FIDEURAM
INTESA SANPAOLO PRIVATE BANKING

Half-Year Report at 30 June 2017

Bank of INTESA SANPAOLO

Mission

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

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

Half-Year Report at 30 June 2017

Contents

Group structure

FIDEURAM
INTESA SANPAOLO PRIVATE BANKING

United Kingdom

Branches of
INTESA SANPAOLO PRIVATE BANKING
FIDEURAM ASSET MANAGEMENT IRELAND

Luxembourg

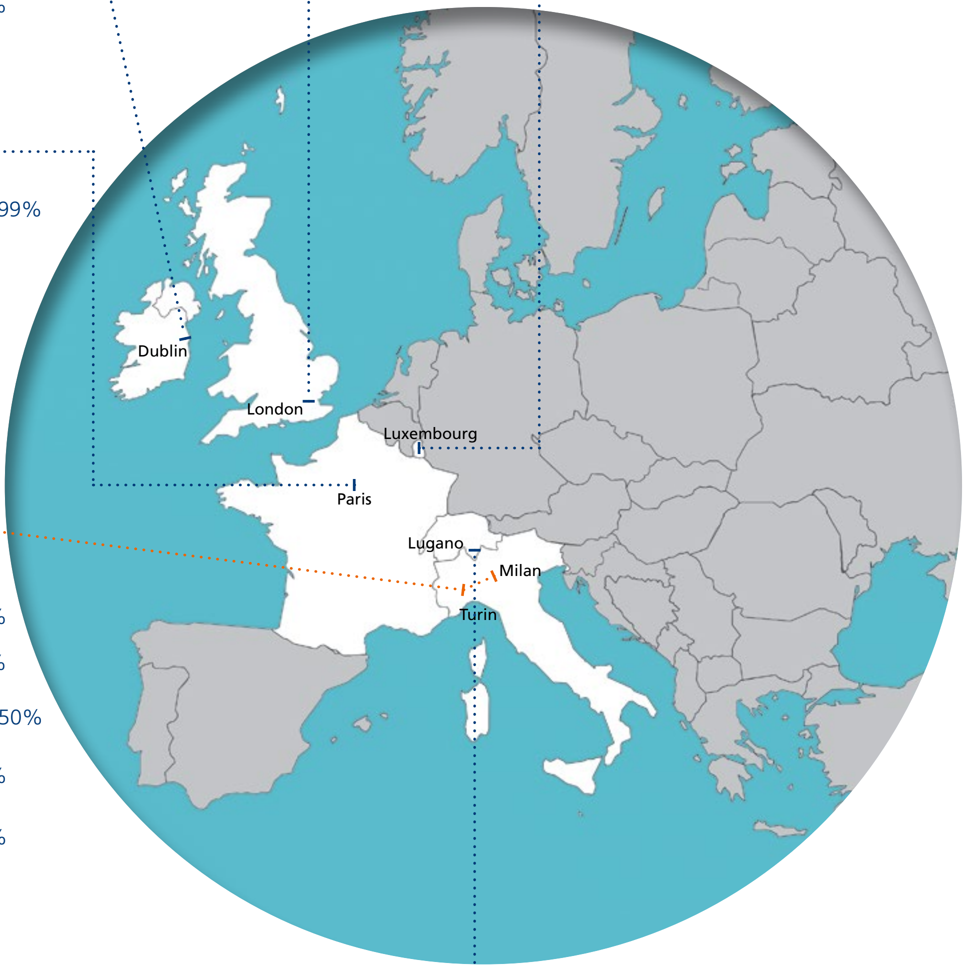
FIDEURAM BANK LUXEMBOURG 100%

Ireland

FIDEURAM ASSET MANAGEMENT IRELAND 100%

France

FINANCIÈRE FIDEURAM 99.99%



Italy

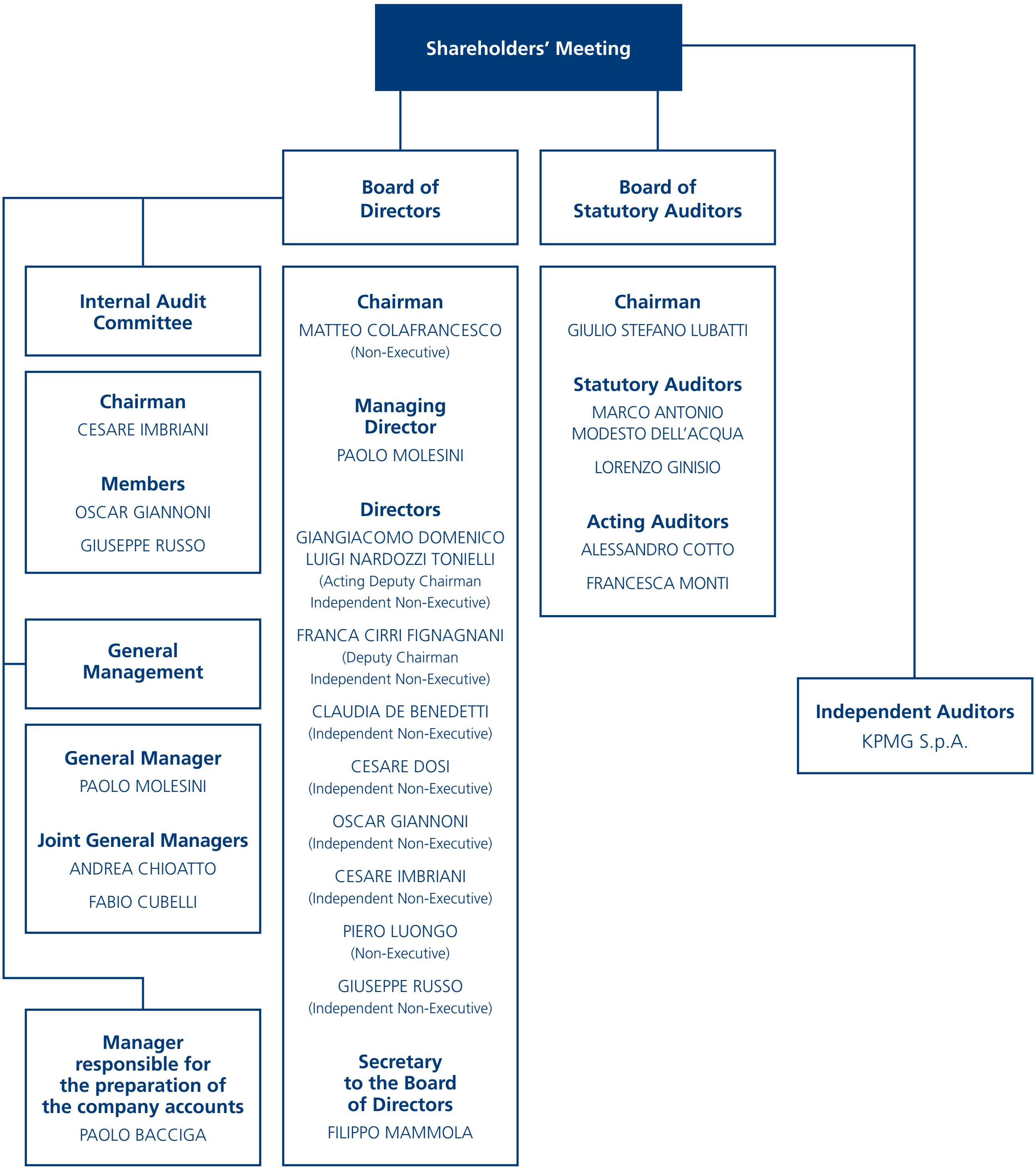
FIDEURAM
INTESA SANPAOLO PRIVATE BANKING

INTESA SANPAOLO PRIVATE BANKING	100%
SANPAOLO INVEST	100%
FIDEURAM INVESTIMENTI	99.50%
SIREFID	100%
FIDEURAM FIDUCIARIA	100%

Switzerland

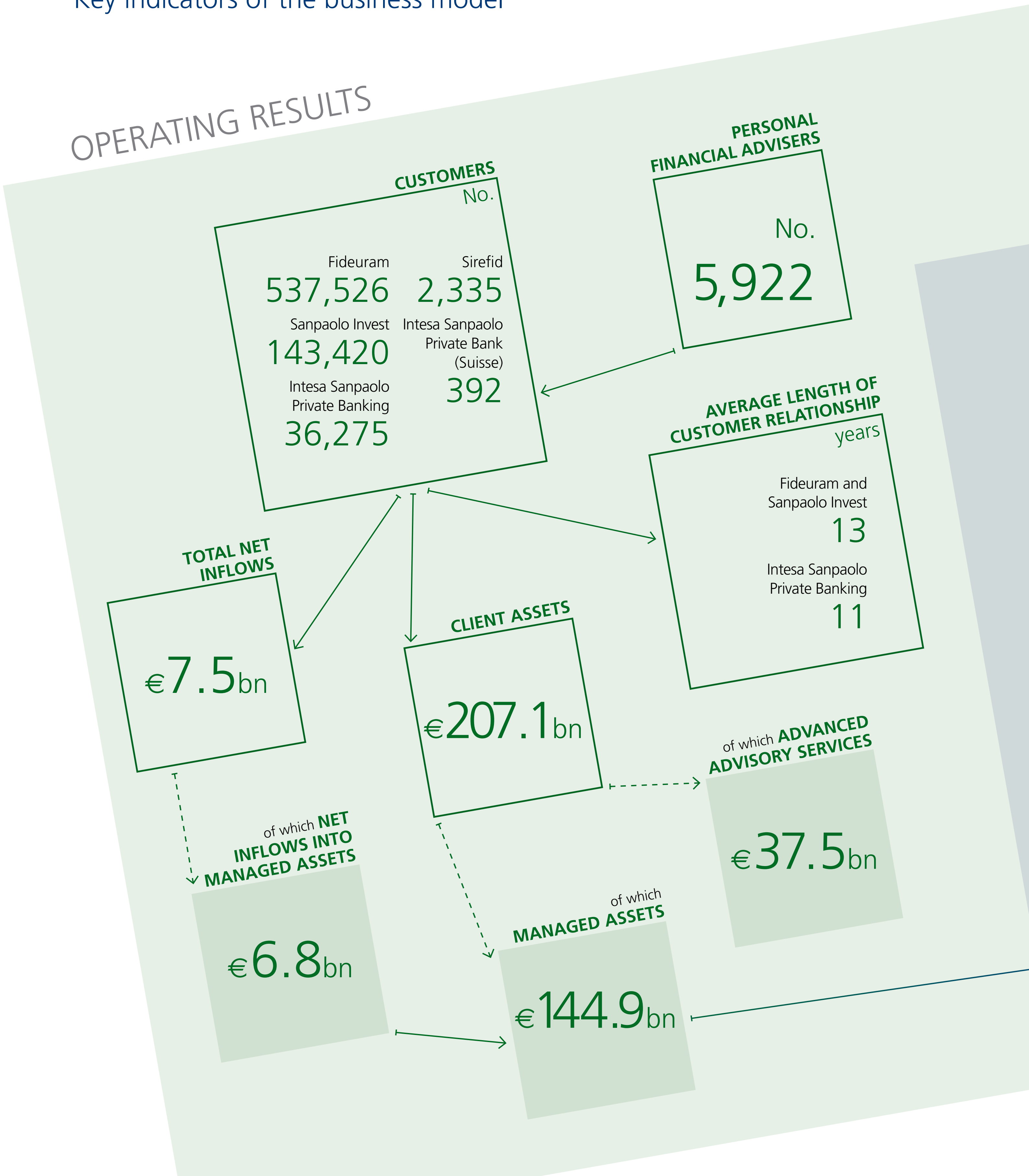
INTESA SANPAOLO PRIVATE BANK SUISSE 100%

Company Officers



Key drivers

Key indicators of the business model



FINANCIAL RESULTS

NET RECURRING FEES

€763m
+11%

CONSOLIDATED NET PROFIT

€443m
+10%

COST / INCOME RATIO

28%
(29% in 1st Half 2016)

RETURN ON EQUITY

41%
(40% in 1st Half 2016)

Highlights

	30.6.2017	30.6.2016	% CHANGE
CUSTOMER FINANCIAL ASSETS			
Net inflows into managed assets (€m)	6,783	(396)	n.s.
Total net inflows (€m)	7,508	4,174	80
Client Assets (€m)	207,130	188,202	10
OPERATING STRUCTURE			
Personal Financial Advisers (No.)	5,922	5,887	
Staff (No.)	3,055	2,999	
- women (No.)	1,350	1,327	
- outside Italy (No.)	167	147	
Personal Financial Advisers' Offices (No.)	321	326	
Bank Branches (No.)	228	228	
CONSOLIDATED FINANCIAL RESULTS			
Consolidated net profit (€m)	443	403	10
Group shareholders' equity (€m)	2,328	2,188	6
Basic consolidated net earnings per share (€)	0.295	0.268	10
Consolidated pay-out ratio (%)	90.9	75.1	
Fideuram pay-out ratio (%)	99.8	99.7	
Total assets (€m)	36,256	32,138	13
Wealth created (€m)	1,345	1,253	7
Economic value distributed (€m)	1,277	1,193	7
PROFITABILITY INDICATORS			
Return on Equity (%)	41	40	
Return on Assets (%)	2	3	
Cost / Income ratio (%)	28	29	
Payroll costs / Operating income before net impairment (%)	16	16	
Annualised net profit / Average client assets (%)	0.4	0.4	
Economic Value Added (€m)	402	361	
Counterparty rating (Standard & Poor's)	**Long term: BBB-**	**Short term: A-3**	**Outlook: Stable**

n.s.: not significant

Glossary

Net inflows: Total subscriptions minus disinvestments.

Client Assets: Consist of:
- Managed assets, which include mutual funds and pension funds, discretionary accounts and life insurance technical reserves.
- Non-managed assets, which include securities deposited (net of units in Group funds), accident insurance technical reserves and current account overdrafts.

Personal Financial Advisers: Professionals registered in Italy's Unified Register of Financial Advisers, including Trainee Financial Advisers.

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

Consolidated net profit per share: Ratio of consolidated net profit to weighted average ordinary shares outstanding.

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

Wealth created and distributed: The increase in value generated by the production and distribution of financial services using a company's factors of production (capital and labour). Shows how the wealth created is distributed to the company's main stakeholders.

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

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

Cost / Income ratio: The ratio of administrative expenses plus depreciation and amortisation to operating income before net impairment (including other income, net, and net profit on equity investments).

E.V.A. (Economic Value Added): An internal financial ratio used to calculate the monetary value created by a company in a given period. It is calculated by subtracting the shareholder's expected return on consolidated shareholders' equity from net profit. The expected return is generally taken to equal the net return on 12-month Treasury Bills issued at the beginning of the year, plus a market risk premium, which is assumed to be constant at 4.5 percent over the periods concerned.

