GRI 206: Anti-Competitive Behaviour 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No legal actions for unfair competition, antitrust or monopolistic behaviour were initiated against the Group over the last three years.
EMPLOYMENT			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	Human capital
	103-2	The management approach and its components	Human capital
	103-3	Evaluation of the management approach	Governance
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Personal Financial Advisers Employees
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee healthcare, pensions and services Supplementary pension funds Geographical distribution of Networks
	401-3	Parental leave	Parental leave
LABOR/MANAGEMENT RELATIONS			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	Human capital
	103-2	The management approach and its components	Human capital
	103-3	Evaluation of the management approach	Governance
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	Contractual Relations
OCCUPATIONAL HEALTH AND SAFETY			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	Human capital
	103-2	The management approach and its components	Human capital
	103-3	Evaluation of the management approach	Governance
GRI 403: Occupational Health And Safety 2018	403-1	Occupational health and safety management system	Health and safety
	403-2	Hazard identification, risk assessment, and incident investigation	Health and safety
	403-3	Occupational health services	Health and safety
	403-4	Worker participation, consultation, and communication on occupational health and safety	Health and safety
	403-5	Worker training on occupational health and safety	Health and safety
	403-6	Promotion of worker health	Health and safety
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Health and safety
	403-9	Work-related injuries	Health and safety

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GRI STANDARDS	DISCLOSURE		PARAGRAPH
TRAINING AND EDUCATION			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	Human capital
	103-2	The management approach and its components	Human capital
	103-3	Evaluation of the management approach	Governance
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Development of human resources
	404-2	Programs for upgrading employee skills and transition assistance programs	Development of human resources Network training
	404-3	Percentage of employees receiving regular performance and career development reviews	Career development
DIVERSITY AND EQUAL OPPORTUNITY			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	Human capital
	103-2	The management approach and its components	Human capital
	103-3	Evaluation of the management approach	Governance
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Personal Financial Advisers Employees Vulnerable employees Board of Directors
PUBLIC POLICY			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	Governance
	103-2	The management approach and its components	Governance
	103-3	Evaluation of the management approach	Governance
GRI 415: Public Policy 2016	415-1	Political contributions	In accordance with internal policy, political parties and movements and their organisational arms cannot receive donations and sponsorships. The only form of loans that may be made to these types of borrowers is an annual advance on public contributions for the reimbursement of election expenses. No loans were made to political parties and movements in 2020.
MARKETING AND LABELLING			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	Relational capital
	103-2	The management approach and its components	Relational capital
	103-3	Evaluation of the management approach	Governance
GRI 417: Marketing and Labelling 2016	417-3	Incidents of non-compliance concerning marketing communications	No incidents of non-compliance with regulations or voluntary codes on marketing activities, including advertising, promotion and sponsorship, were reported over the last three years.
CUSTOMER PRIVACY			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	Intellectual capital Relational capital
	103-2	The management approach and its components	Intellectual capital Relational capital
	103-3	Evaluation of the management approach	Governance
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer feedback
SOCIOECONOMIC COMPLIANCE			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	Governance
	103-2	The management approach and its components	Governance
	103-3	Evaluation of the management approach	Governance
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	Notes to the consolidated financial statements - Part E

ADDITIONAL INDICATORS

INDICATORS	INDICATORS
CUSTOMERS	
Customer complaints by type	Customer feedback
Customer complaints by reason	Customer feedback
Net Promoter Score (NPS)	Customer Satisfaction Survey
Customer Satisfaction Index (CSI)	Customer Satisfaction Survey
SHAREHOLDERS	
Rating	Key Performance Indicators
EMPLOYEES	
Education	Employees, education
Number of participants (enrolled) in training activities	Development of human resources
Training by subject matter	Development of human resources
Trade union freedom: days of work absence for trade union reasons	Relationships with trade union organisations
PERSONAL FINANCIAL ADVISERS	
Ratio of customers to Personal Financial Advisers	Personal Financial Advisers
Ratio of client assets to Personal Financial Advisers	Personal Financial Advisers
Ratio of net inflows to Personal Financial Advisors	Highlights
Size of distribution Networks	Size of Networks
Origin of professionals joining Networks	Size of Networks
Turnover by staff age and gender	Size of Networks
Total number of Personal Financial Advisers by Network, area and geographical distribution, gender and rank, average age and length of service	Geographical distribution of Networks Organisational structure
Training by subject matter	Network training
COMMUNITY	
In-house ESG products for client assets	Commitment to sustainable development
GOVERNANCE	
Composition of the Board of Directors by professional expertise	Governance
NON-DISCRIMINATION	
406-1 Episodes of discrimination and corrective measures taken	One complaint was received during 2020 concerning human rights and Code of Ethical Conduct violations and discriminatory practices.
CLIMATE CHANGE	
301-1 Used materials broken down by weight and volume	Paper
301-2 Used materials resulting from recycling	Paper
302-1 Energy consumption in the organisation	Energy
305-1 Direct greenhouse gas emissions (Scope1)	Atmospheric emissions
305-2 Indirect greenhouse gas emissions (Scope2)	Atmospheric emissions
306-2 Waste by type and disposal method	Other environmental objectives
307-1 Non-compliance with environmental laws and regulations	No significant fines or non-monetary penalties were reported during the last three years.
FINANCIAL SERVICES SECTOR DISCLOSURES	
FS1 Policies with specific environmental and social components applied to the business lines	Sustainable finance
FS2 Procedures to assess and verify social and environmental risks in the business lines	Sustainable finance
FS6 Percentage of the portfolio broken down by business lines, specific geographical areas, size (e.g. micro/SME/large) and sector	Client financial assets
FS9 Scope and frequency of audits to assess the implementation of social and environmental policies and risk assessment procedures	Sustainable finance
FS14 Initiatives to improve access to financial services by disadvantaged persons	Accessibility of services
FS16 Initiatives to improve financial literacy by type of beneficiary	Promoting a financial culture

7.3 Basis of preparation of the reclassified financial statements

The balance sheet and income statement at 31 December 2020 are a reclassified balance sheet and reclassified income statement to facilitate comparison of the figures for different periods and to enable a clearer and more immediate understanding of the Group's financial position. These statements were prepared using appropriate groupings of the items in the official financial statements.
Moreover, the reclassified consolidated income statement has been changed as follows to provide a clearer presentation of the Group's operating performance:

- Net profit (loss) on financial assets, fee and commission income and expense, and the provisions have been stated net of the returns on the insurance policies taken out as part of the Personal Financial Adviser Networks' Loyalty Schemes, recognised in the official Bank of Italy schedule as net profit (loss) on financial assets mandatorily measured at fair value, which – as pertaining to the Personal Financial Advisers – have been recognised as commission expense and provisions.
- The reversal of the time value for the provision for employment termination indemnities and provisions for risks and charges arising from the application of the amortised cost method has been reclassified to net interest income.
- Expenses for stamp duty on current and deposit accounts, which are recognised in the official Bank of Italy schedule under administrative expenses, have been stated net of income from amounts recovered.
- The soft commissions have been reallocated to the administrative expenses that generated them.
- Expenses for fee and commission income, which are recognised in the official Bank of Italy schedule under administrative expenses, have been reclassified among fee and commission income.
- Net provisions for risks and charges relating to credit risk on commitments and guarantees issued have been reclassified among net impairment of loans.
- Net impairment on debt securities have been reclassified among "Net provisions for risks and charges and net impairment of other assets".
- Non-recurring income and expenses, including gains and losses on debt securities measured at amortised cost, have been reclassified in a separate item designated "Net non-recurring income (expenses)".
- Integration and voluntary redundancy expenses have been reclassified, net of tax effect, in a separate item designated "Integration and voluntary redundancy expenses (net of tax)".
- The effects of purchase price allocation have been recognised in a specific item, net of the tax effect, designated "Effects of purchase price allocation (net of tax)".
- The expenses incurred for maintaining the stability of the banking system (consisting of the contributions to the Deposit Guarantee Scheme and to the Single Resolution Fund) have been reclassified in a separate item, net of tax, designated "Expenses regarding the banking system (net of tax)".

Reconciliation statements of the official and reclassified financial statements

Reconciliation of the official consolidated balance sheet and reclassified consolidated balance sheet

(€m)

RECLASSIFIED BALANCE SHEET ITEMS – ASSETS	CONSOLIDATED BALANCE SHEET ITEMS – ASSETS	31.12.2020	31.12.2019
Financial assets measured at fair value through profit or loss		422	349
	Item 20. Financial assets measured at fair value through profit or loss	*422*	*349*
Financial assets measured at fair value through other comprehensive income		2,805	3,189
	Item 30. Financial assets measured at fair value through other comprehensive income	*2,805*	*3,189*
Debt securities measured at amortised cost		15,973	15,275
	Item 40. a) (partial) Financial assets measured at amortised cost - Loans and advances to banks - securities	*13,595*	*12,766*
	Item 40. b) (partial) Financial assets measured at amortised cost - Loans and advances to customers - securities	*2,378*	*2,509*
Loans to banks		19,354	17,198
	Item 40. a) Financial assets measured at amortised cost - Loans and advances to banks	*32,949*	*29,964*
	Item 40. a) (partial) Financial assets measured at amortised cost - Loans and advances to banks - securities	*(13,595)*	*(12,766)*
Loans to customers		9,855	9,329
	Item 40. b) Financial assets measured at amortised cost - Loans and advances to customers	*12,233*	*11,838*
	Item 40. b) (partial) Financial assets measured at amortised cost - Loans and advances to customers - securities	*(2,378)*	*(2,509)*
Hedging derivatives		16	20
	Item 50. Hedging derivatives	*16*	*20*
Equity investments		184	170
	Item 70. Equity investments	*184*	*170*
Property and equipment and intangible assets		583	614
	Item 90. Property and equipment	*354*	*380*
	Item 100. Intangible assets	*229*	*234*
Tax assets		163	164
	Item 110. Tax assets	*163*	*164*
Non-current assets held for sale and discontinued operations		1,065	6
	Item 120. Non-current assets held for sale and discontinued operations	*1,065*	*6*
Other assets		1,607	1,453
	Item 10. Cash and cash equivalents	*288*	*335*
	Item 60. Adjustments to financial assets subject to macro-hedging (+\-)	*24*	*11*
	Item 130. Other assets	*1,295*	*1,107*
Total assets	**Total assets**	**52,027**	**47,767**