Managed assets overview

Assets (€bn)	2016 (*)	2015	2014	2013	2012
Household financial assets in Italy (HFA)	**4,168**	**4,155**	**4,038**	**3,957**	**3,800**
Managed assets (MA)	1,415	1,335	1,257	1,086	1,020
- Mutual funds	302	286	251	206	189
- Discretionary accounts	858	801	737	639	625
- Life insurance technical reserves	622	579	529	514	468
- Pension funds	105	94	84	75	69
- Adjustments	(472)	(425)	(344)	(348)	(331)
MA as % of HFA	**34%**	**32%**	**31%**	**27%**	**27%**

Flows (€bn)	2016 (*)	2015	2014	2013	2012
Household financial assets in Italy (HFA)	**33**	**29**	**10**	**9**	**35**
Managed assets (MA)	65	98	111	(34)	3
- Mutual funds	17	32	40	(30)	(19)
- Discretionary accounts	26	42	25	(16)	6
- Life insurance technical reserves	43	51	15	46	(9)
- Pension funds	4	4	5	5	5
- Adjustments	(25)	(31)	26	(39)	20
MA as % of HFA	**n.s.**	**n.s.**	**n.s.**	**n.s.**	**9%**

(*) The figures of 2016 are estimated.

n.s.: not significant

Source: Bank of Italy

Interim directors’ report

Reclassified financial statements

Consolidated Balance Sheet

(Reclassified - €m)

	30.6.2017	31.12.2016	CHANGE	
			AMOUNT	%
ASSETS				
Cash and cash equivalents	68	71	(3)	-4
Financial assets (other than loans and held-to-maturity investments)	4,560	4,533	27	1
Held-to-maturity investments	-	125	(125)	-100
Loans and advances to banks	20,985	18,705	2,280	12
Loans and advances to customers	9,160	9,602	(442)	-5
Hedging derivatives	6	3	3	100
Equity investments	144	141	3	2
Property and equipment	39	40	(1)	-3
Intangible assets and goodwill	176	181	(5)	-3
Tax assets	177	180	(3)	-2
Other assets	941	1,091	(150)	-14
TOTAL ASSETS	**36,256**	**34,672**	**1,584**	**5**
LIABILITIES				
Due to banks	2,737	2,665	72	3
Due to customers	28,395	27,561	834	3
Financial liabilities held for trading	81	27	54	n.s.
Hedging derivatives	979	1,103	(124)	-11
Tax liabilities	75	64	11	17
Other liabilities	1,216	813	403	50
Provisions for risks and charges	445	458	(13)	-3
Equity attributable to owners of the parent company	2,328	1,981	347	18
TOTAL LIABILITIES	**36,256**	**34,672**	**1,584**	**5**

n.s.: not significant

Consolidated Income Statement

(Reclassified - €m)

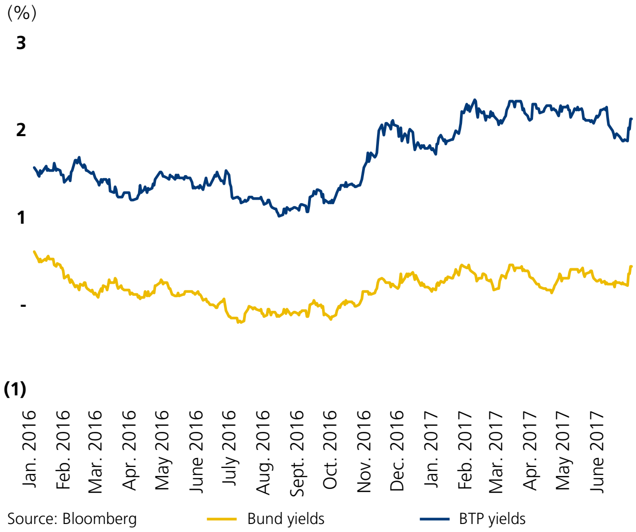
	1ST HALF 2017	1ST HALF 2016	CHANGE AMOUNT	CHANGE %
Net interest income	82	81	1	1
Net profit (loss) on financial assets and liabilities	15	20	(5)	-25
Net fee and commission income	827	771	56	7
OPERATING INCOME BEFORE NET IMPAIRMENT	**924**	**872**	**52**	**6**
Net impairment	-	(2)	2	-100
OPERATING INCOME	**924**	**870**	**54**	**6**
Personnel expenses	(149)	(141)	(8)	6
Other administrative expenses	(108)	(109)	1	-1
Depreciation and amortisation	(7)	(8)	1	-13
OPERATING EXPENSES	**(264)**	**(258)**	**(6)**	**2**
Net provisions for risks and charges	(16)	(29)	13	-45
Profit (loss) on equity investments	6	8	(2)	-25
Other income (expense)	(1)	(1)	-	-
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**649**	**590**	**59**	**10**
Income taxes for the period on continuing operations	(189)	(167)	(22)	13
Expenses regarding the banking system (net of tax)	(3)	(4)	1	-25
Non-recurring income (expenses) (net of tax)	(14)	(16)	2	-13
NET PROFIT	**443**	**403**	**40**	**10**

Economic scenario

The first half of 2017 was marked by fairly buoyant global economic growth notwithstanding the unexpected first-quarter slowdown in the U.S. economy. Inflation also rose in the first quarter, principally as a result of rising energy prices, but then slowed more than expected in the second quarter, particularly in the U.S.A.. The markets also focused on political developments in the first quarter. In the U.S.A., there were no significant developments in the implementation of the new Administration's agenda. President Trump and the Republican Party decided that repealing Obamacare took priority over fiscal reform, but the Senate had still not passed its healthcare reform bill by early July. The new Administration did not, however, adopt the protectionist measures in President Trump's election manifesto that had caused concern. In the euro area, the markets were, on the other hand, focused on the political risks associated with the busy electoral calendar, the most important event in which was the French presidential election in late April and early May. Despite fears of the success of anti-EU populists, the elections saw Macron and his reformist, clearly pro-EU programme win strong support. Lastly, the early-June snap general election in the United Kingdom left Prime Minister Theresa May surprisingly weakened and made the UK position in the Brexit negotiations more precarious.

The strengthening global recovery and declining risk of deflation were accompanied by a less accommodative approach by the main central banks. The Federal Reserve followed its December 2016 interest rate increase with two further 25-basis-point increases at its March and June meetings, and made it clear that it would start gradually reducing its assets by the end of the year. The European Central Bank, on the other hand, did not make any new announcements to the market following its decision at the end of 2016 to taper its bond buying programme, but at the end of June ECB President Mario Draghi suggested that a strategy for exiting the Bank's ultra-expansionary policies would be launched shortly. Conversely, the Bank of Japan did not take any such decisions despite tapering its bond buying programme in the second quarter.

10-year Bund and BTP yields



Source: Bloomberg

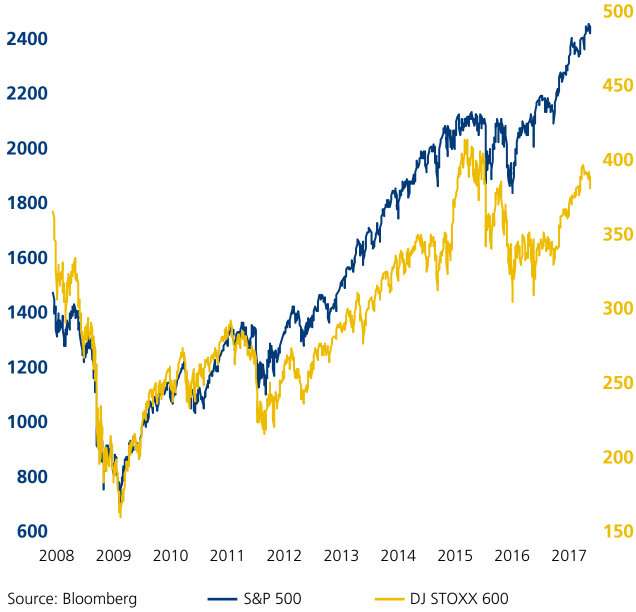
In the **U.S.A.**, the beginning of the year was marked by rising business and household confidence, while the economic data weakened substantially and GDP growth slowed unexpectedly in the first quarter due to a marked deceleration in consumer spending and the strong negative contribution of inventory build-ups. Conversely, growth recovered in the second quarter thanks to a recovery in consumer spending, and labour market conditions continued to improve. In May, unemployment fell to a new cyclical low of 4.3%, but there were no signs of wage growth notwithstanding the increased use of labour. The significant base effect of oil products pushed up price inflation and the deflator of consumer spending rose to above 2% in February for the first time since 2012, but inflation then decelerated unexpectedly in the following months.

The cyclical dynamic in the **euro area** gathered further strength in early 2017 and business confidence reached new highs, in line with GDP growth returning to levels considerably above potential. Domestic demand continued to be the main driver of growth, not only through consumer spending buoyed by rising employment, but also through investments. These improved signs of growth were in spite of market nerves regarding the risks associated with the French presidential elections, which moreover resulted in a clear victory for the reformist, pro-EU candidate Macron. Inflation surprised by accelerating sharply at the beginning of the year, rising from 1.1% at the end of 2016 to 2% in February, but saw a new downward correction in the following months. The ECB did not change direction significantly in the first half of the year, but at the end of June President Draghi stated that it would probably launch a strategy for exiting its ultra-expansionary policies in the coming months.

In **Asia**, growth was fairly buoyant. In China, economic activity was stronger than expected, with a significant recovery in industrial production and, above all, investments. A recovery in producer prices was mirrored in a sharp improvement in company profitability without, however, leading to an acceleration in inflation. The recovery in growth was accompanied by a more restrictive economic policy approach which aimed to limit the risks to financial stability. In Japan, GDP growth was not particularly buoyant in the first quarter, although the economic activity data were generally encouraging. Inflation remained very low and the Bank of Japan pursued its monetary policy without change.

The positive economic scenario was mirrored in the buoyant performance of the stock markets during the half-year. In the U.S.A., the S&P 500 index gained 8.2%, while Europe and Japan saw gains of 5% for the DJ STOXX 600 and 6.1% for the Topix respectively. The performance of the emerging markets was considerably stronger (+17.2% for the respective MSCI index in US dollars). The bond market fell slightly in the U.S.A., following rising yields in the fourth quarter of 2016, with ten-year government bond yields ending the half-year around 15 basis points down from the beginning of the year. Conversely, in the euro area, 10-year Bund yields were up around 25 basis points, principally due to ECB President Draghi's end-of-June announcement that the Bank would be launching a strategy for exiting its ultra-expansionary policies. The spread between ten-year Italian government bonds and the corresponding Bund was up slightly at the end of the half-year. Lastly, the euro gained significantly against the dollar due to reduced political risk combined with the strong economic performance of the euro area, in addition to the stalled agenda of the new U.S.A. Administration.

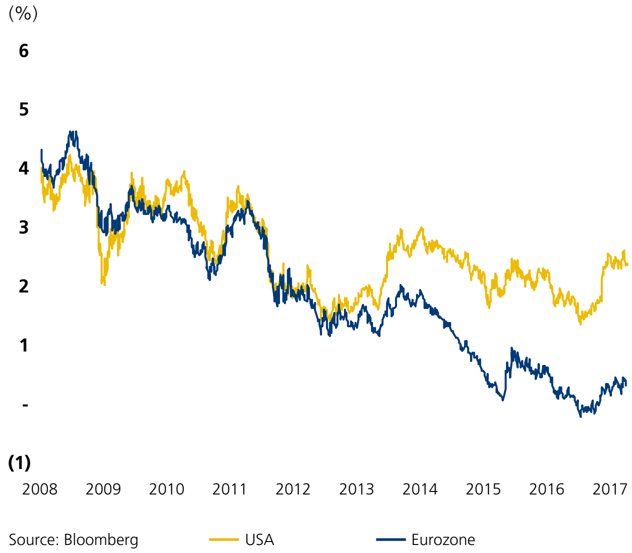
Stock market performance



Source: Bloomberg

Bond market performance

(10-year government bond yields)



Source: Bloomberg

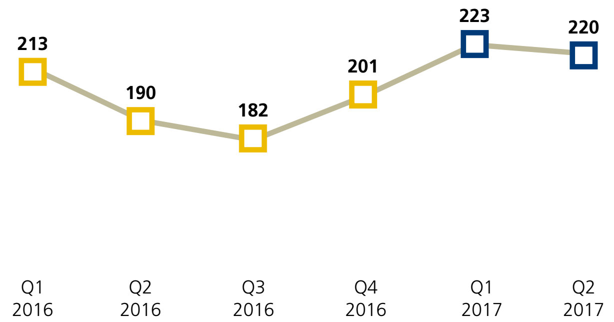
Overview of consolidated results

The Fideuram - Intesa Sanpaolo Private Banking Group ended the first half of 2017 with **consolidated net profit** of **€443m**, up €40m (+10%) on the first half of 2016.
The Wealth created by the Group's business totalled €1.3bn at 30 June 2017, up €92m on the same period last year. The return on equity (R.O.E.) was 41%.

Analysis of the main income-statement items shows that profit before tax from continuing operations was up €59m on the first half of 2016, mainly due to a €54m increase in operating income and a €13m reduction in net provisions for risks and charges. Operating expenses increased €6m on the figure for the same period in 2016, reversing the recent trend without this however impacting the Cost/Income Ratio, which improved to 28% compared with 29% in the first half of 2016.

Consolidated net profit

(€m)



At 30 June 2017, there were a total of 5,922 Personal Financial Advisers in the Group's networks compared with 5,848 at 31 December and 5,887 at 30 June 2016. Total Group staff came to 3,055, up from 3,010 at 31 December 2016 as a result of the growth of our distribution and sales networks. Bank branches totalled 228 and Personal Financial Advisers' offices totalled 321.

Business model

Fideuram - Intesa Sanpaolo Private Banking is the number one Private Bank in Italy and among the largest in the euro area with client assets totalling more than €207bn. Since 2015, it has directed the business of the Intesa Sanpaolo Group Private Banking Division, which brings together the companies providing the Group's financial advisory, asset management and fiduciary services. The Division's mission is to serve high-end customers, creating value with products and services conceived for excellence, while ensuring the increased profitability of client assets through the constant development of our product range and service delivery solutions.

The Fideuram Group specialises in particular in the provision of financial advisory services and the development, management and distribution of financial, insurance and banking products and services. The Group's positioning is principally focused on the Private Banking and High Net Worth Individual customer segments, and our products and services are provided through approximately 6,000 highly-qualified professionals in three separate networks (Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking) with their own brand identities, service models and customer profiles.

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

Our advisory services take the form of "Basic Advisory Services", which we provide for all customers free of charge in line with the requirements of the EC's Markets in Financial Instruments Directive (MiFID), and three "Advanced Advisory Services" (SEI, Private Banking Advisory and VIEW), which are paid services designed specifically for customers with greater financial assets and provided on the basis of a contract.

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

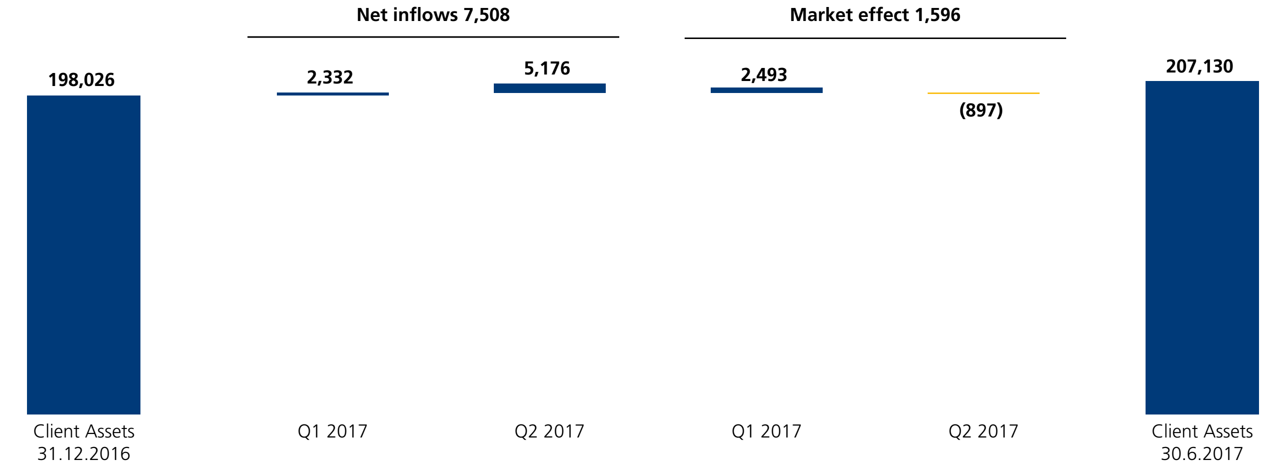
Fideuram - Intesa Sanpaolo Private Banking is a member of the Intesa Sanpaolo Banking Group and wholly owned by Intesa Sanpaolo S.p.A..

Client financial assets

Client Assets totalled €207.1bn at 30 June 2017, up €9.1bn (+5%) on the figure at 31 December 2016, largely as a result of strong net inflows (+€7.5bn) and, to a lesser extent, the strong market performance of the assets themselves (+€1.6bn).

Analysis of the item shows that managed assets rose to €144.9bn (70% of total client assets), an increase of €8.4bn on the figure at 31 December 2016. This growth, driven by excellent net inflows, was in mutual funds (+€4.8bn), life assurance (+€2bn) and, to a lesser extent, discretionary accounts (+€1.5bn). Non-managed assets totalled €62.2bn, up €0.7bn on the figure at year-end 2016.

Client Assets
(€m)



Client Assets

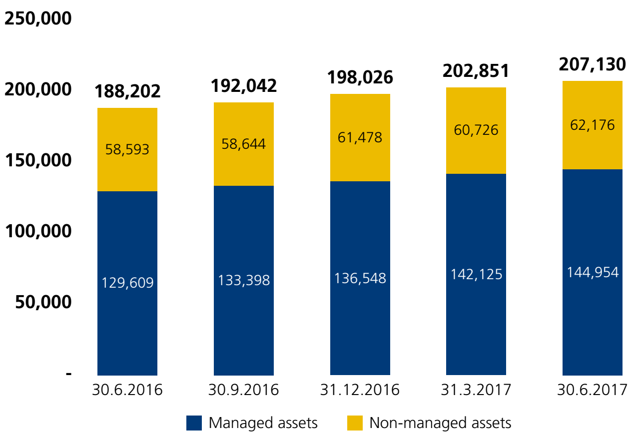
(€m)

	30.6.2017	31.12.2016	CHANGE	
			AMOUNT	%
Mutual funds	53,011	48,263	4,748	10
Discretionary accounts	42,623	41,088	1,535	4
Life insurance	47,666	45,623	2,043	4
including: Fideuram Vita / Intesa Sanpaolo Vita unit linked	*32,602*	*30,512*	*2,090*	*7*
Pension funds	1,654	1,574	80	5
Total managed assets	**144,954**	**136,548**	**8,406**	**6**
Total non-managed assets	**62,176**	**61,478**	**698**	**1**
including: Securities	*37,877*	*37,787*	*90*	*-*
Total Client Assets	**207,130**	**198,026**	**9,104**	**5**

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

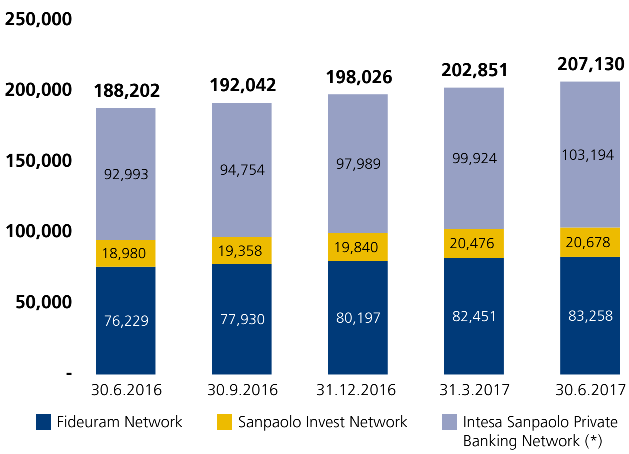
Client Assets - by inflow

(€m)



Client Assets - by sales network

(€m)



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

Inflows into managed and non-managed assets

The Group's sales networks (Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking) brought in €7.5bn net inflows in the first half of 2017, up €3.3bn (+80%) on the total for the corresponding period last year.
Analysis of the item shows that inflows into managed assets totalled €6.8bn, up sharply (+€7.2bn) on the corresponding period in 2016, with the Group's personal financial advisers having guided an increased portion of client assets towards managed asset products to benefit from the recovery in the markets. In particular, there was a substantial increase in net inflows into mutual funds (+€6bn) and discretionary accounts (+€1.1bn) compared with the first half of last year.
Net inflows into non-managed assets were positive at €0.7bn, down €3.8bn from the figure for the corresponding period in 2016, impacted by a major asset allocation shift.

Net inflows

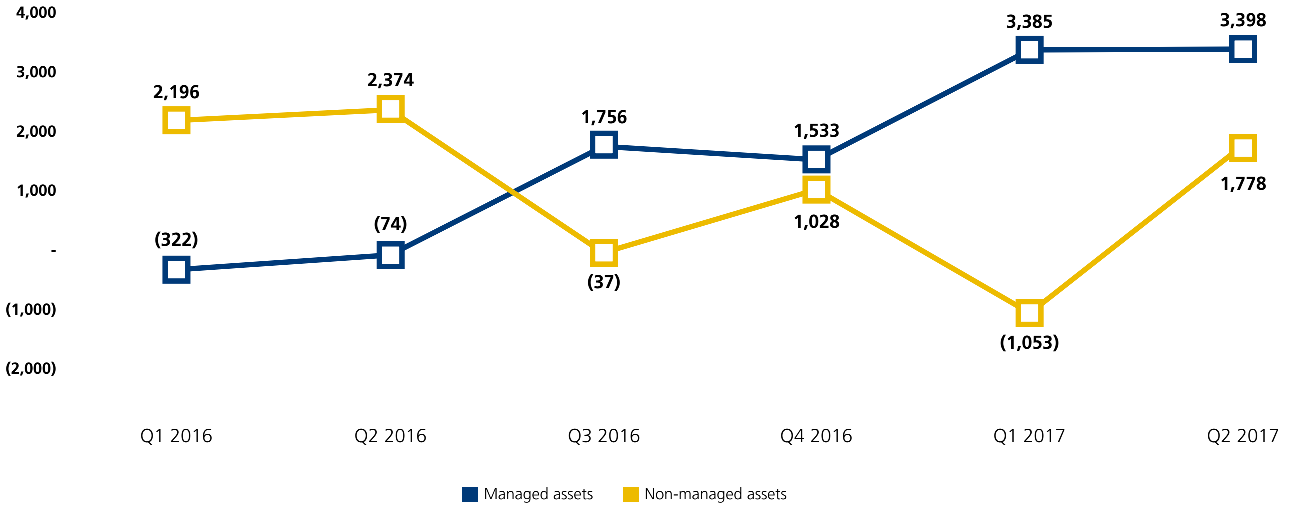
(€m)

	1ST HALF 2017	1ST HALF 2016	CHANGE	
			AMOUNT	%
Mutual funds	4,210	(1,791)	6,001	n.s.
Discretionary accounts	832	(253)	1,085	n.s.
Life insurance	1,688	1,605	83	5
including: Fideuram Vita / Intesa Sanpaolo Vita unit linked	*1,774*	*1,529*	*245*	*16*
Pension funds	53	43	10	23
Total managed assets	**6,783**	**(396)**	**7,179**	**n.s.**
Total non-managed assets	**725**	**4,570**	**(3,845)**	**-84**
including: Securities	*182*	*1,564*	*(1,382)*	*-88*
Total Net inflows	**7,508**	**4,174**	**3,334**	**80**

n.s.: not significant

Net inflows

(€m)



Customer segmentation

Client Assets at 30 June 2017

- Fideuram: €83,258m
- Sanpaolo Invest: €20,678m
- Intesa Sanpaolo Private Banking: €98,082m
- Sirefid: €3,823m (*)
- Intesa Sanpaolo Private Bank (Suisse): €1,289m

(*) Does not include the fiduciary mandates regarding Group Client Assets. Total client assets came to €7.4bn.

Customers at 30 June 2017

- Fideuram: no. 537,526
- Sanpaolo Invest: no. 143,420
- Intesa Sanpaolo Private Banking: no. 36,275 (**)
- Sirefid (fiduciary mandates): no. 2,335
- Intesa Sanpaolo Private Bank (Suisse): no. 392

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

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

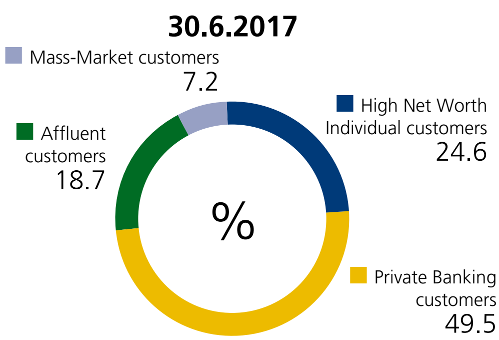
The table and graphs below analyse client assets by type of customer.

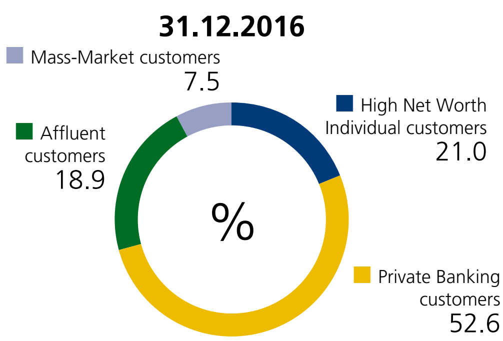
Client assets by type of customer (***)

(€m)

	30.6.2017	31.12.2016	CHANGE AMOUNT	CHANGE %
High Net Worth Individual customers	51,025	41,489	9,536	23
Private Banking customers	102,492	104,250	(1,758)	-2
Affluent customers	38,723	37,524	1,199	3
Mass-Market customers	14,890	14,763	127	1
Total	**207,130**	**198,026**	**9,104**	**5**

Percentage analysis of client assets by type of customer





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

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

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

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

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

Advanced advisory services

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

The Group's principal distinctive strengths, emblematic of its market leadership, are founded on a **business model** that anchors the distribution of products and services in the professional relationships between our Personal Financial Advisers and customers. This is supported by the strength of a Group with three renowned brands - Fideuram, Intesa Sanpaolo Private Banking and Sanpaolo Invest - and a network of 228 bank branches and 321 Personal Financial Advisers' offices located throughout Italy, which make a decisive contribution to customer loyalty. Our **guided open-architecture model** offers third-party products to complement our Group products.

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

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

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

Over 70,000 customers were subscribed to our Advanced Advisory Services at the end of June 2017, accounting for approximately €37.5bn client assets.

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

Customers subscribed to Advanced Advisory Services

(number)

	30.6.2017	31.12.2016	CHANGE AMOUNT	CHANGE %
High Net Worth Individual customers	677	520	157	30
Private Banking customers	17,750	15,924	1,826	11
Affluent customers	34,832	34,679	153	-
Mass-Market customers	17,152	17,204	(52)	-
Total	**70,411**	**68,327**	**2,084**	**3**

Advanced Advisory Service client assets

(€m)

	30.6.2017	31.12.2016	CHANGE AMOUNT	CHANGE %
High Net Worth Individual customers	4,851	3,688	1,163	32
Private Banking customers	22,871	20,717	2,154	10
Affluent customers	8,744	8,672	72	1
Mass-Market customers	1,027	1,029	(2)	-
Total	**37,493**	**34,106**	**3,387**	**10**

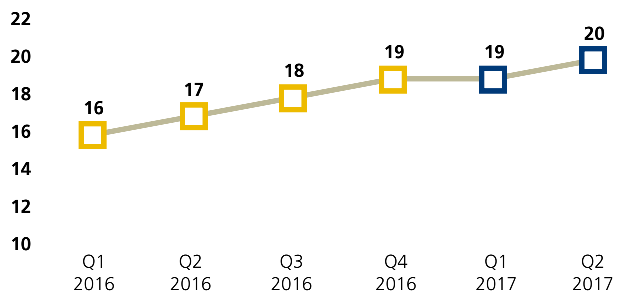
Advanced Advisory Service Fee and Commission Income

(€m)

	1ST HALF 2017	1ST HALF 2016	CHANGE AMOUNT	CHANGE %
Fee and commission income	63	57	6	11
Fee and commission expense	(24)	(24)	-	-
Net fee and commission income	**39**	**33**	**6**	**18**

Quarterly net fee and commission income from Advanced Advisory Service

(€m)



Distribution of value

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

The table below showing the Wealth created by the Group was prepared using the income statement figures from the Consolidated Financial Statements for the first half of 2017, reclassified following the guidelines of the Italian Banking Association (Associazione Bancaria Italiana - ABI) and of the Global Reporting Initiative (GRI). The Wealth created is the economic value generated in the period, which is for the most part distributed to the stakeholders with whom the Group has relations as part of its daily operations. The Value retained is the difference between the Wealth created and the Value distributed, and it is used for productive investments to enable economic growth and financial stability, as well as to ensure the creation of new wealth to the benefit of our stakeholders. The Wealth created by the global business of the Group totalled €1.3bn in the first half of 2017 (+€92m on the total for the corresponding period in 2016). This wealth was distributed to stakeholders as follows:

- Colleagues (employees and Personal Financial Advisers) received 35.8% of the Wealth created, amounting to a total of €482m. This included the remuneration paid to employees and the amounts set aside for and paid to the Personal Financial Adviser Networks.
- Our shareholder received 30% of the Wealth created, in the form of the proposed dividend payout totalling €403m.
- The government, public authorities, institutions and the community received €278m, principally in the form of direct and indirect taxes, equating to 20.7% of the Wealth created.
- Suppliers received 8.4% of the Wealth created, amounting to €114m paid for goods and services.
- The remaining €68m was retained by the Group and regarded the following items in particular: deferred tax assets and liabilities, amortisation and depreciation, and provisions for risks and charges.

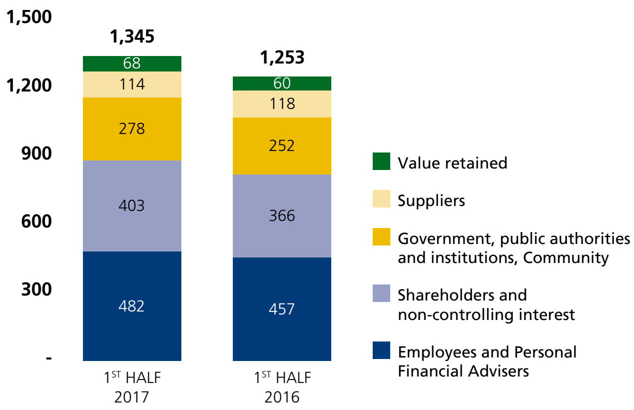
Economic value added

(€m)

	1ST HALF 2017	1ST HALF 2016	CHANGE	
			AMOUNT	%
Wealth created	**1,345**	**1,253**	**92**	**7**
Value distributed	**(1,277)**	**(1,193)**	**(84)**	**7**
Employees and Personal Financial Advisers	(482)	(457)	(25)	5
Shareholders and non-controlling interest	(403)	(366)	(37)	10
Government, public authorities and institutions, Community	(278)	(252)	(26)	10
Suppliers	(114)	(118)	4	-3
Value retained	**68**	**60**	**8**	**13**

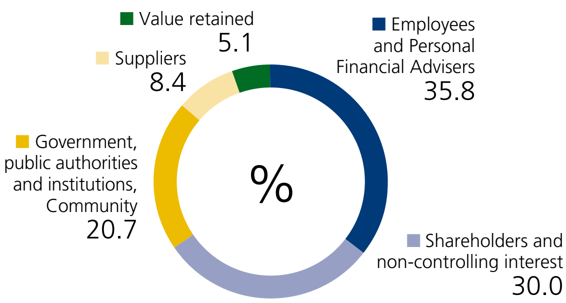
Wealth created

(€m)

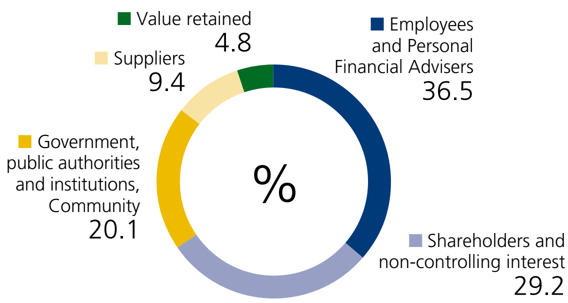


Distribution of wealth created

1ST HALF 2017



1ST HALF 2016



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 period, while also presenting the Group's financial results, transaction data and key profitability indicators by Business Segment.

Each segment is analysed using data that show its contribution to Group income after consolidation adjustments.

Business segmentation at 30 June 2017

(€m)

	MANAGED FINANCIAL ASSETS	LIFE INSURANCE ASSETS	BANKING SERVICES	TOTAL FOR FIDEURAM GROUP
Net interest income	-	-	82	82
Net profit (loss) on financial assets and liabilities	-	-	15	15
Net fee and commission income	553	248	26	827
Operating income before net impairment	**553**	**248**	**123**	**924**
Operating expenses	(130)	(34)	(100)	(264)
Other	(11)	(5)	5	(11)
Profit before tax from continuing operations	**412**	**209**	**28**	**649**
Average Client Assets	**93,097**	**47,935**	**60,999**	**202,031**
Client Assets	**95,634**	**49,320**	**62,176**	**207,130**
Key indicators				
Cost / Income Ratio	24%	14%	78%	28%
Annualised profit before tax / Average Client Assets	0.9%	0.9%	0.1%	0.6%
Annualised net fee and commission income / Average Client Assets	1.2%	1.0%	0.1%	0.8%

MANAGED FINANCIAL ASSETS SEGMENT

The Managed Financial Assets Segment covers the Group's discretionary account and mutual fund business, which totalled €95.6bn at 30 June 2017 (46% of total client assets), an increase of €10.3bn (+12%) on 30 June 2016 as a result of increased mutual funds (+€6.8bn) and discretionary accounts (+€3.5bn). Net inflows were positive to the tune of €5bn, up €7.1bn on the figure for the corresponding period last year, largely as a result of the recovery in the markets, which led our Personal Financial Advisers to guide customers to allocate a greater portion of their assets to managed asset products.
The segment's contribution to profit before tax from continuing operations totalled €412m, up €89m compared with the same period in the previous financial year due to increased net fee and commission income (+€86m). The ratio of net fee and commission income to client assets was 1.2%, while the ratio of profit before tax to client assets was 0.9%.