RECLASSIFIED BALANCE SHEET ITEMS – LIABILITIES	CONSOLIDATED BALANCE SHEET ITEMS – LIABILITIES	31.12.2020	31.12.2019
Due to banks		3,615	3,033
	Item 10. a) Financial liabilities measured at amortised cost - due to banks	*3,615*	*3,033*
Due to customers		41,410	39,024
	Item 10. b) Financial liabilities measured at amortised cost - due to customers	*41,410*	*39,024*
Financial liabilities held for trading		53	33
	Item 20. Financial liabilities held for trading	*53*	*33*
Hedging derivatives		954	930
	Item 40. Hedging derivatives	*954*	*930*
Tax liabilities		74	94
	Item 60. Tax liabilities	*74*	*94*
Liabilities associated with non-current assets held for sale and discontinued operations		1,065	-
	Item 70. Liabilities associated with non-current assets held for sale and discontinued operations	*1,065*	*-*
Other liabilities		1,141	1,215
	Item 80. Other liabilities	*1,098*	*1,167*
	Item 90. Provision for employment termination indemnities	*43*	*48*
Provisions for risks and charges		568	478
	Item 100. Provisions for risks and charges	*568*	*478*
Share capital and reserves		2,330	2,054
	Items 120, 150, 160, 170 Equity attributable to owners of the parent company	*2,330*	*2,054*
Net Profit		817	906
	Item 200. Net profit (loss) for the year	*817*	*906*
Total liabilities	**Total liabilities and shareholders' equity**	**52,027**	**47,767**

Reconciliation of consolidated income statement and reclassified consolidated income statement

(€m)

RECLASSIFIED CONSOLIDATED INCOME STATEMENT ITEMS	CONSOLIDATED INCOME STATEMENT ITEMS	2020	2019
Net interest income		196	177
	Item 30. Net interest income	*197*	*178*
	- Item 190. a) (partial) Time value component of provision for employment termination indemnities	*(1)*	*(1)*
Net profit (loss) on financial assets and liabilities at fair value		28	41
	Item 80. Net profit (loss) on trading activities	*18*	*13*
	Item 90. Net profit (loss) on hedging derivatives	*4*	*-*
	Item 100. b) Net profit (loss) on sale or purchase of financial assets measured at fair value through other comprehensive income	*5*	*24*
	Item 110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	*13*	*27*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*(12)*	*(23)*
Net fee and commission income		1,714	1,747
	Item 60. Net fee and commission income	*1,717*	*1,747*
	- Item 60. (partial) Soft commission	*(2)*	*(2)*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*3*	*6*
	- Item 190. b) (partial) Component of administrative expenses relating to fee and commission income	*(4)*	*(4)*
Net interest and trading income		**1,938**	**1,965**
Profit on equity investments and other income (expense)		6	5
	Item 230. Other income/expense	*256*	*242*
	Item 250. Profit (loss) on equity investments	*10*	*8*
	- Item 230. (partial) Recovery of indirect taxes	*(260)*	*(246)*
	Item 230. (partial) Integration expenses	*-*	*1*
Net operating income		**1,944**	**1,970**
Personnel expenses		(346)	(356)
	Item 190. a) Personnel expenses	*(393)*	*(363)*
	- Item 190. a) (partial) Integration expenses	*46*	*6*
	- Item 190. a) (partial) Time value component of provision for employment termination indemnities	*1*	*1*
Other administrative expenses		(198)	(198)
	Item 190. b) Other administrative expenses	*(505)*	*(485)*
	- Item 60. (partial) Soft commission	*2*	*2*
	- Item 190. b) (partial) Integration expenses	*9*	*11*
	- Item 190. b) (partial) Costs related to banking system	*32*	*24*
	- Item 190. b) (partial) Component of administrative expenses relating to fee and commission income	*4*	*4*
	- Item 230. (partial) Integration expenses	*260*	*246*
Depreciation and amortisation		(57)	(55)
	Item 210. Depreciation of property and equipment	*(47)*	*(48)*
	Item 220. Amortisation of intangible assets	*(35)*	*(20)*
	- Item 220. (partial) Integration expenses	*23*	*11*
	- Item 220. (partial) Amortisation of client assets recognised in intangible assets following PPA Morval	*2*	*2*
Net operating expenses		**(601)**	**(609)**
Net operating income (expenses)		**1,343**	**1,361**
Net impairment of loans		(11)	(2)
	Item 130. Net impairment/reversal of impairment for credit risk	*(7)*	*(6)*
	Item 200. a) Provisions for commitments and guarantees issued	*(1)*	*-*
	- Item 130. a) (partial) Net impairment/reversal of impairment for credit risk related to financial assets measured at amortised cost - Debt securities	*(4)*	*4*
	- Item 130. b) (partial) Net impairment/reversal of impairment for credit risk related to financial assets measured at fair value through other comprehensive income - Debt securities	*1*	*-*
Net provisions for risks and charges and net impairment of other assets		(43)	(30)
	Item 200. b) Net provisions for risks and charges	*(77)*	*(32)*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*9*	*17*
	- Item 130. a) (partial) Net impairment/reversal of impairment for credit risk related to financial assets measured at amortised cost - Debt securities	*4*	*(4)*
	- Item 130. b) (partial) Net impairment/reversal of impairment for credit risk related to financial assets measured at fair value through other comprehensive income - Debt securities	*(1)*	*-*
	- Item 200. (partial) Risk provision for tax dispute	*5*	*(9)*
	- Item 200. (partial) Integration expenses	*17*	*(2)*
Net non-recurring income (expenses)		(4)	9
	Item 100. a) Net profit (loss) on sale or repurchase of financial assets measured at amortised cost	*1*	*-*
	- Item 200. (partial) Net provisions for tax dispute	*(5)*	*9*
Gross income (loss) from continuing operations		**1,285**	**1,338**
Income taxes for the year on continuing operations		(379)	(395)
	Item 300. Income taxes for the year on continuing operations	*(340)*	*(380)*
	- Item 300. (partial) Tax impact on integration expenses	*(28)*	*(7)*
	- Item 300. (partial) Tax impact on costs related to the banking system	*(11)*	*(8)*
Integration and voluntary redundancy expenses (net of tax)		(67)	(20)
	- Item 190. a) (partial) Integration expenses	*(46)*	*(6)*
	- Item 190. b) (partial) Integration expenses	*(9)*	*(11)*
	- Item 200. (partial) Integration expenses	*(17)*	*2*
	- Item 220. (partial) Integration expenses	*(23)*	*(11)*
	- Item 230. (partial) Integration expenses	*-*	*(1)*
	- Item 300. (partial) Tax impact on integration expenses	*28*	*7*
Effects of purchase price allocation (net of tax)		(2)	(2)
	- Item 220. (partial) Amortisation of client assets recognised in intangible assets following PPA Morval	*(2)*	*(2)*
Expenses regarding the banking system (net of tax)		(21)	(16)
	- Item 190. b) (partial) Costs related to banking system	*(32)*	*(24)*
	- Item 300. (partial) Tax impact on costs related to the banking system	*11*	*8*
Net profit (loss) for the year attributable to non-controlling interests		1	1
	Item 340. Net profit (loss) for the year attributable to non-controlling interests	*1*	*1*
Net Profit	**Item 350. Parent company interest in net profit (loss) for the year**	**817**	**906**

7.4 Value Added Statement

The Group's Value Added Statement shown below has been prepared using the income statement figures from the 2020 Consolidated Financial Statements. These figures have been reclassified following the guidelines of the Italian Banking Association (Associazione Bancaria Italiana - ABI), updated on 24 October 2019, which comply with the Global Reporting Initiative's guidelines.

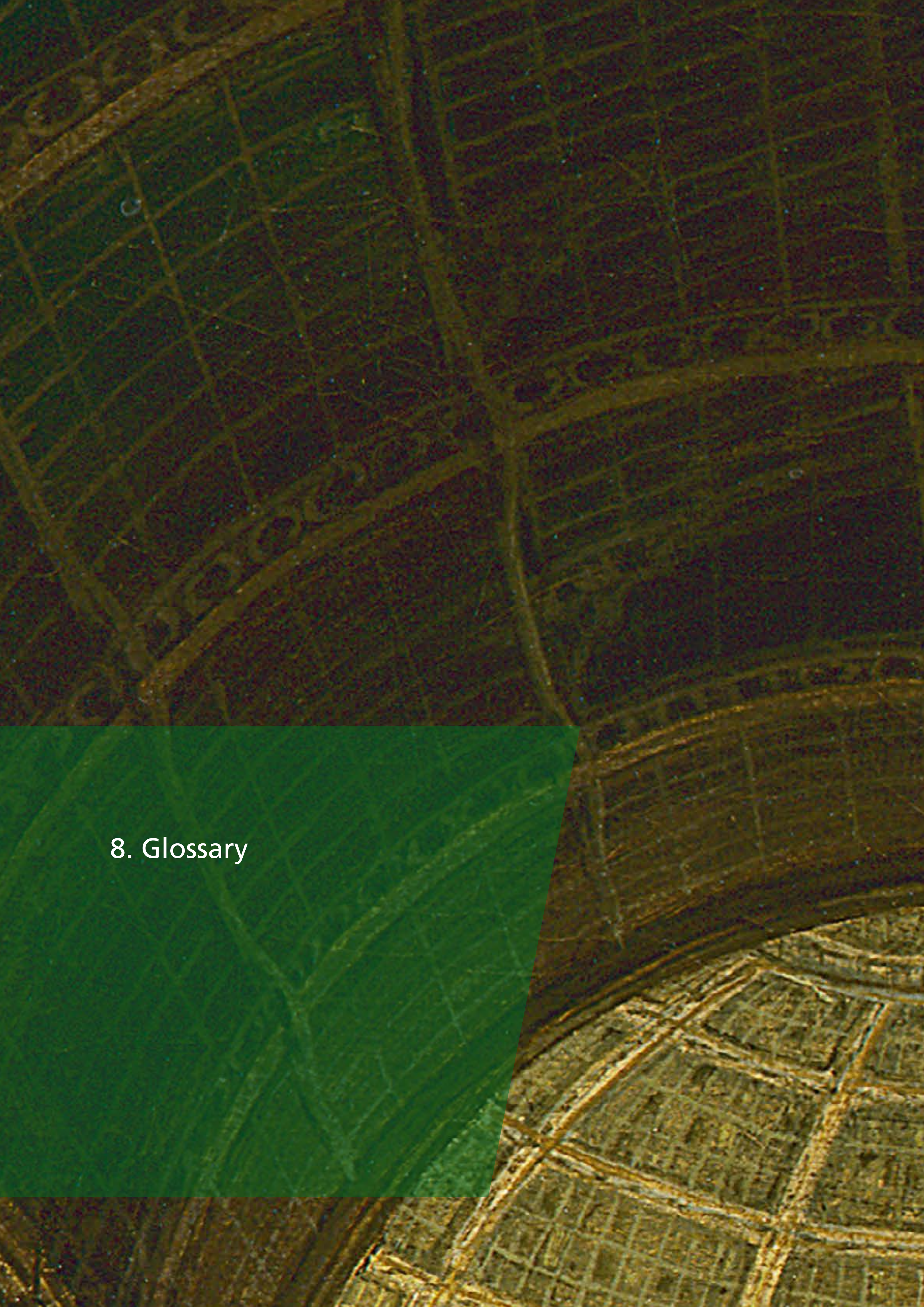
The statement prepared using these reclassified figures breaks the economic value added down into three main components:

- Wealth created;
- Value distributed;
- Economic value retained by the Group.

Value Added Statement

(€m)

		2020	2019	2018
FINANCIAL STATEMENT ITEMS				
10.	Interest income and similar income	281	259	241
20.	Interest expense and similar expense	(84)	(81)	(83)
40.	Fee and commission income	2,564	2,533	2,457
50.	Fee and commission expense (not including expense for Personal Financial Advisers Network)	(133)	(105)	(100)
70.	Dividends and similar income	-	-	-
80.	Net profit (loss) on trading activities	18	13	9
90.	Net profit (loss) on hedging derivatives	4	-	-
100.	Net profit (loss) on sale or repurchase of:	6	24	24
	a) financial assets measured at amortised cost	1	-	11
	b) financial assets measured at fair value through other comprehensive income	5	24	13
	c) financial liabilities	-	-	-
110.	Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss	13	27	(17)
	a) financial assets and liabilities measured at fair value	-	-	-
	b) financial assets mandatorily measured at fair value	13	27	(17)
130.	Net impairment for credit risk related to:	(7)	(6)	5
	a) financial assets measured at amortised cost	(6)	(6)	4
	b) financial assets measured at fair value through other comprehensive income	(1)	-	1
140.	Gains/losses on contractual changes without cancellation	-	-	-
160.	Net insurance premiums	-	-	-
170.	Other income/expense from insurance activities	-	-	-
230.	Other income/expense	256	242	239
250.	Profit (Loss) on equity investments (profit/losses from sales)	-	-	-
260.	Net fair value gains (losses) on property and equipment and intangible assets	-	-	
280.	Gain (Loss) on disposal of investments	-	-	-
320.	Profit (Loss) after tax from discontinued operations	-	-	-
A.	**Total Wealth created**	**2,918**	**2,906**	**2,775**
190.b	Other administrative expenses (net of indirect taxes, gifts/donations and charges for termination provisions and deposit guarantees)	(207)	(209)	(255)
	Value distributed to suppliers	**(207)**	**(209)**	**(255)**
190.a	Personnel expenses (including Personal Financial Advisers Network)	(1,156)	(1,076)	(1,040)
	Value distributed to employees and Personal Financial Advisers	**(1,156)**	**(1,076)**	**(1,040)**
340.	Net profit (Loss) for the year attributable to non-controlling interests	1	1	-
	Value distributed to third parties	**1**	**1**	**-**
	Profit distributed to shareholders	(651)	(650)	(810)
	Value distributed to shareholders	**(651)**	**(650)**	**(810)**
190.b	Other administrative expenses: indirect taxes	(265)	(252)	(236)
190.b	Other administrative expenses: charges for termination provisions and deposit guarantees	(32)	(24)	(20)
300.	Income taxes for the year on continuing operations (for the portion for current taxes, changes in current taxes from previous years and the reduction in current taxes for the year)	(330)	(361)	(352)
	Value distributed to Central and Branch Administration	**(627)**	**(637)**	**(608)**
190.b	Other administrative expenses: donations and gifts	(1)	(1)	-
	Value distributed to community and environment	**(1)**	**(1)**	**-**
B.	**Total Value distributed**	**(2,641)**	**(2,572)**	**(2,713)**
C.	**Total Value retained**	**277**	**334**	**62**



8. Glossary

Additional Tier 1 capital (AT1): comprised of equity instruments other than ordinary shares (which are included in CET1) that comply with the regulatory requirements for inclusion in this tier of own funds (such as savings shares). A series of items are then subtracted from the foregoing amount.

Adviser: financial adviser who assists companies involved in corporate finance transactions. Their tasks include providing advisory services and preparing valuations.

Alternative investment: alternative investments are generally characterised by certain innovative elements compared to traditional investments. These innovative elements may concern the asset class of the investment (considered to be alternative) or the investment strategy used.

American Option: an option that may be exercised at any time before and not only at the expiry date of the option.

Amortised cost: differs from cost in providing for the cumulative amortisation of the difference between the value at initial recognition of an asset or liability and its nominal value using the effective interest rate method.

Asset allocation: procedure adopted by an asset manager that consists in distributing a portfolio across a variety of financial instruments in different investment markets.

Asset class: these represent the categories into which the various types of financial instruments are divided, according to the specific details (e.g. legal nature, their implicit risk factors, market behaviour, etc.).

Asset gathering: the activity of gathering assets, in the Group's case through Networks of personal financial advisers in Italy who are members of the Italian Association of Companies Selling Financial Products and Investment Services (Assoreti).

Asset Liability Management (ALM): body of techniques that enables the integrated management of financial statement assets and liabilities, typically used for measuring interest rate risk.

Asset management: the activity of managing and administering assets on behalf of customers.

Associazione Bancaria Italiana (ABI): the association that represents, defends and promotes the interests of the Italian banking and financial system.

Associazione fra le Società italiane per Azioni (Assonime): the association representing Italian joint stock companies of all kinds (industrial, financial, insurance and service companies). Its mission is to contribute to building a regulatory system that is favourable to economic activity, to interpret, adapt and apply legislation for effective operation of the market and, lastly, to assist member companies in their application of the law.

Associazione Italiana Private Banking (AIPB): Association of Private Banking operators that numbers Italy's leading operators amongst its members. AIPB's members include Banks and Banking Groups, Associations, Universities, Research Centres, Asset Management Companies and Advisers who share their expertise to establish, develop and extend private banking culture at the service of high net worth individuals.

Associazione Nazionale Consulenti Finanziari (ANASF): advocates and provides continuing professional development and information for financial advisers, supporting their interests in tax, legal, contractual and pension matters, while also offering specialist consultancy services.

Assogestioni: italian association of fund managers that represents Italy's leading asset management companies and a large number of banks and insurance companies offering discretionary accounts and complementary social security. A number of non-italian asset management companies operating in Italy are also members. Assogestioni's various activities include drawing up a ranking of mutual funds.

Assoreti: association of banks and investment companies that provide advisory support regarding investments, as defined in article 1, subparagraph 5, f), of Italian Legislative Decree No. 58 of 24 February 1998, acting through their own financial advisers authorised to offer products and services outside company premises. The association's purpose is to research and follow developments in the legislation, maintain constant contact with the relevant institutions and provide statistical processing of data that enables analysis of the development of the sector.

Audit: the body of activities for monitoring company processes and accounting, carried out both by internal departments (internal audits) and by independent auditors (external audits).

Backtesting: historical testing to assess the reliability of asset portfolio risk source measurements.

Bancassurance: the offer of insurance products through a bank's branch network.

Bank of Italy: a public-law institution that acts in the general interest in the monetary and financial sector, maintaining price stability, the stability and effective operation of the financial system and undertaking other duties assigned by Italian law.

Banking book: the portion of a bank's holdings, and securities holdings in particular, that is not held for trading purposes.

Banking direct inflows: deposits by and bonds issued by banks.

Banking indirect inflows: debt securities and other instruments received by the bank for custody, management or in relation to the management of equity investments.

Basel Committee: international forum for regular periodic cooperation on banking supervisory matters with two main objectives: to disseminate and enhance understanding of key supervisory issues and to improve the quality of banking supervision worldwide.

Basel II: the common name for the Capital Accord which came into effect on 1 January 2007.
The Accord is based on three "pillars":
- Pillar 1: while the objective of a minimum capital requirement of 8% of risk-weighted assets remains unchanged, a new system of rules was developed for measuring typical banking and financial sector risks (credit risk, counterparty risk, market risk and operational risk) that provides for alter-

native calculation approaches with different levels of complexity and offers the option, following prior authorisation by the Regulator, of internally-developed approaches.
- Pillar 2: requires banks to adopt processes and tools that equip them with an Internal Capital Adequacy Assessment Process (ICAAP) that is appropriate for every type of risk, including forms other than those covered by the minimum capital requirement (first pillar), for the purposes of assessing current and prospective risk in a manner that takes strategies and developments in the reference scenario into account. The Supervisory Authorities are tasked with examining the ICAAP process, formulating an overall judgement and specifying appropriate corrective measures where necessary.
- Pillar 3: introduces obligations regarding the publication of information on capital adequacy, risk exposure and the general characteristics of the systems in place for identifying, measuring and managing risk.