Managed financial assets

(€m)

	1ST HALF 2017	1ST HALF 2016	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities	-	-	-
Net fee and commission income	553	467	18
Operating income before net impairment	**553**	**467**	**18**
Operating expenses	(130)	(126)	3
Other	(11)	(18)	-39
Profit before tax from continuing operations	**412**	**323**	**28**
Average Client Assets	**93,097**	**85,879**	**8**
Client Assets	**95,634**	**85,350**	**12**
Key indicators			
Cost / Income Ratio	24%	27%	
Annualised profit before tax / Average Client Assets	0.9%	0.8%	
Annualised net fee and commission income / Average Client Assets	1.2%	1.1%	

In the first half of 2017, the Italian mutual fund market was driven by the **Savings Investment Plans** (piani individuali di risparmio - PIR) introduced by the 2017 Budget Law. The law created this form of investment, which generates yields that are tax-exempt providing certain specified conditions are met, as a new source of long-term finance to stimulate the growth of Italian small and medium enterprises. The leading market operators were in agreement with and supported this measure, identifying mutual funds as the simplest and most immediate form of investment for providing these plans. The Fideuram Group was among the first movers, offering its customers Piano Investimento Italia, a new fund developed by Fideuram Investimenti offering three sub-funds with different risk profiles, enabling our customers to invest in the Italian market in accordance with the conditions specified by the law to obtain the tax relief concerned.

Our range of **own funds** was further enhanced with new Fonditalia (FOI) funds developed in conjunction with leading third-party asset managers which principally aim to offer our customers an alternative to investing in bonds: FOI Obiettivo 2022 delegated to Morgan Stanley and FOI Obiettivo 2023 delegated to Muzinich. Both solutions offer a minimum investment period (of 5 and 6 years respectively), a quarterly coupon and investment in corporate bonds with an average rating of BBB that is highly diversified in terms of number and geographical area.
We continued the development of our own alternative investment solutions initiated in 2016 with the launch of the Fideuram Alternative Investments (FAI) platform provided by Fideuram Investimenti, developed to offer direct access to the real economy through investments in non-listed companies. In May, we launched FAI – Private Markets Insight Fund, a closed-end alternative mutual fund focused on credit and equity instruments issued by mid-capitalisation companies around the world across a wide spectrum of product sectors.
The evolutionary maintenance of our existing Fideuram Multibrand range (providing an **à la carte** offering of **third-party funds**) continued as always, principally through the addition of new funds and new income distribution and/or currency hedging classes offered by companies whose products we already distribute.
We also launched the following new Eurizon Capital Italian funds for Intesa Sanpaolo Private Banking customers:

- Eurizon Traguardo 40 - February 2022 and Eurizon ESG Target 40 - June 2022, which offer a gradual approach to investment in the stock markets.
- Eurizon Global Inflation Strategy - June 2022, designed to cover inflation risk globally.
- Eurizon Obiettivo Valore, a balanced fund investing in companies.
- Eurizon Obiettivo Risparmio, a flexible bond fund with a two-year time horizon.

We further enhanced our offering of third-party funds and SICAV open-ended investment schemes with the Tages Helios closed-end alternative investment fund set up by Tages Capital SGR that invests in the solar power sector in Italy. 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.

The interventions to our **discretionary accounts** during the first half of the year saw us expanding the range of investment solutions offered under the Omnia mandate with the aim of providing an increasingly complete and customisable management service.
The main interventions included the launch of two new asset management lines, Delta 6 and Delta 10, which offer broad global diversification of asset classes and investment strategies with the aim of increasing the assets in the account in the medium-to-long term through a flexible, active management style with careful management of the overall risk. A further such intervention, also to the core component, expanded it with four new Consilia lines, the Consilia Step-in 01.2017 lines, which offer gradual investment within a specified investment window, diluting market timing risk in a climate of marked volatility. Lastly, our satellite investment solutions were enhanced by extending the range of funds in the Eligo Fondi line.

Intesa Sanpaolo Private Banking's Gestioni Patrimoniali Navigabili range of "navigable" discretionary accounts was extended with three new lines:

- Mix 30 Defensive and Mix 50 Defensive, offering an approach tailored to highly volatile financial markets. The management philosophy of these lines invests part of the portfolio in mutual funds which adopt Risk Overlay-strategies that primarily aim to reduce losses, above all during the most significant bear market phases.
- Mix Sustainable, which adopts an investment process that identifies financial instruments with social and environmental as well as financial objectives.

Lastly, the dedicated products and services offered by our London branch were enhanced during the half year with the aim of developing our offering in line with UK market practices and the needs of international customers, launching the following new products and services:

- Bespoke Advisory Service, a new model for providing financial advisory services which is being offered alongside our current standard model (Centralised Advisory Model). The service offers a high level of personalisation and direct interaction between each customer, their Personal Financial Adviser and our London Branch Investment Management Unit. The new model has been designed for customers with substantial assets who require personalised and/or sophisticated investment support.
- Three new discretionary account lines named Moderate, Balanced and Aggressive. All three account lines involve the UK Investment Management Unit in their management choices to provide a service that is tailored to the requirements of customers with international investment needs. The new lines have increasing risk profiles and aim to build diversified portfolios covering every major asset class and geographical area, including alternative strategies.
- A new fiduciary service model called "Fiduciary Company and Principal" which streamlines our customers' operations while simultaneously offering them more extensive control. The main new features are direct interaction between the Principal and the Bank in the management of fiduciary transactions and access to the entire catalogue available at any given time.

LIFE INSURANCE ASSETS SEGMENT

This segment covers the Group's life insurance and pension funds business, which totalled €49.3bn at 30 June 2017 (24% of total client assets), up €5.1bn on the figure for the corresponding period in the previous financial year principally due to strong life insurance performance (+€4.9bn). Total net inflows were positive to the tune of €1.7bn, up €0.1bn compared with the corresponding period in the previous financial year.
The contribution of this segment to profit before tax from continuing operations totalled €209m, up €40m on the corresponding period last year due to increased net fee and commission income. The ratio of net fee and commission income to client assets was 1%, while the ratio of profit before tax to client assets was 0.9%.

Life insurance assets

(€m)

	1ST HALF 2017	1ST HALF 2016	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities	-	-	-
Net fee and commission income	248	211	18
Operating income before net impairment	**248**	**211**	**18**
Operating expenses	(34)	(34)	-
Other	(5)	(8)	-38
Profit before tax from continuing operations	**209**	**169**	**24**
Average Client Assets	**47,935**	**42,711**	**12**
Client Assets	**49,320**	**44,259**	**11**
Key indicators			
Cost / Income Ratio	14%	16%	
Annualised profit before tax / Average Client Assets	0.9%	0.8%	
Annualised net fee and commission income / Average Client Assets	1.0%	1.0%	

We continued to develop our **insurance products**, focussing on enhancing our existing product range. We extended the investment opportunities offered by the Fideuram Vita Insieme multi-manager policies, launching new funds and - in the Private Banking version - adding new asset management companies. In addition, we launched a new policy, Fideuram Vita Gemini, a multi-class single-premium whole-of-life policy with a capital guarantee on the Class I component for settlement events (surrender, claim or conversion into an annuity).
The following new products were launched for Intesa Sanpaolo Private Banking customers:

- Selezione Private, a unit-linked policy issued by Intesa Sanpaolo Life that provides direct access to a wide and varied selection of funds from Fideuram and leading international asset management companies. Two different types of investment approaches are offered:
  - Guided Approaches for customers who wish to delegate the management of their financial assets to the skills of an expert manager.
  - Free Approaches for customers who wish to play a role in choosing the asset allocation of their investment with the support of their Personal Financial Adviser.

- The Intesa Sanpaolo Vita policy "Base Sicura Tutelati", a single-premium life insurance contract for incapable persons (minors, persons disqualified for mental incapacity, incapacitated persons or wards) who require the prior authorisation of the Judge Supervising Guardianship for the Legal Representative acting on their behalf to take out the product. The benefits provided for by the contract are linked to the performance of the Intesa Sanpaolo Vita Trendifondo Segregated Fund.

Lastly, our inter-broker agreement with First Advisory Broker was extended with the addition of a new insurance company to further increase the range of customised non-Italian insurance products offered.

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 €62.2bn at 30 June 2017 (30% of total client assets), up €3.6bn compared with the figure at 30 June 2016. Total net inflows were positive at €0.7bn, down €3.8bn from the figure for the same period in the previous financial year, impacted by a major shift in asset allocation.
The contribution of this segment to profit before tax from continuing operations was €28m. The €70m decrease in profit before tax from continuing operations compared with the first half of 2016 was principally due to decreased net front-end fee income on bonds and certificates resulting from a contraction in sales volumes in the first half of 2017, following a shift in the allocation of client assets. The ratio of net fee and commission income to client assets and of profit before tax to client assets was 0.1%.

Banking Services

(€m)

	1ST HALF 2017	1ST HALF 2016	% CHANGE
Net interest income	82	81	1
Net profit (loss) on financial assets and liabilities	15	20	-25
Net fee and commission income	26	93	-72
Operating income before net impairment	**123**	**194**	**-37**
Operating expenses	(100)	(98)	2
Other	5	2	150
Profit before tax from continuing operations	**28**	**98**	**-71**
Average Client Assets	**60,999**	**57,687**	**6**
Client Assets	**62,176**	**58,593**	**6**
Key indicators			
Cost / Income Ratio	78%	49%	
Annualised profit before tax / Average Client Assets	0.1%	0.3%	
Annualised net fee and commission income / Average Client Assets	0.1%	0.3%	

Our development of the Group's **non-managed asset products** and **banking services** continued, advancing the initiatives launched last year to extend our banking facilities and acquire new customers, which involved both our offering of investments in securities and our range of banking products.
Where investments in securities were concerned, Fideuram and Sanpaolo Invest participated in the placement of an International Bank for Reconstruction and Development (IBRD) issue of a 7-year global dollar bond.
Fideuram also participated in the placement of BTP Italian government bonds launched by the Ministry of the Economy and Finance, both through our traditional channel and directly through Fideuram Online.
Intesa Sanpaolo Private Banking's offering was distinguished by the subscription of shares in the Special Purpose Acquisition Company (SPAC) Crescita S.p.A.. A SPAC is a listed shell company, which is to say its only assets are cash assets, that has the purpose of acquiring an operating company (normally a highly innovative company with strong growth prospects) within a maximum time horizon of twenty-four months, with which it will merge, simplifying and accelerating the process of listing the latter. Lastly, nine Banca IMI certificates structured to meet individual customer requirements were placed in the first half of the year.

Where our banking products were concerned, we continued to pursue the strategy of extending our banking facilities and acquiring new customers through offer campaigns for our Fideuram Plus current accounts, repurchase agreements and lending activities.
The development of our financing solutions saw Intesa Sanpaolo Private Banking extend its offering with the launch of two new long-to-medium term products named "Apertura di Credito Semplice a M/L termine a Tasso Fisso" (Fixed-Rate M-L Term Simple Loan) and "Apertura di Credito Semplice a M/L termine a Tasso Variabile Light" (Light Variable Rate M-L Term Simple Loan), which join its existing Variable Rate Short Term and Medium-to-Long Term loans. Both offer loans for terms of up to fifteen years with the option of repayment in monthly, quarterly or half-yearly instalments. The minimum amount provided for is €76,000 and the target customers are both natural persons and legal persons. The Fixed Rate product provides for the payment of principal and interest throughout the term of the loan in equal instalments except for the first instalment, to which the interest accrued between disbursement and the commencement of repayment is added. The Light Variable Rate product offers an interest-only period of up to 35 months chosen by the customer.

Operations outside Italy

During the first half of 2017, **Fideuram Asset Management (Ireland) DAC** continued to act as manager of the Fideuram Group's collective investment products (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 and Irish products offered by Fideuram Asset Management (Ireland) totalled €41.2bn at 30 June 2017, down €0.7bn from the figure at 31 December 2016 (€41.9bn).

Fideuram Bank (Luxembourg) S.A. plays a key role in the Group's operating structure as the Depository Bank and Administrative Agent (calculation of Net Asset Value and keeping of subscriber register) of our Luxembourg funds. The bank operates through a select yet extensive network of worldwide correspondent banks, while also acting as Securities Lending Agent for the portfolio, playing a significant role in providing treasury and liquidity risk management services for the Group's Luxembourg funds. Lastly, the Bank also provides technological and organisational support in the form of IT and administrative services for a number of Fideuram Group companies in other countries.

Intesa Sanpaolo Private Bank (Suisse) S.A. is a Swiss bank specialising in investment services for private individuals. Its head office is in Lugano and its Client Assets totalled CHF1.4bn (€1.3bn) at 30 June 2017. In recent years, the bank has centred its business activities on the growth of managed assets, which account for approximately 50% of client assets, in order to stabilise its income flow.

Part of the Group's treasury and finance activities are performed in France. These activities are conducted by subsidiary **Financière Fideuram S.A.**, which had securities holdings of approximately €2.3bn at 30 June 2017 (€2.4bn at year-end 2016).

Qingdao Yicai Wealth Management LTD ("Italian Talent") is a wealth management company headquartered in China which distributes financial products to high-profile customers. The company is wholly-owned by Intesa Sanpaolo Group entities (25% Fideuram, 20% Eurizon Capital and 55% Intesa Sanpaolo) and was established to tap into the opportunities of the wealth management market in China, a country with high economic growth, a flourishing financial services market and sustained growth in the High Net Worth Individual segment that is expected to continue in the future.

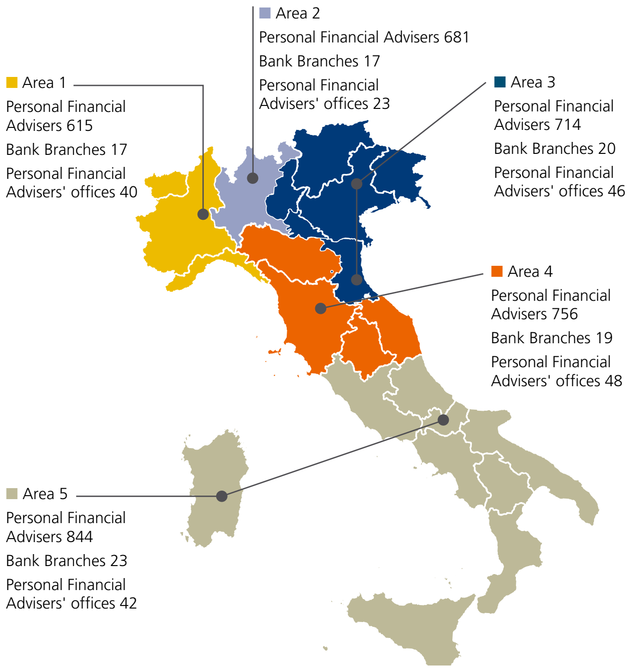
Human capital

SALES NETWORKS

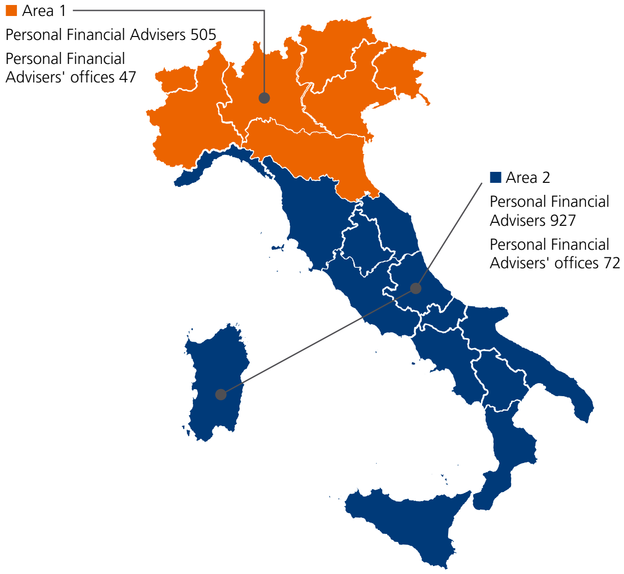
The Group's sales networks (Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking Networks) totalled 5,922 Personal Financial Advisers at 30 June 2017 compared with 5,848 at 31 December 2016.

	BEGINNING OF PERIOD 1.1.2017	IN	OUT	NET	END OF PERIOD 30.6.2017
Fideuram Network	3,571	126	87	39	3,610
Sanpaolo Invest Network	1,429	54	51	3	1,432
Intesa Sanpaolo Private Banking Network	848	47	15	32	880
Total	**5,848**	**227**	**153**	**74**	**5,922**

Fideuram Network



Sanpaolo Invest Network



The Fideuram and Sanpaolo Invest Networks' recruitment programmes brought in 180 new professionals in the first half of 2017 (compared with 123 new Personal Financial Advisers recruited in the corresponding period of 2016) and 279 over the past 12 months, compared with 241 in the previous twelve-month period. 138 Personal Financial Advisers left the Group in the first half of the year, only 20% of whom, however, moved to competitor networks.

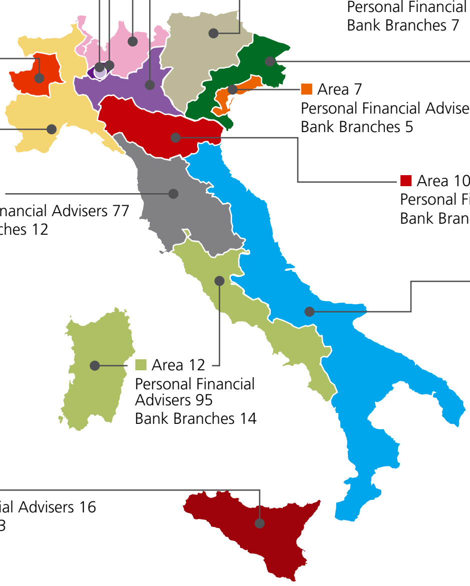
Fideuram Personal Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1st Half					
1.1.2017 - 30.6.2017	3,571	126	87	39	3,610
1.1.2016 - 30.6.2016	3,589	79	76	3	3,592
Twelve-month period					
1.7.2016 - 30.6.2017	3,592	197	179	18	3,610
1.7.2015 - 30.6.2016	3,582	166	156	10	3,592

Sanpaolo Invest Personal Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1st Half					
1.1.2017 - 30.6.2017	1,429	54	51	3	1,432
1.1.2016 - 30.6.2016	1,436	44	30	14	1,450
Twelve-month period					
1.7.2016 - 30.6.2017	1,450	82	100	(18)	1,432
1.7.2015 - 30.6.2016	1,456	75	81	(6)	1,450

Intesa Sanpaolo Private Banking Network



The Intesa Sanpaolo Private Banking Network at period end comprised 846 Personal Financial Advisers employed as salaried employees registered in Italy's Unified Register of Financial Advisers (including 2 Personal Financial Advisers on the London market), as well as 29 freelance professionals on agency contracts and 5 Personal Financial Advisers at Intesa Sanpaolo Private Bank (Suisse).

Intesa Sanpaolo Private Banking Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1st Half					
1.1.2017 - 30.6.2017	848	47	15	32	880
1.1.2016 - 30.6.2016	821	36	12	24	845
Twelve-month period					
1.7.2016 - 30.6.2017	845	67	32	35	880
1.7.2015 - 30.6.2016	817	52	24	28	845

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 Fideuram Group. The training and work of these top professionals are guided by the principles of ethics and transparency which differentiate the Group and aim, among other things, to secure customer loyalty through the support of financial advisory services that are tailored to each customer's personal investment needs and risk profile.

Moreover, we continued to see steady growth in the Personal Financial Advisers who have joined our Team Fideuram project, conceived to promote collaboration between Personal Financial Advisers with a view to providing enhanced support for and increasing their customers. At the end of June 2017, 872 Personal Financial Advisers had joined together in teams, collectively managing a total of around €7.3bn assets for over 68,000 customers.

EMPLOYEES

Total Group staff, including secondments to and from other companies in the Intesa Sanpaolo Group not included in the consolidation of the Fideuram Group and atypical staff, came to 3,055 at 30 June 2017, compared with 3,010 at the end of December 2016, an increase of 45 which was principally due to the growth of our sales networks.
Direct employees totalled 2,984.

Employees

	30.6.2017	31.12.2016	30.6.2016
Fideuram - Intesa Sanpaolo Private Banking	1,321	1,323	1,323
Intesa Sanpaolo Private Banking	1,344	1,314	1,304
Sanpaolo Invest SIM	50	49	52
Sirefid	63	56	58
Fideuram Fiduciaria	24	24	24
Intesa Sanpaolo Private Bank (Suisse)	27	25	25
Financière Fideuram (*)	4	4	3
Asset Management	**222**	**215**	**210**
Fideuram Asset Management (Ireland)	60	58	54
Fideuram Bank (Luxembourg)	66	65	65
Fideuram Investimenti SGR	96	92	91
Total	**3,055**	**3,010**	**2,999**

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

Condensed half-year consolidated financial statements

Notes

Analysis of the income statement

The Fideuram Group ended the first half of 2017 with consolidated net profit of €443m, up €40m (+10%) on the figure for the corresponding period last year.

Consolidated income statement

(Reclassified - €m)

	1ST HALF 2017	1ST HALF 2016	CHANGE	
			AMOUNT	%
Net interest income	82	81	1	1
Net profit (loss) on financial assets and liabilities	15	20	(5)	-25
Net fee and commission income	827	771	56	7
OPERATING INCOME BEFORE NET IMPAIRMENT	**924**	**872**	**52**	**6**
Net impairment	-	(2)	2	-100
OPERATING INCOME	**924**	**870**	**54**	**6**
Personnel expenses	(149)	(141)	(8)	6
Other administrative expenses	(108)	(109)	1	-1
Depreciation and amortisation	(7)	(8)	1	-13
OPERATING EXPENSES	**(264)**	**(258)**	**(6)**	**2**
Net provisions for risks and charges	(16)	(29)	13	-45
Profit (loss) on equity investments	6	8	(2)	-25
Other income (expense)	(1)	(1)	-	-
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**649**	**590**	**59**	**10**
Income taxes for the period on continuing operations	(189)	(167)	(22)	13
Expenses regarding the banking system (net of tax)	(3)	(4)	1	-25
Non-recurring income (expenses) (net of tax)	(14)	(16)	2	-13
NET PROFIT	**443**	**403**	**40**	**10**

Quarterly consolidated income statements

(Reclassified - €m)

	2017		2016			
	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income	42	40	40	40	39	42
Net profit (loss) on financial assets and liabilities	5	10	6	9	-	20
Net fee and commission income	418	409	403	369	387	384
OPERATING INCOME BEFORE NET IMPAIRMENT	**465**	**459**	**449**	**418**	**426**	**446**
Net impairment	-	-	1	(1)	(1)	(1)
OPERATING INCOME	**465**	**459**	**450**	**417**	**425**	**445**
Personnel expenses	(77)	(72)	(71)	(72)	(71)	(70)
Other administrative expenses	(58)	(50)	(60)	(56)	(58)	(51)
Depreciation and amortisation	(3)	(4)	(4)	(3)	(4)	(4)
OPERATING EXPENSES	**(138)**	**(126)**	**(135)**	**(131)**	**(133)**	**(125)**
Net provisions for risks and charges	(9)	(7)	-	(11)	(14)	(15)
Profit (loss) on equity investments	3	3	1	1	5	3
Other income (expense)	-	(1)	(2)	-	(1)	-
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**321**	**328**	**314**	**276**	**282**	**308**
Income taxes for the period on continuing operations	(95)	(94)	(93)	(83)	(80)	(87)
Expenses regarding the banking system (net of tax)	1	(4)	(9)	(5)	(2)	(2)
Non-recurring income (expenses) (net of tax)	(7)	(7)	(11)	(6)	(10)	(6)
NET PROFIT	**220**	**223**	**201**	**182**	**190**	**213**

Operating income before net impairment came to €924m, up €52m (+6%) on the figure for the first half of 2016 as a result of:

- Increased net interest income (+€1m)
- Decreased net profit on financial assets (-€5m)
- Increased net fee and commission income (+€56m).

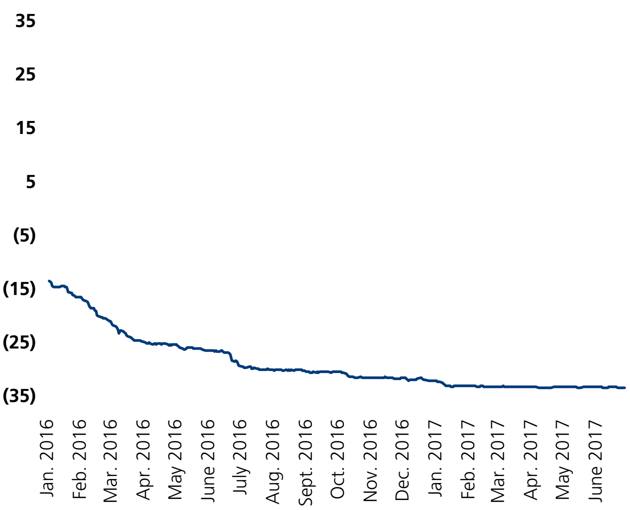
Net interest income

(€m)

	1ST HALF 2017	1ST HALF 2016	CHANGE	
			AMOUNT	%
Interest expense on due to customers	(16)	(21)	5	-24
Interest expense on due to banks	(15)	(12)	(3)	25
Interest income on debt securities	106	104	2	2
Interest income on loans	53	54	(1)	-2
Net interest on hedging derivatives	(46)	(44)	(2)	5
Total	**82**	**81**	**1**	**1**

Euribor 3 months rate

(bp)

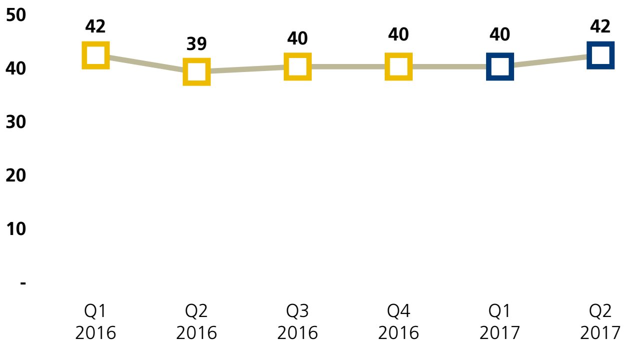


Source: Bloomberg

Net interest income totalled €82m, up €1m (+1%) on the figure for the same period last year due to increased average trading volumes, which more than offset the fall in reference interest rates. The quarterly figures show the positive contribution of this growth in trading volumes, aided by the increased stability of short-term interest rates. Although euribor rates remained in negative territory, their downward trend halted, contributing to the €2m (+5%) increase in net interest income in the second quarter, when the borrowing cost fell.

Quarterly net interest income

(€m)



Net profit (loss) on financial assets and liabilities

(€m)

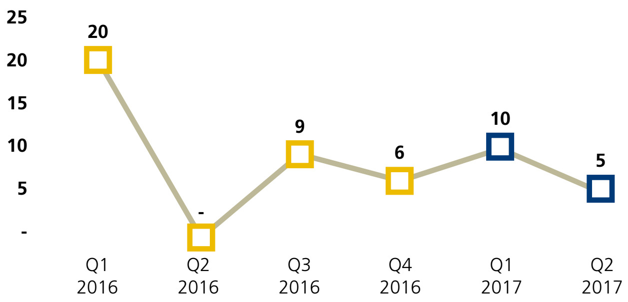
	1ST HALF 2017	1ST HALF 2016	CHANGE AMOUNT	CHANGE %
Net profit (loss) on sale of loans and financial assets	9	19	(10)	-53
Net profit (loss) on trading activities	5	4	1	25
Net profit (loss) on hedging derivatives	1	(3)	4	n.s.
Total	**15**	**20**	**(5)**	**-25**

n.s.: not significant

Net profit on financial assets and liabilities totalled €15m, down €5m compared with the first half of 2016. Analysis of the item shows that net profit on sale of financial assets (€9m) was down €10m from the figure for same period last year due to decreased sales of investment securities. Net profit on hedging derivatives, resulting from the ineffective hedging of interest-rate derivatives, increased €4m due principally to an upward shift in the long-term interest rate curve. Net profit on trading activities came to €5m, up €1m on the figure for the first half of 2016.

Quarterly net profit (loss) on financial assets and liabilities

(€m)



Fee and commission income

(€m)

	1ST HALF 2017	1ST HALF 2016	CHANGE AMOUNT	CHANGE %
Fee and commission income	1,170	1,072	98	9
Fee and commission expense	(343)	(301)	(42)	14
Net fee and commission income	**827**	**771**	**56**	**7**

Net fee and commission income totalled €827m, up €56m (+7%) on the figure for the first half of 2016.

Net recurring fees

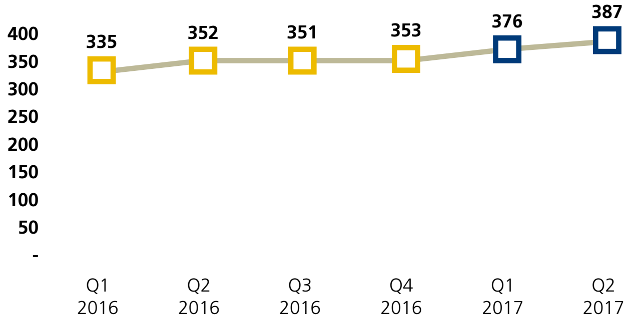
(€m)

	Q1	Q2	TOTAL
2017	376	387	763
2016	335	352	687
Change	**41**	**35**	**76**

Net recurring fees totalled €763m, an increase of €76m (+11%) on the figure for the first half of the previous financial year, principally due to strong growth in average managed assets, which rose from €128.6bn at 30 June 2016 to approximately €141bn at the end of June 2017 (+10%). Net recurring fees also benefited from the positive contribution of client assets connected with our Advanced Advisory Services, which generated net recurring fees of €39m compared with €33m in the first half of 2016 (+18%). Analysis of the quarterly data shows that net recurring fees grew 3% in the second quarter of 2017 due to this increase in average managed assets.

Quarterly net recurring fees

(€m)



Performance fees totalled €1m in the first half of the year, compared with zero in the corresponding period of 2016. The Fideuram Group charges the performance fees on individual discretionary accounts annually except when the customer decides to close the account early. The Group calculates the performance fees on its internal insurance funds on a daily accrual basis in relation to the performance of the fund, applying a High Water Mark clause that means performance fees are only charged when the value of the fund rises above the highest value reached on the previous dates when performance fees were charged. The performance fees on the Group's mutual funds are charged annually, with the exception of three sub-funds for which performance fees are charged half-yearly (applying a High Water Mark clause).

Net front-end fees

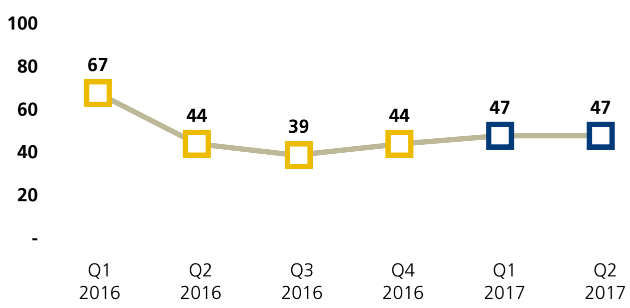
(€m)

	Q1	Q2	TOTAL
2017	47	47	94
2016	67	44	111
Change	**(20)**	**3**	**(17)**

Net front-end fees came to €94m, down €17m (-15%) from the figure for the first half of last year as a result of a sharp contraction in front-end fee income on bonds which was only partially offset by increased front-end fee income on mutual funds and unit-linked policies. The Group's sales networks distributed a number of bond loans and certificates, in addition to Italian government bonds, that brought in approximately €89m gross inflows in the period compared with €2.9bn in the first half of 2016.

Quarterly net front-end fees

(€m)



Other commission expense: incentives and others

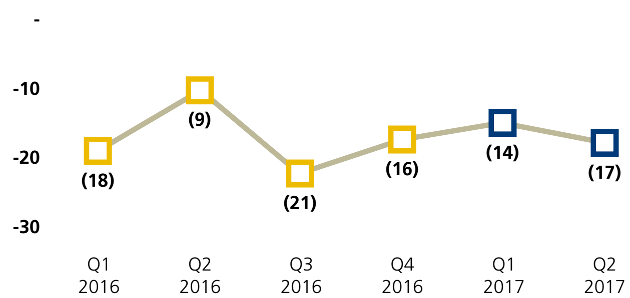
(€m)

	Q1	Q2	TOTAL
2017	(14)	(17)	(31)
2016	(18)	(9)	(27)
Change	**4**	**(8)**	**(4)**

Commission expense for incentives and others totalled €31m, up €4m (+15%) on the figure for the first half of last year, largely as a result of increased incentive payments to and provisions set aside for the Personal Financial Adviser Networks (Fideuram and Sanpaolo Invest) due to the increased proportion of inflows into managed assets.

Quarterly other commission expense

(€m)



Net impairment was zero compared with -€2m in the first half of last year, when it was principally due to loan impairment.