Basel III: set of reforms drawn up by the Basel Committee on Banking Supervision following the 2007-2008 financial crisis with the aim of improving the existing capital adequacy framework for the banking sector (Basel II), the effectiveness of supervision and the ability of intermediaries to manage the risks they assume.

Basis point: unit of measurement for interest rate spread or changes in interest rates, equal to one hundredth of a percentage point. Example: If rates rise from 9.65% to 9.80%, they have risen by 15 basis points.

Benchmark: financial parameter or indicator or financial instrument with characteristics that brokers consider sufficiently representative to be adopted as a reference for understanding whether a financial instrument with similar characteristics has performed better or worse than the benchmark over a given period.

Best practice: generally speaking, identifies a way of doing something that may be considered representative of the best level of knowledge and its implementation within a given technical and/or professional area.

Bid-ask spread: the difference between the prices quoted for an immediate sale and an immediate purchase of a given financial instrument or group of financial instruments.

Board of Directors: company body responsible by law for the management of a company and the direction of its business.

Board of Statutory Auditors: internal supervisory body in joint stock companies.

Bond: a security in the form of a loan contracted between a legal person and members of the public that incorporates two rights: the right to repayment of the nominal value upon maturity and the right to the payment of interest on the amount (coupon). Bonds pay interest, calculated in relation to the nominal value, that can be fixed, floating or index-linked, which is to say linked to price indices or reference rates using specific mechanisms.

Borsa Italiana S.p.A: the private company managing the organisation and operation of Italy's financial markets.

Branches: the bank's area branches.

Broker: a financial intermediary who executes their customers' instructions to buy and sell for which they receive payment in commission that is usually stated as a percentage of the value of the transaction.

Budget: the planned future costs and income of a company.

Bund: a long-term government bond issued by the German government.

Buono del Tesoro Poliennale (BTP): acronym of Treasury Bonds with a long-term maturity, a medium-to-long-term government bond issued by the Italian Ministry of Economy and Finance to finance public debt, which pays a fixed-rate yield.

Business model: the system of inputs, added-value activities and outputs by means of which an organisation creates and preserves value in the short, medium and long term.
When it is used instead during the preparation of financial statements, it is a driver that, together with the SPPI test, guides the classification of financial instruments in the categories covered by IFRS 9. The aim of the business model is to reflect the way in which financial assets are managed to generate cash flows.

Call option: an option contract that, upon payment of a premium, gives the buyer the right to buy a given asset at a price set by the contract (exercise price or strike price) on or by a given date.

Capital: the assets forming the inputs in an organisation's business model, which are used, improved, consumed, changed or influenced through its activities in the process of creating value.

Cash Generating Unit (CGU): a cash generating unit is the smallest identifiable group of assets generating cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets.

Certificates: investment certificates are financial instruments that can have the contractual characteristics of derivatives that are linked to the performance of an underlying asset. The purchase of a certificate gives the investor the right to receive a sum linked to the value of the underlying asset at a given date. In certain cases, an option may provide the investor with partial or total protection of the premiums paid irrespective of the performance links stipulated in the contracts.

Client assets: these 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.

Collateral: pledge of financial instruments or cash offered as security by a borrower to a lender that the lender can take possession of or sell on the market if the borrower defaults on their obligations. Collateral provides banks with a guarantee, in relation to their market counterparties, of the successful conclusion of the transactions in progress and of future transactions, effectively releasing the risk profile of its investments from considerations connected with the counterparty risk.

Commissione Nazionale per le Società e la Borsa (CONSOB) - Italian National Commission for Listed Companies and the Stock Exchange: an entirely autonomous administrative body with the status of a legal person and the object of promoting the protection of investors' interests and of ensuring the effective operation, transparency and growth of the Italian securities market.

Common Equity Tier 1 Capital (CET1): as defined by the new regulatory provisions for banks set out in European Union Regulation No. 575/2013 (Capital Requirements Regulation or CRR) and by Directive 2013/36/EU (Capital Requirements Directive CRD IV), which implement the standards developed by the Basel Committee on Banking Supervision (Basel III) in the European Union. CET1 is calculated as the algebraic sum of ordinary shares issued by the Bank that meet the classification criteria for regulatory purposes, the share premium deriving from the issue of the instruments included in CET1, profits carried forward, revaluation reserves and other reserves.
A series of items are then deducted from the foregoing amount (e.g. anticipated losses, equity investments, deferred tax assets), which moreover benefit from the allocation mechanism and, in the transitional period, gradual application through the phase-in arrangements.

Common Equity Tier 1 ratio (CET1 ratio): ratio between the bank's Common Equity Tier 1 capital and total risk-weighted assets (RWA).

Community Directives: European Union legislative instruments directed at member states, which are obliged to achieve the objectives specified in the directives, and in turn issue implementation legislation for application within each individual state.

Compound interest: percentage of principal formed when accrued interest is added to the principal and generates interest in its turn.

Core Business: principal business towards which company strategies and policies are directed.

Corporate Customers: customer segment made up of medium and large enterprises (mid-corporate and large corporate).

Corporate governance: the body of rules and regulations that govern the life of a company, in particular with respect to the transparency of its documents and company minutes, and to the completeness of the information it provides the market.

Corporate Social Responsibility (CSR): is the voluntary integration of social and environmental matters in a company's business operations and stakeholder relations.

Cost/Income ratio: the financial ratio of net operating expenses to net operating income. One of the key ratios showing the efficient running of a bank. The lower it is, the higher the efficiency.

Counterparty risk: the risk of a potential loss due to a counterparty failing to meet their contractual obligations.

Country Risk Premium (CRP): premium for country risk, a cost of capital component aimed specifically at compensating the risk associated with a given country (which is to say the risk connected with economic, financial, political or currency instability).

Country risk: set of economic, financial and political factors that may make it difficult to obtain the repayment of debts contracted by trusted foreign customers irrespective of their individual solvency.

Credit risk: the risk that a change in the credit rating of a trusted counterparty with whom a bank has an exposure could generate a corresponding change in value of the credit position.

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

Default: the situation in which it is impossible for a party to meet their contracted financial obligations.

Deficit: a situation in which spending exceeds revenue. A Public Deficit is when the difference between government revenue and spending forms a public debt.

Deposit Guarantee Scheme: one of the three pillars of the euro area banking union, this was set up in 2014 to meet the challenges of fragmentation in the European financial market. Bank deposits of up to €100k are protected using a single guarantee fund.

Depository bank: a bank providing third parties with a custody and administration service for assets (cash and financial instruments) under management with an asset management company. In the case of mutual funds and pension funds, the depository bank also acts in a supervisory role with respect to the work of the asset management company, regarding both respect for the fund regulations and the correct accounting of the transactions conducted, and calculates the Net Asset Value (NAV).

Derivative: term for a type of financial instrument, the price/return of which is based on the price/return of other assets known as underlying assets, which can be financial instruments, indices, interest rates, currencies or raw materials.

Dividend: amount distributed by a company to its shareholders by way of remuneration for the capital they have invested (risk capital), representing the distribution of net profit for the year.

Donor Advised Fund: is a kind of juridical tool that ensures donors to maintain direction and control powers, while alleviating them from the responsibilities of management and administration. These funds can be created through foundations which already exist and offer to act as philanthropic intermediaries.

Doubtful loan: loan to a party that is insolvent or in a substantially equivalent situation.

Dow Jones: index showing the performance of the New York Stock Exchange.

Duration: financial duration of a security, or its residual life, weighted by the flow of coupons that the security will pay in the future. The duration is generally used to measure investments in bonds. The duration expressed in years and days indicates the date by which the holder of a bond regains pos-

session of the principal initially invested, taking the coupons into account. It is an indicator of the interest rate risk of a bond or bond portfolio.
In its most frequent configuration it is calculated as the average due date of the projected cash flows, weighted for the contribution of the current value of each flow to the price.

Earnings per Share (EPS): ratio of net profit to the average number of outstanding shares at period end, net of treasury shares.

E-banking: the use of an electronic network (Internet or similar) that allows customers to carry out a vast range of banking and financial transactions online.

ECB reference interest rates: interest rates set by the Governing Council that reflect European Central Bank monetary policy. Currently they include the minimum bid rate on the main refinancing transactions, the interest rate on the marginal lending facility and the interest rate on the deposit facility of the central bank.

Effective interest rate: the effective interest rate is the rate that discounts the current value of the future cash flows arising from a loan - in relation to both principal and interest - to the amount disbursed inclusive of the costs/income arising from the loan. This method of accounting using financial logic makes it possible to spread the economic effect of costs/income throughout the residual life of the loan.

E-learning: distance training using computer aids.

Emerging markets: the financial markets of developing countries. These markets offer considerable opportunities to obtain high yields, but are characterised by high risk and volatility.

Endorsement credit: operation through which a bank or finance company undertakes to bear or guarantee a customer's debt to a third-party.

EONIA (Euro overnight index average): the effective overnight euro interest rate for the interbank market. It is calculated as a weighted average of all overnight unsecured lending transactions in the interbank market, initiated within the euro area by a panel of contributing banks.

ESG: identifies three areas that constitute the concept of social awareness and guide the choices taken by business operators with their investment policies and pursued strategies.

Euribor: reference interbank rate used in European Union countries. It is calculated as the weighted average of the interest rates at which the major banks operating in the European Union grant loans. It is calculated daily and used as a parameter for setting the variable interest rates on loans.

Euro Short-Term Rate (€STR): new rate for loans, also known as Ester. This new index will definitively replace Eonia (Euro Overnight Index Average) to become the official average short-term interest rate of transactions on the European interbank market, i.e. those transactions that need to be settled by the end of the day following the day they were set up.

European Banking Authority (EBA): EU body established by Regulation (EU) No. 1093/2010 made up of representatives of the member states' central banks and supervisory authorities and operating as part of the framework of regulatory activities regarding banking policy. It promotes cooperation and convergence in the financial supervisory practices of the different member states.

European Central Bank (ECB): European Union institution tasked with managing monetary policy in the euro area. with the objective of maintaining price stability. The main governing bodies of the ECB are the Governing Council, Executive Board and General Council.