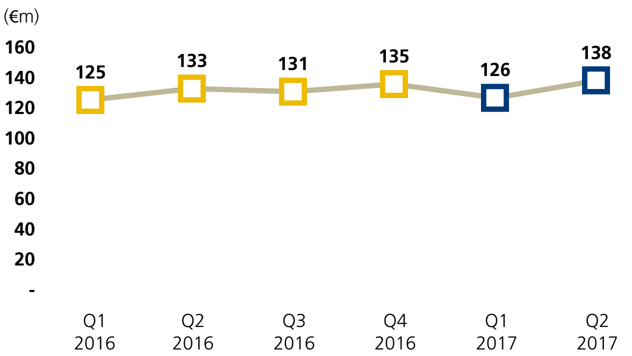
Operating expenses

(€m)

	1ST HALF 2017	1ST HALF 2016	CHANGE AMOUNT	CHANGE %
Personnel expenses	149	141	8	6
Other administrative expenses	108	109	(1)	-1
Depreciation and amortisation	7	8	(1)	-13
Total	**264**	**258**	**6**	**2**

Operating expenses came to €264m, up €6m (+2%) on the figure for the first half of last year.
Analysis of the item shows that personnel expenses, which totalled €149m, were up €8m compared with the figure for the first half of 2016 due to the higher cost connected with having increased staff numbers and quality, mainly in the sales area (+56 staff), and - to a lesser extent - the increased impact of the variable components of remuneration.
Other administrative expenses totalled €108m, down €1m from the figure for same period last year, principally as a result of reduced third-party service costs. Depreciation and amortisation totalled €7m, down €1m from the figure for the first half of 2016, principally due to the completion of a number of amortisation schedules for intangible assets.

Quarterly operating expenses



Net provisions for risks and charges

(€m)

	1ST HALF 2017	1ST HALF 2016	CHANGE AMOUNT	CHANGE %
Personal Financial Advisers' termination indemnities and incentives	11	21	(10)	-48
Litigation and complaints	4	3	1	33
Network Loyalty Schemes	1	4	(3)	-75
Other	-	1	(1)	-100
Total	**16**	**29**	**(13)**	**-45**

Net provisions for risks and charges came to €16m, down €13m (-45%) from the figure for the same period last year. Analysis of the item shows that the provision for the termination of Personal Financial Adviser agency agreements decreased sharply to €11m (-48%). This was due to an upward shift in the interest rate curve causing the discounting of the long-term liability to have a reduced impact on the expense recorded in the income statement for the first half of 2017, whereas the reverse had occurred in the first half 2016. The provision for litigation and complaints totalled €4m, up €1m on the figure for the first half of last year as a result of new litigation initiated in the period. Provisions totalling €1m were set aside for the Network Loyalty Schemes, €3m less than the figure for the same period last year, largely due to the aforementioned impact of market rates on the discounting of the liability, which led to a decrease in the expense recorded in the income statement.

Profit on equity investments came to €6m, principally corresponding to the profit from the Group's 19.99% interest in Fideuram Vita S.p.A., which was down €2m from the figure for the first half of last year.

Other income and expense, which is a residual item for miscellaneous income and expense that cannot be recognised in other items of the income statement, came to -€1m in the first half of 2017, which was in line with the figure for the first half of last year.

Income taxes, for which €189m was set aside in the period, were up €22m compared with the figure for the first half of 2016 as a result of increased profit before tax in the period. The tax rate was 29% (compared with 28% in the same period of the previous financial year).

The item **Expenses regarding the banking system net of tax** is for the expenses related to maintaining the stability of the banking system, recognised in the income statement in accordance with current regulations. These expenses totalled €3m at 30 June 2017 and comprised the expenses set aside for the contribution to the Single Resolution Fund introduced by Directive 2014/59/EU of the European Parliament and of the Council, which were down €1m from the figure for the first half of last year.

Non-recurring income and expenses net of tax, which include income and expenses that are not ordinary operating expenses, came to €14m (compared with €16m in the first half of 2016), principally due to the expenses incurred to integrate Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Bank (Suisse) and Sirefid in the Fideuram Group.

Asset and liability management

The following tables present analyses of the main balance sheet items compared with the corresponding data at 31 December 2016.

Consolidated balance sheet

(Reclassified - €m)

	30.6.2017	31.12.2016	CHANGE	
			AMOUNT	%
ASSETS				
Cash and cash equivalents	68	71	(3)	-4
Financial assets (other than loans and held-to-maturity investments)	4,560	4,533	27	1
Held-to-maturity investments	-	125	(125)	-100
Loans and advances to banks	20,985	18,705	2,280	12
Loans and advances to customers	9,160	9,602	(442)	-5
Hedging derivatives	6	3	3	100
Equity investments	144	141	3	2
Property and equipment	39	40	(1)	-3
Intangible assets and goodwill	176	181	(5)	-3
Tax assets	177	180	(3)	-2
Other assets	941	1,091	(150)	-14
TOTAL ASSETS	**36,256**	**34,672**	**1,584**	**5**
LIABILITIES				
Due to banks	2,737	2,665	72	3
Due to customers	28,395	27,561	834	3
Financial liabilities held for trading	81	27	54	n.s.
Hedging derivatives	979	1,103	(124)	-11
Tax liabilities	75	64	11	17
Other liabilities	1,216	813	403	50
Provisions for risks and charges	445	458	(13)	-3
Equity attributable to owners of the parent company	2,328	1,981	347	18
TOTAL LIABILITIES	**36,256**	**34,672**	**1,584**	**5**

n.s.: non significant

Quarterly consolidated balance sheets

(Reclassified - €m)

	30.6.2017	31.3.2017	31.12.2016	30.9.2016	30.6.2016	31.3.2016
ASSETS						
Cash and cash equivalents	68	67	71	61	349	49
Financial assets (other than loans and held-to-maturity investments)	4,560	4,449	4,533	4,547	4,775	4,463
Held-to-maturity investments	-	98	125	158	158	198
Loans and advances to banks	20,985	20,666	18,705	16,287	15,459	14,274
Loans and advances to customers	9,160	8,893	9,602	9,340	9,819	9,825
Hedging derivatives	6	4	3	1	-	-
Equity investments	144	141	141	140	137	133
Property and equipment	39	40	40	38	38	39
Intangible assets and goodwill	176	177	181	169	170	171
Tax assets	177	185	180	182	187	189
Other assets	941	925	1,091	1,026	1,046	1,015
TOTAL ASSETS	**36,256**	**35,645**	**34,672**	**31,949**	**32,138**	**30,356**
LIABILITIES						
Due to banks	2,737	2,929	2,665	2,797	2,904	3,201
Due to customers	28,395	27,979	27,561	23,818	24,252	22,300
Financial liabilities held for trading	81	17	27	19	45	52
Hedging derivatives	979	1,035	1,103	1,268	1,242	1,152
Tax liabilities	75	79	64	84	60	85
Other liabilities	1,216	1,057	813	1,117	1,005	1,099
Provisions for risks and charges	445	463	458	456	442	453
Equity attributable to owners of the parent company	2,328	2,086	1,981	2,390	2,188	2,014
TOTAL LIABILITIES	**36,256**	**35,645**	**34,672**	**31,949**	**32,138**	**30,356**

Group **financial assets** held for treasury and investment purposes totalled €4.6bn, down €95m from the figure at the end of 2016 (-2%).

Financial assets

(€m)

	30.6.2017	31.12.2016	CHANGE	
			AMOUNT	%
Financial assets held for trading	84	41	43	105
Financial assets measured at fair value through profit or loss	188	195	(7)	-4
Financial assets available for sale	4,288	4,297	(9)	-
Held-to-maturity investments	-	125	(125)	-100
Hedging derivatives	6	3	3	100
Total	**4,566**	**4,661**	**(95)**	**-2**

This was principally due to the repayment of the bonds in held-to-maturity investments (-€125m), which was partially offset by an increase in financial assets held for trading (+€43m).

Financial liabilities

(€m)

	30.6.2017	31.12.2016	CHANGE	
			AMOUNT	%
Financial liabilities held for trading	81	27	54	n.s.
Hedging derivatives	979	1,103	(124)	-11
Total	**1,060**	**1,130**	**(70)**	**-6**

Financial liabilities totalled €1.1bn, consisting entirely of derivatives. This was €70m less than the figure at 31 December 2016 (-6%), largely as a result of fair value gains on the derivatives used to hedge the interest-rate risk of fixed-rate bonds in the portfolio. These gains were accompanied by a corresponding decrease in the value of the hedged bonds.

Loans and advances to banks

(€m)

	30.6.2017	31.12.2016	CHANGE	
			AMOUNT	%
Due from Central Banks	605	204	401	n.s.
Current account and demand deposits	4,148	4,906	(758)	-15
Term deposits	9,284	7,808	1,476	19
Other	15	24	(9)	-38
Debt securities	6,933	5,763	1,170	20
Total	**20,985**	**18,705**	**2,280**	**12**

Loans and advances to banks came to €21bn, up €2.3bn on the figure at the end of 2016 (+12%), principally due to growth in investments in term deposits and debt securities issued by banks in the Intesa Sanpaolo Group. Current accounts included €1.8bn cash linked to securities lending, secured entirely by cash collateral recognised in the financial statements under Loans and advances to banks and Due to banks (Loans and advances to Intesa Sanpaolo and Due to Banca IMI), down €148m from the figure at year-end 2016.

Due to banks

(€m)

	30.6.2017	31.12.2016	CHANGE	
			AMOUNT	%
Current accounts and demand deposits	150	140	10	7
Term deposits	133	124	9	7
Repurchase agreements	2,438	2,387	51	2
Other debts	16	14	2	14
Total	**2,737**	**2,665**	**72**	**3**

Due to banks totalled €2.7bn, up €72m (+3%) on the figure at year-end 2016, mainly due to increased inflows from repurchase agreements. The Group continued to be a net lender on the interbank market, with net interbank deposits of €18.3bn (€21bn deposits and €2.7bn loans), €17.2bn of which (approximately 94% of the total) was held by companies in the Intesa Sanpaolo Group. At 31 December 2016, net interbank deposits totalled €16bn.

Loans and advances to customers

(€m)

	30.6.2017	31.12.2016	CHANGE	
			AMOUNT	%
Current accounts	5,324	5,198	126	2
Repurchase agreements	-	820	(820)	-100
Loans	560	519	41	8
Other	1,417	1,168	249	21
Debt securities	1,849	1,888	(39)	-2
Impaired assets	10	9	1	11
Total	**9,160**	**9,602**	**(442)**	**-5**

Loans and advances to customers totalled €9.2bn and mainly comprised short-term loans (repayable within 12 months or revocable loans without a specified term) and unlisted debt securities. This was €442m less than the figure at 31 December 2016 due to decreased loans under repurchase agreements with institutional customers (-€820m), partially offset by increased loans and advances to customers (+€375m regarding current accounts and other loans).
Net problem loans totalled €10m at the end of June 2017, an increase of €1m on the figure at 31 December 2016 (+11%) as follows:

- Doubtful loans came to €1m, which was in line with the figure at the end of 2016.
- Debtor unlikely to pay loans totalled €7m, up €2m on the figure at 31 December 2016.
- Past due or overdue loans came to €2m, down €1m from the figure at 31 December 2016.

Due to customers

(€m)

	30.6.2017	31.12.2016	CHANGE	
			AMOUNT	%
Current accounts and demand deposits	24,667	23,492	1,175	5
Term deposits	3,361	3,967	(606)	-15
Repurchase agreements	264	7	257	n.s.
Other debts	103	95	8	8
Total	**28,395**	**27,561**	**834**	**3**

Due to customers totalled €28.4bn, up €834m (+3%) on the figure at the end of December 2016 as a result of growth in customer current account deposits (+€1.2bn) and repurchase agreements (+€257m), which was partially offset by decreased term deposits (-€606m).

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

(€m)

	LOANS	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS AVAILABLE FOR SALE (*)	TOTAL
Belgium	-	-	22	22
Sweden	-	-	2	2
Finland	-	-	31	31
France	-	-	81	81
Spain	-	-	253	253
Italy	1,575	3	1,032	2,610
United States	-	-	152	152
Total	**1,575**	**3**	**1,573**	**3,151**

(*) The Italian government bonds in the available-for-sale portfolio, which had a total face value of €336m, were covered by financial-guarantee contracts.

Fair value of financial assets and liabilities measured at cost

(€m)

	30.6.2017		31.12.2016	
	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE
Held-to-maturity investments	-	-	125	125
Loans and advances to banks	20,985	21,208	18,705	18,839
Loans and advances to customers	9,160	8,916	9,602	9,361
Total	**30,145**	**30,124**	**28,432**	**28,325**
Due to banks	2,737	2,833	2,665	2,700
Due to customers	28,395	28,395	27,561	27,561
Total	**31,132**	**31,228**	**30,226**	**30,261**

Intangible assets totalled €176m, including €140m goodwill regarding Private Banking divisions acquired by subsidiary Intesa Sanpaolo Private Banking between 2009 and 2013.

The **provisions for risks and charges** at 30 June 2017 were down €13m (-3%) from the figure at 31 December 2016 as follows:

Provisions for risks and charges

(€m)

	30.6.2017	31.12.2016	CHANGE	
			AMOUNT	%
Litigation, securities in default and complaints	105	109	(4)	-4
Personnel expenses	49	64	(15)	-23
Personal Financial Advisers' termination indemnities	210	204	6	3
Network Loyalty Schemes	80	80	-	-
Other	1	1	-	-
Total	**445**	**458**	**(13)**	**-3**

The provision for litigation, securities in default and complaints was down €4m from the figure at the end of 2016 as a result of utilisation in the first half of the year. The provision for personnel expenses was down €15m from the figure at year-end 2016, principally due to the payment of the variable component of the remuneration of the Intesa Sanpaolo Private Banking sales network. The provision for the termination of Personal Financial Adviser agency agreements was up €6m, largely due to the provisions set aside in the period.

Shareholders' equity

Group shareholders' equity including net profit for the period totalled €2.3bn at 30 June 2017, having changed as follows:

Group Shareholders' Equity

(€m)

Shareholders' equity at 31 December 2016	**1,981**
Change in financial assets available for sale	9
Dividend distribution	(114)
Exchange rate differences and other changes	9
Net profit	443
Shareholders' equity at 30 June 2017	**2,328**

The €9m increase in financial assets available for sale was principally due to a decrease in the negative reserve generated by fair value gains on securities holdings in the period.
At the end of June 2017, the reserve for available-for-sale financial assets was negative to the tune of €89m and among other items included €23m losses on securities that had been reclassified as Loans & Receivables in the third quarter of 2008 following the Group's decision to avail itself of the option provided for by the amendment to IAS 39 in the Annex to Regulation 1004/2008 issued by the European Commission on 15 October 2008. This reserve is being amortised to profit or loss over the residual life of the respective securities in accordance with IAS 39 paragraph 54.
The Group did not hold any treasury shares at 30 June 2017.

Fideuram's own funds calculated on the basis of its separate accounts totalled €975m at 30 June 2017. As a member of the Intesa Sanpaolo Banking Group, Fideuram is subject to the laws and regulations regarding capital requirements on the basis of its separate accounts, but is not required to present this information on a consolidated basis.

Fideuram S.p.A.'s own funds and main capital ratios at 30 June 2017 are shown below.

Fideuram S.p.A. Capital Ratios

(€m)

	30.6.2017
CET1	975
Tier 1	975
Own funds	975
Total risk-weighted assets	7,012
CET1 Ratio	**13.9%**
Tier 1 Ratio	**13.9%**
Total Capital Ratio	**13.9%**

Committed to providing comprehensive information, the Group voluntarily estimates its consolidated capital requirements, taking its membership of the Intesa Sanpaolo Banking Group into account. At 30 June 2017, our Common Equity Tier 1 Ratio was estimated to be 15.9%.

Risk management and control

CREDIT RISK

The Fideuram Group's lending activities support its core business of providing investment services to private customers. Loans and advances to customers principally consist of repayable-upon-demand current account overdrafts to counterparties who also receive investment services. Loans are mainly granted in the technical form of agreeing a current account overdraft facility and are linked directly to the bank's private banking business. Loans and advances to banks are predominantly short-term interbank loans, principally to leading banks in the euro area.

The Group's credit risk policies are formulated by the Board of Directors and governed by internal lending regulations following guidelines issued by Intesa Sanpaolo. These regulations ensure appropriate loan portfolio risk management, governing the authority to grant loans and specifying the company bodies so authorised, together with their related limits. The internal regulations also specify the organisational units responsible for managing credit risk, problem loans and non-performing loans. Credit risk management is carried out by a central unit that is separate from those in charge of granting and managing loans.

The Group's credit strategies are directed towards the efficient selection of individual borrowers. Irrespective of any collateral, the granting of any loan is always subject to an appropriate analysis of the applicant's creditworthiness and their current and prospective ability to generate adequate cash flows to repay the debt. The quality of the loan portfolio is ensured through the adoption of special operating procedures at every stage in the life of each loan, which use special monitoring systems to obtain prompt notification of any symptoms of impairment in the collateral securing the loans granted. In addition, dedicated application procedures monitor any signs of non-performing loan positions. This monitoring is carried out during every stage in the loan management process (enquiry, granting and monitoring) and consists of a critical analysis of all the relevant indicators and the periodic review of every position. Further controls are carried out by our central departments on both the nature and quality of the overall exposures. In addition, special controls are carried out to limit the concentration of exposure within the Intesa Sanpaolo Group. Risk monitoring and measurement tools and techniques developed within the Group are also used to this end.