European Commission: executive body of the European Union tasked with the implementation of European Laws (Directives, Regulations and Decisions), and the financial statements and programmes of the European Parliament and Council. It has power of legislative initiative and negotiates international agreements, mainly regarding commerce and cooperation. The President and members of the European Commission are appointed by the member states following the prior approval of the European Parliament.

European Financial Reporting Advisory Group (EFRAG): a committee set up to assist the European Commission with prior technical advice regarding the endorsement of new International Financial Reporting Standards (IFRS).

European Option: an option that may be exercised only at the expiry date of the option.

European Securities and Markets Authority (ESMA): EU body established by Regulation (EU) No. 1095/2010 responsible for safeguarding the stability of the European Union's financial system by ensuring the integrity, transparency, efficiency and orderly functioning of securities markets, as well as enhancing investor protection.

European Stability Mechanism (ESM): financial stability mechanism with a maximum lending capacity of €500bn that provides financial assistance to euro area Member States experiencing or threatened by financing difficulties. The main difference with respect to the earlier European Financial Stability Facility (EFSF) regards private sector involvement. The ESM is able to provide loans, buy government bonds on the primary and secondary markets and recapitalise banks, albeit not yet directly.

European Union (EU): currently made up of 27 members, the European Union is governed by five institutions: the European Parliament, the European Council, the European Commission, the Court of Justice and the Court of Auditors.

European Union Regulations: regulations that are directly applicable and compulsory in all member states of the European Union without any national transposition legislation being required.

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 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.

Exchange rate risk: the risk that the fair value or future cash flows of a financial instrument could fluctuate as a result of exchange rate fluctuations.

Exchange-traded funds (ETF): mutual funds which track a given market index. The certificates representing units can be traded on regulated markets.
The sole investment objective of an ETF is to passively match the composition and return of a market index (stock market, sector, geographical area, bond market) which is the benchmark. When one of the components of the benchmark changes, the corresponding financial asset in the fund is also changed.

Expected loss: expected loss on lending activities. It has the aim of promptly recognising losses on outstanding loans in the financial statements. The ECL will be calculated according to the stage in which the instruments are classified from the time that they are first recognised, with a time horizon of 12 months (stage 1) or lifetime (stages 2 and 3).

Exposure At Default (EAD): EAD is an estimation of future on-balance sheet and/or off-balance sheet exposure in the event and at the time of a debtor's default.

Fair value hedge: a hedge of the exposure to fluctuations in fair value of a recognised asset or liability that are attributable to a particular risk.

Fair value option (FVO): the fair value option permits entities to designate a financial instrument to be measured at fair value. The option can also be exercised for financial instruments that are not derivatives and not held for trading, allowing them to be measured at fair value in the income statement.

Fair value: the purchase price for which an asset can be traded or a liability settled in a free transaction between informed and independent parties.

Fairness/Legal opinion: opinion provided upon request by experts recognised for their professionalism and competence regarding the congruence of economic conditions and/or the legitimacy and/or technical aspects of a given transaction.

Federal funds rate: short-term interest rate in the United States federal funds market, in which banks excess reserves with the Federal Reserve are traded. Although it is a market rate, the Federal Reserve announces a short-term rate target for its open market transactions, and the effective rate is generally close to this target rate.

Federal Reserve (FED): the Federal Reserve (Bank) or just Fed is the Central Bank of the United States.

Financial instruments quoted in an active market: a financial instrument is considered to be quoted in an active market when the price quotations representing effective, standard market transactions that have occurred over a normal reference period are readily and regularly available through stock exchanges, dealers, brokers, sector companies, pricing services or authorised bodies.

Financial intermediary: professional figure who provides the public with financial products and services (purchase of equities, granting of loans, provision of payable services and foreign exchange broking).

Financial Stability Board (FSB): international body tasked with monitoring the global financial system in order to develop and promote policies in the interest of financial stability.

Forborne exposures: forborne exposures can be non-performing or performing as follows.
- Non-performing exposures with forbearance measures. These exposures can be an item under doubtful loans, unlikely to pay or non-performing past due or overdue loans. They do not represent a category of non-performing assets of their own.
- Forborne performing exposures.

Forwards: forward contracts on interest rates, exchange rates or stock market indices, generally traded in Over The Counter markets, in which the conditions are stipulated when the contract is agreed but performance occurs at a predetermined future date, through the receipt or payment of differentials calculated with reference to parameters that differ depending on the subject of the contract.

Front-end fees: fees paid by customers when signing a contract and when making any subsequent payments.

FTSE MIB: the principal benchmark index for the Italian equity markets. The index measures the performance of the 40 most-capitalised Italian shares and seeks to replicate the broad sector weights of the Italian stock market. The FTSE MIB Index is market capitalisation-weighted after adjusting constituents for float.

Funding: obtaining, in various forms, the funds needed to finance company operations or specific financial transactions.

Futures: standardised forward contracts with which the parties commit to exchanging assets or commodities at a predetermined price on a future date. These contracts are as a rule traded on regulated markets, where their performance is guaranteed. In practice, futures on assets often do not involve the physical exchange of the underlying asset.

Gain: positive economic amount resulting from the sale of an asset at a higher price than the purchase price.

Global Reporting Initiative (GRI): an independent international organisation with the object of developing and disseminating guidelines for the proper reporting of the three elements of sustainability: the economy, environment and society.

Goodwill: the goodwill paid for the acquisition of an equity investment in a company equals the difference between the purchase price and the corresponding portion of shareholders' equity, for the part that cannot be attributed to the separable assets of the company purchased.

Greenhouse gas emissions: total amount of greenhouse gas emissions produced by an entity.

Gross Domestic Product (GDP): the total value of the end goods and services produced by a country in a given period of time using its own home market input. When calculated at current prices, it is known as nominal GDP, and when calculated at constant prices (base-year prices), it is known as real GDP.

Gross inflows: assets gathered through new business in mutual funds, discretionary accounts and life insurance (inflows) gross of payments (outflows) in the same period.

Harmonised mutual funds: open-ended mutual funds able to offer units (shares) to the public with certain investment limits. These limits include the requirement to invest predominantly in quoted financial instruments.

Hedge accounting: rules regarding the accounting of hedging transactions.

Hedge fund: mutual fund that uses hedging instruments to obtain a better risk/return ratio. It is not limited in terms of objective or investment instrument and can even finance positions through high levels of borrowing.

Hedging: hedging transactions are entered into to cover the risk of undesirable fluctuations in exchange rates, securities, interest rates, commodities, etc.

Holding: a company that has controlling interests in several companies.

Home Banking: banking service for private customers which allows them to use a computer at home and to mobile to execute transactions such as payment instructions and utility payments, to request services such as the issue of new cheque books and to obtain information on their banking situation.

IAS/IFRS: the International Accounting Standards/International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), adopted by the countries of the European Union from 2005 for companies listed on the stock exchange.

Impairment: a financial asset is considered to be impaired when its book value is higher than its estimated recoverable value.

Impairment test: an impairment test is an estimate of the recoverable value (which is the higher of fair value less costs to sell and the value in use) of an asset or group of assets. Pursuant to IAS 36, the following must be tested for impairment on an annual basis:
- intangible assets with an indefinite useful life;
- goodwill acquired in a business combination transaction;
- any asset, if there is an indication that it may have suffered a permanent impairment loss.

In the money: expression regarding option contracts. A call option is in the money when the market price is higher than the strike price, whereas a put option is in the money when the market price is lower than the strike price.

Incurred loss: a loss that is already inherent in a portfolio but not yet identifiable at individual loan level. Also known as “incurred but not reported loss”. It represents the credit risk inherent in a portfolio of performing loans, and is a basic indicator of the total presumptive adjustments required in the financial statements.

Index-Linked Policies: life insurance policies where the benefit upon maturity depends on the performance of a reference parameter that can be a share price index, a basket of securities or other indicator.

Inflation: phenomenon in which price changes impact on asset purchasing power expressed in nominal terms. Measured statistically by an index regarding a basket of specific goods.

Information system: the system of infrastructures, personnel and procedures used to manage important information for a company. The part of this system which is managed using information technology is generally called the information technology (IT) system.

Initial public offering (IPO): offering to the public of the shares of a company that intends to be listed on a regulated market.

Insolvency: situation in which a debtor is no longer able to meet their financial commitments as they fall due.

Institutional investors: entities such as banks, insurance companies, asset management companies and stockbrokers which invest in securities for professional reasons.

Integrated Report: a document reporting on how the governance, business model and overall vision of an organisation, its operating context, opportunities and risks, strategy and plans for the allocation of its resources, its performance and future prospects contribute to the creation and preservation of value in the short, medium and long term.

Integrated reporting: body of processes and activities through which an organisation communicates its ability to create and preserve value in the short, medium and long term, integrating financial reporting with reporting on strategies, future development plans, risks, opportunities and topics relating to governance and to economic, environmental and social impacts.

Interbank Deposit Protection Fund (IDPF): a deposit guarantee scheme, set up in the form of a private consortium recognised by the Bank of Italy. Its members are Italian banks other than mutual savings banks and its purpose is to guarantee the depositors of member banks for amounts up to €100k. The Fund intervenes in cases of compulsory administrative liquidation or extraordinary administration, following authorisation by the Bank of Italy. The resources for these interventions are provided by the member banks subsequent to the emergence of the crisis affecting the bank (ex post), at the request of the Fund.

Interbank market: a residual money market, offered by banks with excess funds and taken up by banks that need additional funds to meet their liquidity requirements. The introduction of the euro created a single large European interbank market with the Euribor as its reference rate.

Interest: remuneration for principal borrowed.

Interest rate risk: the financial risk to which a bank is exposed as a result of a fluctuation in interest rates, which can be measured in terms of potential changes in future net interest income or in the current value of shareholders’ equity (considered as the difference between the current value of interest-bearing assets and interest-bearing liabilities).

Interest Rate Swap (IRS): a contract in which the counterparties agree to exchange cash flows, paying a fixed/floating or floating/floating rate on a given notional principal amount.

International Accounting Standards Board (IASB): the international body responsible for issuing the IAS/IFRS international accounting standards.

International Integrated Reporting Council (IIRC): an international committee whose mission is to create a global framework that integrates financial, environmental, social and governance information in a manner that is clear, concise, cohesive, comparable and able to respond to the complexities of the current socio-economic environment, cohesively integrating different reporting models.

Investment grade: term for a medium-to-high rating of an issuer or bond (higher than S&P Global Ratings BBB and Moody's Baa2). Classifying a financial instrument as investment grade implicitly means it is of medium-to-high quality.

ISIN: a 12-digit alphanumeric code that uniquely identifies the securities in circulation of all member countries of the International Organization for Standardization (ISO).

ISTAT: Italy's National Institute of Statistics, founded in 1926, which produces statistics on all aspects of Italian economic and social life.

Istituto per la Vigilanza sulle Assicurazioni (IVASS) - Italian Insurance Regulator: independent authority that works to ensure the stability of the market and insurance companies, as well as the transparency of insurance products, in the interest of insurees and users in general.

Joint venture: agreement between two or more companies to undertake a given business activity, generally by establishing a joint stock company.

Junior bond: in a securitisation transaction, the most subordinated tranche of securities issued and the first to absorb any losses that may be encountered in the process of recovering the underlying assets.

Lease liability: this represents the payable recognised in the lessee's balance sheet for a leasing transaction and is equal to the present value of the instalments due under the lease and discounted at the marginal financing rate of the lessee itself.

Liquidity: convertibility into cash. When liquidity regards an investment, it refers to the potential of that investment to be converted into cash quickly and without difficulty.

Liquidity risk: the risk of an entity encountering difficulties in obtaining the funds to meet the obligations deriving from financial instruments.

Lock-up: period of time during which management and large investors are prohibited from selling their shares.

London Benchmarking Group (LBG): a network of companies committed to measuring and reporting the value and impact of their community investment. The London Benchmarking Group has drawn up a comprehensively-structured reporting model that has become an internationally-recognised standard, widely endorsed by many organisations, including the main sustainability indices (such as the Dow Jones Sustainability Index).

Long position: the market purchase of a security with the expectation that the asset will rise in value on any market.

Loss Given Default (LGD): the estimated share of an asset that is lost if a debtor defaults.

Mark to Market: a process for valuing a portfolio of securities or other financial instruments on the basis of market prices.

Market: a place where demand and supply for one or more goods or services meet, and where this meeting leads to the determination of a price at which sellers are prepared to sell their assets and buyers to purchase them.

Market making: a financial activity carried out by specialist brokers with the aim of ensuring the liquidity and depth of the market, both through their continuous presence and through their function as a competitive guide for determining prices.

Market risk: the risk of losses on balance-sheet and off-balance-sheet positions that could result from unfavourable fluctuations in market prices. The variables that constitute the different types of risks forming market risk are: interest rates (interest rate risk), market prices (price risk) and exchange rates (exchange rate risk).

Materiality: consists in determining the relevance and significance of a topic for an organisation and its stakeholders. A topic is material to an organisation and its stakeholders if it influences their decisions, actions and performance.

Mercato interbancario dei depositi (e-MID - interbank market of deposits): electronic market for trading in interbank deposits operated by the company e-MID S.p.A..

Mercato Telematico Azionario (MTA): the electronic stock exchange division of the Italian stock exchange on which ordinary shares, preference shares, savings shares, convertible bonds, pre-emption rights, warrants, covered warrants and units in closed-ended equity and real-estate funds are traded.

Merger: transaction in which a number of legal entities are replaced with one.

Mezzanine bond: in a securitisation transaction, the intermediate subordinated tranche between the junior tranche and senior tranche.

MiFID: the Markets in Financial Instruments Directive is Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 regarding investment services in the financial instruments sector.

MiFID 2: the new European directive on investment services addresses the goal of creating a single market for financial services in Europe, which guarantee complete and fair disclosure to investors, management of potential conflicts of interest, and adequate customer profiling.

Morgan Stanley Capital International All Country World Index (MSCI ACWI): an index measuring the stock performance of principal listed companies worldwide. The vast measurement basis of the index reflects the average situation of stock markets worldwide and provides information on the performance of a hypothetical equity investment on the world market, measured as the weighted average of the performance of the regional markets. The MSCI ACWI is made up of 50 country indices, comprising 23 of securities traded on developed country markets and 27 of securities traded on emerging country markets.

Mutual fund: independent assets in the form of a diversified portfolio of financial assets divided up into units belonging to a large number of holders and managed by a special management company.

NASDAQ: acronym of National Association of Securities Dealers Automated Quotation. The US electronic stock exchange for securities which usually have lower capitalisation than those listed on the New York Stock Exchange.

Net Asset Value (NAV): the value per unit (share) of a fund's assets minus its liabilities.

Net inflows: assets gathered through new business in mutual funds, discretionary accounts and life insurance (inflows) net of payments (outflows) in the same period.

Net Promoter Score (NPS): this is an indicator that measures the propensity of customers to recommend a product, service or company. The NPS is based on a simple question to the customers to understand to what extent they would recommend the bank to a friend, relative or business partner (depending on the interlocutor). Based on the opinion expressed, respondents are divided into:
- detractors: unhappy customers who could damage the company through negative word of mouth;
- passive customers: satisfied but not devoted customers, who could be influenced by competitors;
- promoters: customers who are loyal to the company and recommend it to other people.

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

New York Stock Exchange (NYSE): the New York Stock Exchange is the world's largest stock exchange by market capitalisation of its listed companies. The NYSE was founded in 1817 and merged with Euronext in 2007, creating a global capital market that includes the principal European markets.

Nikkei 225: Tokyo stock market index of the top 225 shares listed in the first section of the stock exchange, with the highest capitalisation and liquidity.

Nominal value: for shares is the fraction of share capital represented by a single share. For bonds is the value that the issuer commits to repaying upon maturity and on which the interest is calculated. It does not change over time and is not influenced by the issuer's financial situation. In the case of shares, it can only be changed by means of a change to the Articles of Association and the consequent splitting or consolidation of shares. The nominal value (also known as par value or face value) is not the same as the issue price (shares can be issued for a higher amount than their nominal value, that is to say with a premium, while bonds can not only be issued above par but below par as well); nor is it the same, for shares, as the current value or market value.

Non-financial disclosure: a non-financial disclosure covering environmental, social, human resources and human rights compliance issues, and measures against bribery and extortion. This disclosure, introduced by Legislative Decree 254/2016, is mandatory for all large businesses and groups.

Non-performing loans: loans that show evidence of a possible decline in value (impairment loss) as a result of events occurring after their initial recognition. They include loans that have been given the status of doubtful loans, debtor unlikely to pay loans and non-performing past due loans in accordance with the Bank of Italy rules in line with the IAS/IFRS.

Official reserves: the official reserves held by central banks consist of universally-accepted means of payment, mainly dollars and gold, on which they can draw to finance the import of essential goods in the event of a crisis or to intervene on the foreign exchange market to support their currency.

Online trading: system for trading financial assets on the stock exchange using a computer.

Open market operations: the purchase or sale of government bonds by a country's central bank with the aim of controlling the monetary base of an economy.

Operational risk: the risk of loss arising from inadequate or ineffective internal processes, human resources or systems, or from external events. This definition includes legal risk.

Option: the entitlement but not the obligation, acquired through the payment of a premium, to buy (call option) or sell (put option) a financial instrument at a predetermined price (strike price) by or at a given future date.

Organismo Italiano di Contabilità (OIC - Italian accounting standards body): standards setting organisation for accounting matters in Italy. It issues accounting standards for financial statements for which the application of IAS/IFRS is not mandatory, provides support regarding the application of the IAS/IFRS in Italy and assists Italian lawmakers in the issue of accounting regulations.

Out of the money: said of a call option when the strike price is above the spot price of the underlying asset, and of a put option when the strike price is below the spot price.

Outright Monetary Transaction (OMT): programme launched by the Governing Council of the European Central Bank in 2012. It provides for unlimited purchases, without the subordination of private investors, of short-term government bonds issued by euro area countries which have declared they are in economic difficulty. It requires the submission of a formal request for help to the ESM bailout fund in order to be activated, and that the specified conditions of the intervention be respected in the future.

Outsourcing: use of an outside company to provide goods or services.

Over The Counter (OTC): transactions entered into directly by the parties concerned without using a regulated market.

Overdue loan: loans to parties with loans that are overdue or past due at period end as defined by the related Bank of Italy rules.

Overnight: interbank transaction in which one bank lends money to another bank with the commitment that the loan will be repaid the following day. The interest is also paid upon repayment.

Own funds: in the new regulatory framework, own funds are composed of the sum of Tier 1 capital and Tier 2 capital.

Pay-out Ratio: the percentage of a company's income that is distributed to shareholders in the form of a dividend related to the company's total income.

Pension funds: bodies/management companies (in certain cases with the status of a legal person) which pay out supplementary pension benefits.

Performance: result obtained by a mutual fund over a given period of time. Performance is measured by the increase in value of a unit in the reference period with respect to a benchmark.

Performance fees: recurring fees withheld by an asset management company exclusively on the basis of the performance of the product managed. The percentage charged is usually linked to any increase in the value of a unit with respect to a reference parameter. This reference parameter can be a benchmark or another indicator, such as the rate of inflation, for example.

Performing loan: loan to a party that did not present any specific insolvency risks at period end.

Personal Financial Adviser: a natural person who – as an employee, agent or authorised representative – is professionally engaged in the off-premises offer of financial instruments and/or investment services in accordance, in Italy, with the provisions of the Italian Finance Consolidation Act and the laws and regulations implementing them. The work of a Personal Financial Adviser is carried out exclusively in the interest of a single principal. In order to practice the profession in Italy, a Personal Financial Adviser must be registered in a register kept for the purpose by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB).

Plain vanilla (derivatives): expression identifying financial instruments characterised by their simple, standardised composition. Although this is a relative and not absolute concept, plain vanilla instruments have pre-set characteristics that leave no room for discretion.

Portfolio: the real and financial assets held by an individual investor.

Position: market commitment to buy or sell financial instruments.