In order to mitigate the credit risk of loans and advances to customers, the Group normally obtains collateral, bank guarantees or irrevocable mandates to sell financial instruments. The types of collateral obtained are principally products distributed by the Fideuram Group (mutual funds and discretionary accounts) or financial instruments listed on the main regulated markets. Bonds are only accepted as collateral if the issuer or loan has an appropriate rating (by leading rating agencies). The value of the financial instruments obtained as collateral is discounted differentially in relation to the type of product and technical form concerned as a precautionary measure when calculating the credit limit to be granted, with a view to protecting the Group against any fluctuations in market value. The concentration of collateral in issuers is very low, excepting for mutual funds and other products 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 used bilateral netting agreements, which offset creditor and debtor positions in the event of the default of one counterparty, to mitigate counterparty risk regarding over-the-counter derivatives (unregulated) and Security Financing Transactions (SFT), specifically securities lending transactions and repurchase agreements. ISDA and ISMA/GMRA agreements were used to this end, which also enable one to reduce the regulatory capital allocation while operating in accordance with the supervisory regulations.

The potential impairment of financial assets undergoes detailed ongoing monitoring, examining positions due/past due and carefully analysing all the other indicators available. Loans assessed as high risk, confirmed over time, are identified and allocated to other categories appropriate to their risk profile. These loans are classified as doubtful loans when the borrower is insolvent or in a substantially equivalent position. Loans where the borrower is assessed as being unlikely to meet their payment obligations in full (principal and/or interest) are classified as "Debtor unlikely to pay". Lastly, loans that are past due and/or overdue which have exceeded the objective overdue payment conditions specified by the Bank of Italy are also considered problem loans. The Group's internal lending regulations govern the procedures for transferring performing positions to non-performing assets, and specify the different types of problem loans, their management and the company bodies empowered to authorise the transfer of positions between different classes of loans. Doubtful loans net of write-downs accounted for a very small percentage of total loans (0.01% of loans and advances to customers). Loss forecasts are formulated analytically for each individual loan on the basis of all the relevant valuation factors (debtor assets, employment income and estimated recovery date etc.). The valuations are examined at regular intervals and revised if any significant new elements emerge. The impairment of performing loans and past due loans is determined on a collective basis, adopting a historical/statistical approach to estimate the impairment losses that are deemed to have effectively been incurred at the reference date without the amounts yet being known at the time of valuation.

Loans and advances to customers: credit quality

(€m)

	30.6.2017		31.12.2016		CHANGE
	NET EXPOSURE	%	NET EXPOSURE	%	NET EXPOSURE
Doubtful loans	1	-	1	-	-
Unlikely to pay	7	-	5	-	2
Past due or overdue loans	2	-	3	-	(1)
Non-performing assets	**10**	**-**	**9**	**-**	**1**
Performing loans	7,301	80	7,705	83	(404)
Debt instruments	1,849	20	1,888	17	(39)
Loans and advances to customers	**9,160**	**100**	**9,602**	**100**	**(442)**

LIQUIDITY RISK

The Fideuram Group manages liquidity risk in accordance with Intesa Sanpaolo's Liquidity Risk Governance Guidelines as amended in May 2017 and adopted by the Fideuram Board of Directors on 12 July 2017. These guidelines ensure prompt implementation of national and supranational legal and regulatory changes. The amendments principally regard the adoption of additional liquidity monitoring metrics in accordance with the existing provisions of the European Commission Delegated Regulation of 10 October 2014 (the "Delegated Act") and the introduction of intraday liquidity monitoring at Division level with compulsory reporting and communication to the Parent Company. In addition, Fideuram - Intesa Sanpaolo Private Banking also increased its minimum portfolio of eligible assets deposited with central banks from €350m to €550m in order to provide coverage in line with the recommendations of the regulator (Joint Supervisory Team - JST) during a recent inspection of the Parent Company. The cardinal principles of said laws and regulations demand highly-prudential rules to govern both short-term liquidity risk management and long-term liquidity risk management (structural liquidity).

The Group's solidity is based on balance sheet liabilities that are mainly centred on retail customer deposits. These are deposits that benefit from considerable stability over time, meaning that the Group does not need to depend on the interbank market and can thus avoid exposure to the risk of a liquidity crisis in that market.

In addition to the stability of customer deposits, where interest-bearing assets are concerned, the Group has an investment portfolio that is governed by stringent liquidity limits for securities (readily-negotiable and eligible for Central Bank refinancing) in accordance with the provisions of the Group Investment Policy based on highly-prudential criteria suitable for ensuring high and stable liquidity.

The introduction of said Policy also involved setting up an operational limit monitoring and reporting unit in line with the revised Group regulations. Liquidity risk exposure is monitored constantly to ensure that the operational limits and relevant regulations are respected. The methods adopted to measure the Group's exposure to liquidity risk follow the cardinal principles of the European Banking Authority (EBA) and the provisions of the Supervisory Regulations and ensure that the assets and liabilities items are calculated in a wholly suitable manner for providing an appropriate representation of anticipated cash flows.

MARKET RISK

Fideuram - Intesa Sanpaolo Private Banking adheres to the directives of Intesa Sanpaolo concerning the governance and supervision of market risk, regarding which its role extends to the entire Fideuram Group with centralisation and monitoring functions. This governance and control is based, among other things, on extending the policies adopted by the Board of Directors to the entire Group and on the functional coordination provided by the Bank's related departments.

The Risk Committee meets quarterly as a rule to analyse investment performance, proposing strategic guidelines to the Managing Director on the basis of the risk situation identified. The Managing Director reports quarterly to the Board of Directors on the investment choices made and on the performance of the Group's portfolios and risk management. The Chief Risk Officer continually monitors market risk exposure and compliance with the limits specified by the Investment Policy, and periodically informs the Managing Director, Risk Committee and Finance and Treasury Manager regarding the levels of exposure to the different types of risk subject to operating limits. Similar information is presented to the Board of Directors on a quarterly basis.

The composition of the securities holdings is governed by limits with respect to asset allocation, rating, currency area, geographical area, sector concentration and counterparty. Market risk limits are likewise specified.

The Financial Portfolio Policy splits investments in securities into a liquidity portfolio, an investment portfolio and a service portfolio. The former has a cautious minimum limit of assets deemed eligible by the Central Bank with financial characteristics that limit their risk to ensure immediate liquidity. The size of the Investment Portfolio depends on the structure of the Group's inflows, investments and shareholders' equity. The service portfolio is largely tailored to support the requirements of the Group's retail customer transactions and use of its cash surplus. It also includes a securities component resulting from secondary market transactions with customers, certain Intesa Sanpaolo Group bond issues, and foreign exchange and exchange rate derivative transactions, which are likewise engaged in to meet the needs of the Group's customers and asset management companies.

The banking book comprises interest rate hedging derivatives as well as long-term investment securities. The Group's investment portfolio totalled €13.1bn at 30 June 2017 and comprised securities classified as financial assets available for sale, debt securities classified as loans and advances to banks and to customers, and hedging derivatives.

Banking Book

(€m)

	30.6.2017	31.12.2016	CHANGE	
			AMOUNT	%
Financial assets available for sale	4,288	4,297	(9)	-
Held-to-maturity investments	-	125	(125)	-100
Debt securities classified as loans and advances to banks	6,933	5,763	1,170	20
Debt securities classified as loans and advances to customers	1,849	1,888	(39)	-2
Hedging derivatives	6	3	3	100
Total	**13,076**	**12,076**	**1,000**	**8**

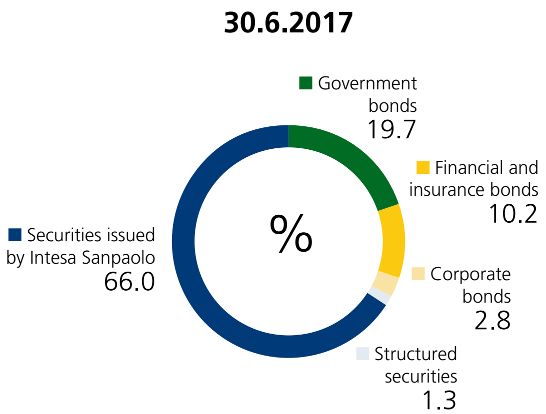
At 30 June 2017, the Group portfolio had the following overall composition with respect to product type and rating.

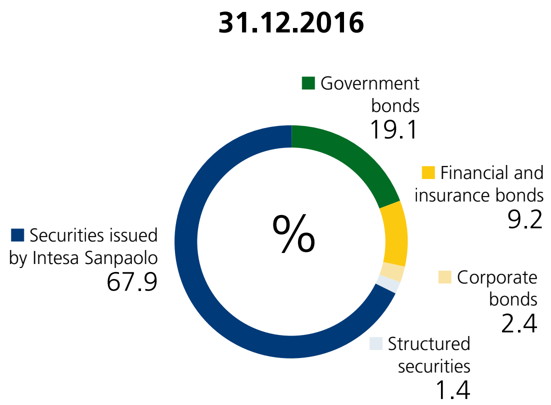
The market risk of this portfolio mainly regards the management of investments in securities. The Group's exposure to interest rate risk is, moreover, also influenced by other typical banking balance sheet items (customer deposits and loans). The financial risk of the banking book is measured using the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

- Value at Risk (VaR) for the available-for-sale portfolio only.
- Sensitivity analysis for the entire banking book.

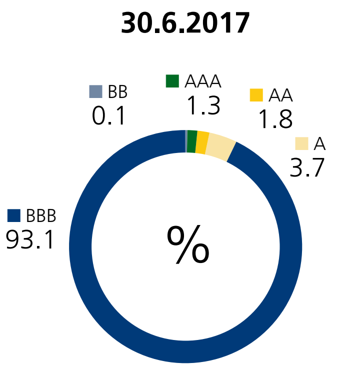
The Value at Risk is the maximum potential amount that the portfolio could lose over the next working day with a confidence interval of 99%, and is calculated using the same method adopted by Intesa Sanpaolo (volatility of the individual risk factors and the historical correlations observed between them). VaR is a risk measurement applied to available-for-sale securities which takes interest rates and credit spreads into account.
At 30 June 2017, the Value at Risk calculated for a one-day time horizon was €8.8m, which was comfortably within the limit assigned to the Fideuram Group (€16.5m).

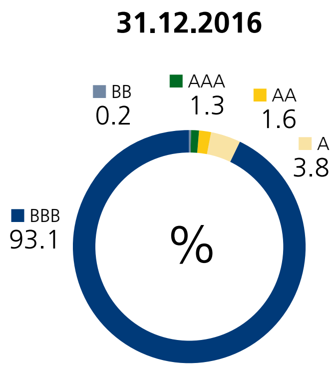
Analysis by product type





Analysis by rating





The Group used derivatives (mainly interest rate swaps) to hedge interest rate risk following a strategy that involved buying swaps linked to the individual fixed-coupon bonds in the portfolio. This strategy made the Group's long-term securities holdings less sensitive to interest rate risk. Where risk concentration is concerned, the securities holdings are highly-diversified as a result of the stringent limits specified by the Investment Policy, which limits the maximum exposure to any single corporate Group to 5% of the total holdings with the sole exception of Intesa Sanpaolo.
The Fideuram Group's total exposure to interest rate risk is monitored using Asset Liability Management (ALM) techniques to determine the shift sensitivity of fair value and net interest income. The shift sensitivity, which measures the change in fair value of the banking book resulting from an upward parallel movement in the interest rate curve, is calculated taking into account the risk generated by customer demand deposits and other assets and liabilities of the banking book sensitive to shifts in the interest rate curve. The shift sensitivity for an upward parallel movement of 100 basis points in the interest rate curve was -€19.6m at the end of June 2017, which was well below the maximum threshold set by our internal policy (€30m) and the limit determined in accordance with the supervisory regulations (20% of Regulatory Capital for a shock of 200 basis points).
The Group has developed a pricing methodology for the measurement of financial instruments which rigorously implements the provisions of the IAS/IFRS international financial reporting standards.
This measurement is based on the concept of Fair Value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In addition, the fair value measurement must incorporate a counterparty risk premium in the form of a Credit Value Adjustment (CVA) for assets and a Debit Value Adjustment (DVA) for liabilities.
The Group consistently calculates the fair value of financial instruments directly from their market value. Wherever possible, the official prices on active markets are adopted as this market value, otherwise the value is obtained using pricing models based on the values of comparable securities and on market parameters. In situations where the market is not operating normally, which is to say when there is an insufficient number of continuous transactions and the bid/ask spread and volatility are not sufficiently narrow, it is however necessary to abandon the principle of obtaining the fair value directly from market prices and to apply models that mostly use market parameters to calculate an appropriate fair value for the financial instruments. The following are considered in assessing whether a market is operating normally:

- Availability of price contributions
- Reliability of price contributions
- Size of the bid-ask spread

In the absence of an active market, the fair value is determined using measurement techniques which ultimately aim to establish the price that the financial instrument would have had on the measurement date in an arm's-length exchange motivated by normal business considerations.

These techniques include:

- Reference to market values that can be indirectly linked to the financial instrument being valued and that can be obtained from products with similar risk characteristics (comparable approach).
- Valuations performed using - even only partially - inputs that are not obtained from observable market parameters, using estimates and assumptions formulated by the valuer (mark-to-model).

Which of these methods is chosen is not arbitrary, since they have to be applied in hierarchical order and 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 Group's financial assets and liabilities are analysed by fair value level in the table below.

Financial assets and liabilities: analysis by fair value level

(€m)

	30.6.2017			31.12.2016		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets held for trading	3	81	-	10	31	-
Financial assets measured at fair value through profit or loss	5	183	-	5	190	-
Financial assets available for sale	3,709	575	4	3,710	583	4
Hedging derivatives	-	6	-	-	3	-
Total	**3,717**	**845**	**4**	**3,725**	**807**	**4**
Financial liabilities held for trading	-	81	-	-	27	-
Hedging derivatives	-	979	-	-	1,103	-
Total	**-**	**1,060**	**-**	**-**	**1,130**	**-**

The priority of market prices is put into practice through a process based on market-maker prices. The valuation price is calculated as the average of the prices available, selected using objectively-identified criteria. The number of contributions, the bid/ask spread and the reliability of the contributors are monitored regularly, enabling the Group to keep market prices as the appropriate prime parameter for the determination of fair value.

All the Group's available-for-sale securities were valued at market bid prices (mark to market) to ensure the maximum transparency of the values in the financial statements. This ensures the overall holdings meet the ready liquidity criteria for items in the financial statements.
The portfolio of Level 2 Financial assets measured at fair value through profit or loss consisted of the insurance policies that the Group took out to insure the market yields of the Personal Financial Adviser Networks' Loyalty Schemes. The fair value of Class I policies is determined using a prospective actuarial method based on the principle of the initial equivalence of the average present values of the contractual commitments of the insurer and the average present values contracted by the policyholder/contracting party. The fair value of Class III policies is the value of the units at the reporting date plus any pure premiums not yet invested at the valuation date.
The derivatives in the banking book consisted principally of Interest Rate Swaps. The Group as a rule uses fair value hedge derivatives to reduce its exposure to adverse fair value movements due to interest rate risk. The Chief Risk Officer is responsible for assessing hedge effectiveness, carrying out prior assessments of the conditions that make hedge accounting applicable and formally documenting each hedging relationship. These assessments use prospective tests when the hedges are taken out, followed by retrospective tests at monthly intervals.
An approach consistent with fair value measurement hierarchy Level 2 is used for the measurement of derivatives, based on commonly-accepted valuation processes and fed by market data providers. Hedging and treasury derivatives taken out in ordinary investment activities - interest and exchange rate derivatives in particular - that are not traded on regulated markets but traded bilaterally with market counterparties are known as "over-the-counter" (OTC) instruments and valued using special pricing models.