Price risk: the risk that the fair value or future cash flows of a financial instrument could fluctuate following fluctuations in market prices (other than the fluctuations caused by interest rate risk or exchange rate risk) arising from factors specific to the individual instrument or to its issuer, or due to factors that influence all similar financial instruments traded on the market.

Pricing: generally speaking, the procedures used to calculate the returns/yields and/or costs of the products and services offered by a bank.

Primary market: complex of underwriting or sale transactions for the issuance of securities to the public.

Prime rate: the interest rate that banks offer for loans to their most important customers. The Prime Rate depends on general market conditions, the availability of reserves and the amount of the loan, and can vary from one country to another.

Private Banking: financial services for the global management of private customers' financial requirements.

Prospectus: a document prepared on the basis of templates prescribed by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) and approved by it, in which an issuer provides adequate disclosure to investors about the characteristics of an investment and the risks associated with it.

Prudential filters: filters used in calculating own funds that apply corrections to the financial statement items in order to maintain the quality of own funds and reduce any potential volatility that could arise from the application of the IAS/IFRS international financial reporting standards.

PSD2: Directive 2015/2366/EU on payment services promotes the development of an efficient, secure and competitive internal market for retail payments by strengthening user protection, supporting innovation and improving the security levels of services.

Public offer for sale: offering, to the public, of a block of shares by the controlling group, through a placement.

Public offer for subscription: an offer to the public of shares in the process of issue regarding which the old shareholders have waived their pre-emption rights either partially or totally.

Public purchase and exchange offer: a mixed purchase and exchange offering in which shares can be purchased or exchanged with others.

Public Purchase Offer (PPO): transaction by which a substantial number of shares in a listed company is purchased in order to acquire control of said company. The Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) has set the maximum ownership limit for any controlling shareholder at 30%, above which it is obligatory to launch a PPO for the remaining shares on the market.

Put option: an option contract that, upon payment of a premium, gives the buyer the right but not the obligation to sell a given asset at a predetermined price (strike price).

Quantitative easing: in monetary policy, quantitative easing identifies one of the unconventional procedures that a central bank uses to intervene in a country's financial and economic system to increase the cash in circulation through the purchase of government securities or other bonds on the market.

Rating: an assessment of the creditworthiness of a company or of the debt securities it issues on the basis of the financial soundness of the company and of its prospects. This assessment is carried out by specialist agencies.

Rating Agency: independent company that specialises in assigning credit ratings to the issuers of financial instruments. The rating is expressed as a combination of letters and/or digits.

Recession: commonly used to mean an extended decline in Gross Domestic Product (GDP). In economics, this means a decline in GDP for at least two consecutive quarters.

Recurring fees: fees withheld by an asset management company by way of remuneration for their management activities, calculated in relation to the market value of client assets.

Repurchase agreement: financial instruments largely consisting in lending agreements in accordance with which the holder sells securities to or buys them from a bank or other financial institution at a predetermined price with a commitment to buy back or resell the same securities at a future date.

Residual public purchase offer: public purchase offer provided for by Italian law to protect non-controlling shareholders against the possibility of shares being delisted or traded irregularly. A shareholder owning more than 90% of the ordinary share capital of a listed company is required to launch a residual public purchase offer.

Retail Customers: a customer segment that principally comprises private individuals, professionals, retailers and the owners of small enterprises.

Return: the total profit on an investment expressed as a percentage of the capital invested.

Return On Asset (R.O.A.): the ratio of net profit to total assets.

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

Right of use asset (RoU asset): this identifies the asset carried on the lessee's balance sheet and corresponds to the value of the right of use of an asset held under a finance lease. The fundamental prerequisites for recognition of the RoU in the balance sheet are the possibility to identify the asset, the right to control its use and enjoy its future economic benefits.

Risk factors: the factors that give rise to the risk of a financial instrument or portfolio (e.g. exchange rates, interest rates etc.).

Risk Management: the acquisition, measurement, evaluation and global management of the various different types of risk and their respective hedging.

Risk-free interest rate: the interest rate of a risk-free investment, which is to say an investment where there is no uncertainty regarding the cash flows generated. Risk-free investments are generally identified with short-term high investment grade government securities. The return required of any security can be expressed as the sum of the nominal risk-free rate plus the risk premium.

Risk-weighted assets (RWA): on- and off-balance sheet assets (derivatives and guarantees) classified and weighted in relation to risk ratios in accordance with the banking regulations issued by the supervisory authorities for calculating capital ratios.

Scope1 emissions: greenhouse gas emissions generated by the head office of an enterprise and by the vehicles owned by that same enterprise.

Scope2 emissions: greenhouse gas emissions deriving from the consumption of electricity, heating and air conditioning that the company purchases from outsourcers.

Scope3 emissions: indirect emissions produced by the activity of an organisation (excluding the emissions already counted in Scope2). This category includes both "upstream" emissions, i.e. emissions deriving from production of the tools that the company needs during its own production process, and "downstream" emissions, i.e. the emissions caused by the goods produced by the company during their life cycle.

Secondary market: market on which previously-issued financial instruments are bought and sold.

Securitisation: transactions in which pools of assets are transferred to a "Special Purpose Vehicle" company and the latter issues securities with different degrees of subordination regarding potential losses on the underlying assets.

Segment reporting: the reporting of financial results by business segment and geographical area.

Senior bond: in a securitisation transaction, the most privileged tranche in terms of priority of payment of principal and interest.

Sensitivity: identifies the greater or lesser sensitivity with which certain assets or liabilities react to changes in rates or other reference parameters.

SEPA: Single Euro Payments Area, comprised of the 28 Member States of the European Union and other countries not belonging to the EU. All traders within this area may make and receive payments in Euro according to harmonised rules, procedures and practices.

Settlement risk: the risk, arising in securities transactions, of the counterparty not fulfilling its obligation to deliver the securities or pay the amount owed after maturity.

Share: a unit of ownership of the share capital of a joint stock company or a partnership company limited by shares. The owner of a share has the status of shareholder. Should the company go into liquidation, repayment of the share capital is made on a residual basis after all the other creditors have been paid.

Share capital: the sum of the nominal values of all the shares issued by a company, corresponding to the capital received from shareholders at its foundation and subsequent changes.

Shareholders' equity: on a company balance sheet, the shareholders' equity is the difference between the assets and liabilities.

Short position: the market sale of a security with the expectation that the asset will fall in value.

Single Resolution Mechanism (SRM): one of the three pillars of the euro area banking union, this was set up in 2014 to meet the challenges of fragmentation in the European financial market. The mechanism provides for a Single Resolution Committee that resolves bank and investment firm crises in the euro area, operating in accordance with harmonised regulations and making use of the Single Resolution Fund.

Single Supervisory Mechanism (SSM): one of the three pillars of the euro area banking union, this was set up in 2014 to meet the challenges of fragmentation in the European financial market. The mechanism grants the European Central Bank a direct supervisory role regarding the major euro area banks, with the objective of ensuring harmonised supervisory criteria.

Società di gestione del risparmio (SGR - asset management company): a joint stock company under Italian law with registered office and general management in Italy that is authorised to provide collective asset management and individual portfolio management services for third parties, together with any other services and activities provided for by the relevant laws and regulations in force.

Società di intermediazione mobiliare (SIM - stockbrokers): an intermediary authorised to provide investment services including, amongst others, dealing on their own behalf and on behalf of third parties, the receipt and transmission of trading orders, the broking of services and asset management.

Società di investimento a capitale variabile (SICAV - open-ended investment company): a mutual fund with the structure of a joint stock company and the exclusive object of investing its assets. In contrast to a mutual fund, in which one owns units, one owns shares in a SICAV. The subscribers of a SICAV are therefore entitled to take part in the Shareholders' Meeting.

Special Purpose Vehicles (SPV): Special Purpose Vehicles are companies that are set up by one or more entities to fulfil a specific objective.

Speculative grade: term for a low rating of an issuer or bond (less than S&P Global Ratings BBB and Moody's Baa2). Classifying a financial instrument as speculative grade implicitly means that it is exposed to high credit risk.

Spin off: this is when part of the assets of a company is separated from it to form a new legal entity.

SPPI test: this is a test used to analyse whether the cash flows of a certain financial instrument represent solely payments of principal and interest. The result of the test, together with the adopted business model, determines the balance sheet classification of the financial instrument pursuant to IFRS 9.

Spread: the difference between the interest rates of different securities with the same maturities. Normally used by Banca Fideuram to measure the difference in yield between the ten-year Bund, Germany's ten-year government bond, and Italy's equivalent, the Buono del Tesoro Poliennale (BTP). When the BTP/Bund spread widens it means that the interest the Italian government has to pay market investors rises in comparison with the equivalent German government bond. In practice, it is a measure of Italy's risk compared to Germany, the benchmark country.

Stakeholder engagement: the process of exchanging information with, listening to and learning from stakeholders with the intention of building mutual understanding and trust regarding problems of mutual interest. Its value lies in the possibility of combining the achievement of corporate goals with meeting the expectations of stakeholders.

Stakeholder: parties who for various reasons interact with the activities of a company, being involved in its results, influencing its performance and evaluating its economic, social and environmental impact.

Statutory reserve: the minimum amount that a bank is required to hold in reserves at the National Central Bank. Compliance with this requirement is assessed on the basis of the average daily reserve holdings over a maintenance period.

Stock options: option contracts which grant the entitlement to purchase shares in a company within a predetermined time and at a predetermined price. They are used as a form of supplementary remuneration in bonus and loyalty schemes.

Stress test: a simulation procedure used to measure the impact of extreme market scenarios on the bank's total risk exposure.

Strike price: the exercise price of an option.

Structured security: a security comprising a fixed component which is similar to a normal bond and a derivative component which is similar to an option, linked to the performance of an external factor.

Sub-fund: subdivision of an umbrella fund or SICAV, distinguished by its management characteristics. A sub-fund represents capital that is independent of the asset management company's capital and of all the other funds or sub-funds that it manages.

Sustainability Reporting: the process by which an organisation measures, communicates and takes responsibility for its performance from the standpoint of achieving the objective of sustainable development.

Swaps: transactions that generally consist in the exchange of cash flows between operators in accordance with different types of contracts. In the case of an interest rate swap, the counterparties exchange payment cash flows, which may or may not be linked to interest rates, calculated on a notional principal amount (e.g.: one counterparty pays a fixed-rate while the other pays a floating-rate). In the case of a currency swap, the counterparties exchange specific amounts in different currencies, repaying them over time following predetermined procedures, which may regard both the notional principal and the interest-rate-linked cash flows.

Tax rate: effective tax rate, resulting from the relationship between income taxes and income before taxes.

Technical form: the type of contract used for a given inflow or investment relationship.

Tier 1 capital (T1): comprised of Common Equity Tier 1 capital (CET1) plus additional Tier 1 capital (AT1).

Tier 1 ratio: ratio of the bank's Tier 1 capital to its total risk-weighted assets (RWA).

Tier 2 capital (T2): principally comprised of eligible subordinated liabilities and any excesses of write-downs for anticipated losses (excess reserves) for loan positions risk-weighted following the IRB – Internal Rating Based approach.

Time value: change in the financial value of an instrument in relation to the different time horizon at which given cash flows become available or fall due.

Total Capital Ratio: ratio of own funds to total risk-weighted assets (RWA).

Trading book: the portion of a bank's securities or financial instruments in general that is held for trading purposes.

Underlying instrument: financial instrument that determines the value of a derivative instrument or structured security.

Unit Linked Policies: life insurance policies where the benefits are linked to the value of investment funds. A policy may provide a capital guarantee or guaranteed minimum return.

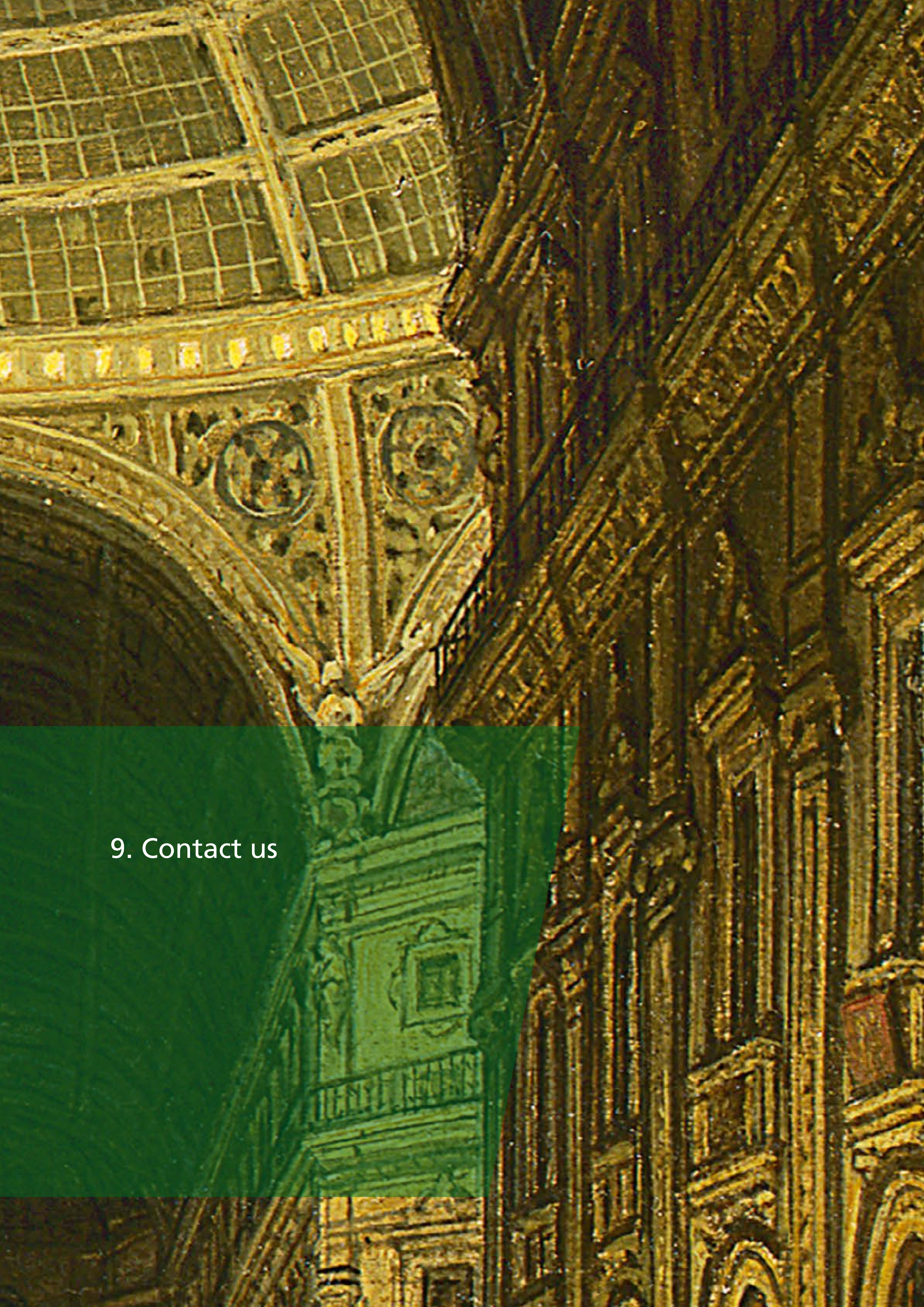
Unlikely to pay: loans that are not doubtful loans, where the bank assesses the borrower as being unlikely to meet their payment obligations in full (principal and/or interest) without recourse to action such as the enforcement of collateral are classified as "Debtor unlikely to pay".

Value added: the total wealth created by a company and distributed to its stakeholders (community, financial partners, human resources, business partners/shareholders and Local and Government Bodies) or reinvested in the company (undistributed net profit and depreciation allowances). The difference between gross production and the consumption of goods and services.

Value in use: the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

VaR: criterion for measuring market risk that follows a probabilistic approach, quantifying the risk in relation to the maximum loss that may be expected with a certain probability, on the basis of historical price fluctuations, with respect to a single position or an entire portfolio of securities for a specific time horizon.

Volatility: statistical indicator for measuring the price fluctuation of a financial instrument with respect to its average price in a given period. The greater the volatility of a financial instrument, the riskier it is.



9. Contact us

Branches and Personal Financial Advisers' Offices

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INTESA SANPAOLO PRIVATE BANKING PERSONAL FINANCIAL ADVISERS' OFFICES

Bari - Genoa - Grosseto - Salò

GROUP INTESA SANPAOLO PRIVATE BANK (SUISSE) MORVAL BRANCHES

George Town, Geneva, London, Lugano.

(updated at 31 December 2020)

Fideuram in a click

Fideuram offers its customers ever more advanced Online Services, with information and instruction functions.

App Fideuram: this can be downloaded free of charge from the App Store / iTunes in the iPhone or iPad version and from Google Play for devices using the Android operating system. Alternatively, Customers using a smartphone with another operating system can simply enter www.fideuramonline.it to be transferred to the mobile site automatically.

The Fideuram app will be gradually replaced by three new apps (Alfabeto Banking, Trading and Patrimonio), whose distribution for customers who are natural persons will end in 2021.

App Alfabeto Banking, Trading and Patrimonio: available free of charge for smartphones with iOS and Android operating systems, and they offer home banking and trading functions.

Contacts

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- has been prepared in accordance with the reporting framework of the International Integrated Reporting Council (IIRC) of 9 December 2013.

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GALLERIE D’ITALIA.
THREE MUSEUMS, A NATIONWIDE CULTURAL NETWORK.

Gallerie d’Italia enables Intesa Sanpaolo to share its artistic and architectural heritage with the general public: 1,000 of its artworks are displayed in historic palazzos in three cities, creating a unique network of museums.

Housed in a palace of great architectural importance, **Gallerie d’Italia - Piazza Scala, Milan** has a selection of two hundred 19th-century Lombard masterpieces from art collections owned by Fondazione Cariplo and Intesa Sanpaolo, with a dedicated exhibit on Italian art of the 20th century.

Gallerie d’Italia - Palazzo Leoni Montanari, Vicenza is home to art of the Veneto region from the 1700s as well as Attic and Magna Graecia pottery. It also holds one of the most important collections of Russian icons in the West.

Gallerie d’Italia - Palazzo Zevallos Stigliano, Naples hosts the *Martyrdom of Saint Ursula*, the last known painting by Caravaggio, alongside more than 120 examples of Neapolitan art dating from the early 17th to the early 20th century.

A fourth hub for **Gallerie d’Italia is currently under construction in Piazza San Carlo, Turin**, with a special focus on photography and the digital world.

Cover photo:

CARLO CANELLA
(Verona, 1800 - Milan, 1879)
The New Gallery in Milan with night-time passers-by, 1870
oil on canvas, 60.90 x 54.50 cm
Intesa Sanpaolo Collection
Gallerie d’Italia - Piazza Scala, Milan

The New Gallery in Milan with night-time passers-by was painted by the artist Carlo Canella, who specialised in perspective views of various Italian cities, particularly Milan and Verona, from the mid-1830s onwards.
His painting depicts the Galleria Vittorio Emanuele II a few years after it opened in 1867. The new Gallery found instant favour and acclaim among the people of Milan. The annals tell us that singers were the first to frequent the Gallery, trying out their voices in spontaneous singing contests beneath the great dome of the Octagon. Luxurious cafés, bookshops and numerous fashionable clothes stores flourished on the Gallery’s ground floor.
The painting received instant praise for its novel subject matter and the artist’s success in setting the scene in a gallery, which appears brightly lit despite the upper part being in shadow.

The piece is part of the collection on permanent display at **Gallerie d’Italia - Piazza Scala**, Intesa Sanpaolo’s museum hub **in Milan**. Its 19th-century section begins with Neoclassicism and goes right through to the early 20th century, taking in a century of Italian art on the way, with historic paintings, Italian unification battles, *vedute* and landscapes, genre paintings and masterpieces of Symbolism.

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