OPERATIONAL RISK

Operational risk is defined as the risk of loss arising from inadequate or dysfunctioning internal processes, human resources or systems, or from external events. Operational risk includes legal risk, which is to say the risk of loss arising from failure to comply with laws or regulations, or from contractual or extra-contractual responsibilities or other disputes, as well as Information and Communication Technology risk and model risk, but does not include strategic risk or reputational risk. Intesa Sanpaolo has drawn up regulations and organisational processes for measuring, managing and monitoring operational risk. The Group assigns responsibility for operational risk management to its Board of Directors, which is charged with developing the Group's risk management policies, and to its Management Control Committee, which is charged with approving and monitoring the implementation of said policies, as well as with ensuring the smooth operation, efficiency and effectiveness of the operational risk management and control system.
In addition, the Group Audit Coordination and Operational Risk Committee is responsible, among other things, for periodically verifying the Group's overall operational risk profile, providing for any corrective actions, coordinating and monitoring the effectiveness of the principal mitigation activities undertaken and approving operational risk transfer strategies. The Group has a centralised operational risk management unit in its Enterprise Risk Management Department. This unit is responsible for designing, implementing and supervising the methodological and organisational framework adopted, as well as for measuring risk profiles, verifying the effectiveness of risk mitigation measures and reporting to company senior management.
In accordance with current legislation and regulations, the companies in the Fideuram Group are responsible for identifying, measuring, managing and mitigating risk. Each has clearly-identified internal units coordinated by Fideuram Operational Risk Management which are responsible for their Operational Risk Management processes (collection and structured recording of information on operational loss events, scenario analyses and the evaluation of risks associated with the Group's operating context).
Fideuram has developed a system of governance for the operational risk management process which assigns responsibility as follows:

a) The Board of Directors is responsible for the development and strategic supervision of the risk management policies, and for ensuring the smooth operation, efficiency and effectiveness of the operational risk management and control system over time, while also deciding on matters regarding compliance with the criteria for determining the bank's capital requirement.

b) The Internal Audit Committee is responsible for monitoring the suitability of the operational risk management and control system, and for ascertaining its compliance with the related regulatory requirements.

c) The Managing Director is responsible for ensuring the suitability and effectiveness over time of the risk management and control systems, and the procedures used for determining the capital requirement.

d) The Internal Audit Department is responsible for periodically auditing the operational risk management system and for reporting on it to the Company Bodies.

e) The Operational Risk Committee is a consultative body that is responsible for analysing the reports on the operational risk profile and proposing any actions required to prevent and mitigate operational risk.

f) The decentralised Operational Risk Management (ORM) Unit, which reports to the Chief Risk Officer, is responsible for organising and maintaining the body of activities provided for by the operational risk management system.

The other companies in the Fideuram Group have developed appropriate Operational Risk Management governance systems in accordance with the parent company's guidelines.
The Self-Diagnosis Process, performed annually, supports the following:

- The identification, measurement, monitoring and mitigation of operational risk by identifying the principal critical operational risk issues and formulating the most appropriate mitigation actions.
- The analysis of IT risk exposure.
- The creation of substantial synergies with the Group's specialist Human Resources and General Affairs units in charge of the development of operating processes and business continuity, with the Financial Management Governance Unit and with the Compliance and Internal Audit units that manage compliance with certain specific laws, regulations and related matters (Italian Legislative Decree 231/01 and Law 262/05) or carry out effectiveness tests on the controls on company processes.

Operational risk monitoring is carried out using an integrated reporting system that provides Management with information to support the management and/or mitigation of the risks assumed. A structured training programme has been launched for staff actively involved in the operational risk governance process to provide continuous support for the process. In addition, the Group follows a traditional policy for transferring operational risk (to cover offences such as employee misconduct, theft and damage, the transport of valuables, computer fraud, forgery, cybercrime, fire and earthquake damage and third-party liability), which contributes to mitigating its impact. In order to achieve optimal use of the operational risk transfer instruments available and to leverage the financial benefits while complying with all the related regulatory requirements, the Group has taken out an insurance policy known as an Operational Risk Insurance Programme which provides greater cover and significantly higher limits than traditional policies, transferring the risk of substantial operational losses to the insurance market. Our internal model's insurance mitigation component has been authorised by the Bank of Italy.
In addition, the Group has its own operational continuity solutions that can be deployed to contain risks regarding its premises and infrastructures and the impact of events such as environmental disasters, international crises and social protests. The Fideuram Group has also taken out a traditional insurance policy to cover any cases of misconduct by the Personal Financial Advisers in the Group's Sales Networks.
The Group calculates its capital requirement using a combination of the methods provided for in the relevant legislation (the Advanced Measurement Approach - AMA, Traditional Standardised Approach - TSA, and Basic Indicator Approach - BIA), and then extends the process (for the AMA component only) to its subsidiaries. The capital absorption thus obtained for the Fideuram Group was €189.7m at 30 June 2017.

At 30 June 2017, there were no emerging phenomena of note. The Group's operational losses for all classes of risk totalled €7.4m. The most significant loss item concerned "Internal Misconduct", which is typically the most significant class of risk for the Fideuram Group. In the first half of the year, there were 12 cases of misconduct by the same number of Personal Financial Advisers, and provisions totalling €589k were set aside for 7. In addition, €4m further provisions were set aside for past cases of misconduct and €1.6m new provisions for compensation, plus €150k provisions for compensation and other expenses in respect of disputes regarding alleged unauthorised activities. The remaining losses mainly concerned expenses arising from disputes with customers regarding the conduct of business relations, and process execution and management errors.

LEGAL AND TAX RISK

The Group monitors any 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 matters highlighted by said legal advisers during litigation. The Group has set aside provisions for legal disputes to cover, among other things, the liabilities that could, according to internal and external legal advice, be incurred as a result of pending legal and other disputes.

At 30 June 2017, these provisions totalled €105m. The total provisions and the amount of the individual provisions set aside are calculated on the basis of external and internal legal advisers' estimations of the proceedings having negative outcomes. As a consequence of said process, certain pending proceedings in which the Group is involved and regarding which a negative outcome is considered either remote or not quantifiable are not included in the provisions for legal disputes. At 30 June 2017, the number and value of pending proceedings were not sufficient to have any potential significant impact on the business, assets or financial situation of the Group.

The situation regarding legal and tax risk at 30 June 2017 had changed as follows with respect to the situation described in the consolidated financial statements at 31 December 2016.

Tax disputes

In 2014, the Latium Regional Office of the Inland Revenue - Large Taxpayers Office - conducted a general inspection of Fideuram regarding IRES corporate income tax, IRAP regional business tax, VAT and withholding agent activities for the 2010 tax year. This inspection was subsequently partially extended to 2009. The inspection was completed with the notification of a report contesting the deductibility of certain items for the purposes of IRES corporate income tax and IRAP regional business tax, and alleging non-compliance with respect to withholding tax on interest earned on accounts outside Italy linked to mutual funds distributed by the bank, demanding the payment of taxes totalling €3.4m plus financial penalties and interest.

In that year, the bank settled in compliance with the assessment regarding the deductibility of the various items in respect of IRES corporate income tax and IRAP regional business tax, and appealed to the Rome Provincial Tax Commission over the question of non-compliance and financial penalties regarding withholding tax on mutual fund interest. The appeals in first instance regarding both years were heard and granted in January 2017.

In 2015, having completed a general inspection relating to the 2011 tax year, the Lombardy Regional Office of the Inland Revenue notified subsidiary Fideuram Investimenti of a report contesting adjustments to the prices of mutual fund management activities undertaken on behalf of associate company Fideuram Asset Management (Ireland), corresponding to €3.1m in taxes. The same Tax Office report, however, noted that adequate supporting documentation had been provided (Masterfile in accordance with article 26 of Italian Decree Law No. 78/2010), such that administrative penalties would not be applicable. The dispute was settled in compliance with the assessment on 21 December 2016, with the payment of additional taxes and interest totalling approximately €2.3m. The dispute for that year can therefore be considered closed.

Said Inland Revenue Office also presented a request for information on the remuneration of said activities in 2012 and 2013, notifying that it was contesting the adjustments on the same grounds for those years as well. In accordance with the action taken regarding 2011, the dispute was subsequently settled in compliance with the assessment on 25 July 2017, with the consequent obligation to pay additional taxes and interest totalling €2.6m. The payment of this sum, covered in full by a related provision for tax disputes set aside in prior years, closed the dispute for 2012 and 2013 as well.

Inspections and investigations

Following an inspection by the Italian Financial Information Unit (Unità di Informazione Finanziaria per l'Italia - UIF) - subsidiary Sirefid S.p.A. received two notifications of investigation in June 2017 alleging its failure to report suspicious transactions in accordance with article 41 of Italian Legislative Decree 231/07. The company took steps to prepare the appropriate defence statements to be sent to the Ministry of the Economy and Finance within 30 days of the date of notification. In consideration of the sanctions regime provided for in the intervening period (the new Anti-Money Laundering Decree) and having consulted internal and external legal advisers, the company has prudently set a provision of €150k aside in the provisions for risks and charges. In addition, interventions to strengthen the prevention and control units have significantly reduced the risk of the circumstances underlying the UIF's complaints recurring in future.

Transactions with related parties

Fideuram - Intesa Sanpaolo Private Banking S.p.A. is wholly owned and controlled directly by Intesa Sanpaolo S.p.A..

In accordance with the law and the internal procedures issued by Intesa Sanpaolo and by Fideuram, all transactions with related parties between 1 January and 30 June 2017 were conducted under arms-length conditions as for unrelated parties of corresponding nature and risk, or - in the absence of any reference - under mutually-beneficial conditions, verified taking all the related circumstances, the distinctive characteristics of the transaction and Group interests into account. The bank did not in any case engage in any atypical or unusual transactions and/or transactions under non-standard financial and contractual conditions for the types of related parties concerned.

The Board of Directors meeting of 4 May 2017 approved the renewal of the service contract in place with Intesa Sanpaolo Group Services S.C.p.A., as amended to take the revision of the services offered for 2017 into account. Said Board of Directors meeting was also informed of the renewal of the service contract with Intesa Sanpaolo S.p.A., which was likewise amended in anticipation of new direction, supervision and support services. The new service contracts, signed between late May and early June, will incur a total cost of approximately €70m for the Fideuram Group in 2017, which is largely in line with the amount paid in 2016 (€69m).

All Fideuram's other relations with its own subsidiaries and with other Intesa Sanpaolo Group companies may be considered to form part of the Bank's ordinary operations. Fideuram uses the brokerage services of Banca IMI for buying and selling securities. These transactions are conducted under arm's-length conditions.

All amounts receivable and payable and all income and expenses at 30 June 2017 regarding companies in the Intesa Sanpaolo Group are summarised below:

Assets 30.6.2017

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Debt securities	8,228	62
Equities and units in mutual funds	6	43
Loans and advances to banks	13,102	93
Loans and advances to customers	180	2
Financial derivatives	34	39
Other	20	2

Liabilities 30.6.2017

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Due to banks	2,476	90
Due to customers	403	1
Financial derivatives	543	51
Other	83	7
Guarantees and commitments	364	58

Income statement 1st Half 2017

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Interest income	82	49
Interest expense	(38)	50
Fee and commission income	358	31
Fee and commission expense	(14)	4
Operating income on financial activities	85	n.s.
Administrative expenses	(45)	11

n.s.: not significant

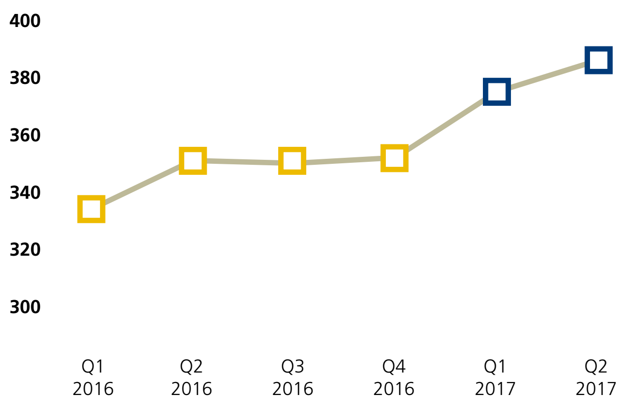
Events after the reporting period and outlook

There were no significant events after the end of the half year requiring any changes to this Report.

The first half of 2017 saw the Group continue to operate in pursuit of the strategic objectives set out in the Intesa Sanpaolo business plan. Net recurring fees, which are the foundation of Fideuram's profitability, showed solid growth and net profit for the period totalled €443m. The Group's managed asset inflow development policies and constant focus on risk management could, in the absence of any major second-half corrections in the financial markets, enable our Group to end the current year with growth in net profit compared with 2016.

Quarterly net recurring fees

(€m)



The Board of Directors
Turin, 28 July 2017

Consolidated financial statements

Consolidated balance sheet

(€m)

	30.6.2017	31.12.2016
ASSETS		
10. Cash and cash equivalents	68	71
20. Financial assets held for trading	84	41
30. Financial assets measured at fair value through profit or loss	188	195
40. Financial assets available for sale	4,288	4,297
50. Held-to-maturity investments	-	125
60. Loans and advances to banks	20,985	18,705
70. Loans and advances to customers	9,160	9,602
80. Hedging derivatives	6	3
90. Adjustments to financial assets subject to macro-hedging	-	-
100. Equity investments	144	141
110. Reinsurers' share of technical reserves	-	-
120. Property and equipment	39	40
130. Intangible assets	176	181
of which: goodwill	140	140
140. Tax assets	177	180
a) Current	27	28
b) Deferred	150	152
of which: convertible to tax credits (Italian law No. 214/2011)	19	21
150. Non-current assets held for sale and discontinued operations	-	-
160. Other assets	941	1,091
TOTAL ASSETS	**36,256**	**34,672**

Chairman of the Board
of Directors
Matteo Colafrancesco

Managing Director
Paolo Molesini

Manager Responsible for the
Preparation of the Company Accounts
Paolo Bacciga

Consolidated balance sheet

(€m)

	30.6.2017	31.12.2016
LIABILITIES AND SHAREHOLDERS' EQUITY		
10. Due to banks	2,737	2,665
20. Due to customers	28,395	27,561
30. Debt on issue	-	-
40. Financial liabilities held for trading	81	27
50. Financial liabilities measured at fair value through profit or loss	-	-
60. Hedging derivatives	979	1,103
70. Adjustments to financial liabilities subject to macro-hedging	-	-
80. Tax liabilities	75	64
a) Current	34	11
b) Deferred	41	53
90. Liabilities associated with non-current assets held for sale and discontinued operations	-	-
100. Other liabilities	1,163	759
110. Provision for employment termination indemnities	53	54
120. Provisions for risks and charges	445	458
a) Pensions and other commitments	8	8
b) Other provisions	437	450
130. Technical reserves	-	-
140. Valuation reserves	(76)	(84)
150. Redeemable shares	-	-
160. Equity instruments	-	-
170. Reserves	1,455	1,373
175. Interim dividends (-)	-	(600)
180. Share premium reserve	206	206
190. Share capital	300	300
200. Treasury shares (-)	-	-
210. Equity attributable to non-controlling interests	-	-
220. Net profit (loss) for the period	443	786
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**36,256**	**34,672**

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Consolidated income statement

(€m)

	1ST HALF 2017	1ST HALF 2016
10. Interest income and similar income	165	165
20. Interest expense and similar expense	(76)	(76)
30. Net interest income	**89**	**89**
40. Fee and commission income	1,170	1,072
50. Fee and commission expense	(351)	(309)
60. Net fee and commission income	**819**	**763**
70. Dividends and similar income	-	-
80. Net profit (loss) on trading activities	5	4
90. Net profit (loss) on hedging derivatives	1	(3)
100. Net profit (loss) on sale or repurchase of:	9	19
a) Loans	-	8
b) Financial assets available for sale	9	11
c) Held-to-maturity investments	-	-
d) Financial liabilities	-	-
110. Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss	2	(2)
120. Total net interest and trading income	**925**	**870**
130. Net impairment of:	-	(2)
a) Loans	-	(2)
b) Financial assets available for sale	-	-
c) Held-to-maturity investments	-	-
d) Other financial transactions	-	-
140. Operating income	**925**	**868**
150. Net insurance premiums	-	-
160. Other income/expense from insurance activities	-	-
170. Operating income from financing and insurance activities	**925**	**868**
180. Administrative expenses:	(393)	(391)
a) Personnel expenses	(164)	(159)
b) Other administrative expenses	(229)	(232)
190. Net provisions for risks and charges	(17)	(28)
200. Depreciation of property and equipment	(1)	(1)
210. Amortisation of intangible assets	(10)	(8)
220. Other income/expense	114	112
230. Operating expenses	**(307)**	**(316)**
240. Profit (loss) on equity investments	6	8
250. Net fair value gains (losses) on property and equipment and intangible assets	-	-
260. Goodwill impairment	-	-
270. Gain (loss) on disposal of investments	-	-
280. Profit (loss) before tax from continuing operations	**624**	**560**
290. Income taxes for the period on continuing operations	(181)	(157)
300. Profit (loss) after tax from continuing operations	**443**	**403**
310. Profit (loss) after tax from discontinued operations	-	-
320. Net profit (loss) for the period	**443**	**403**
330. Net profit (loss) for the period attributable to non-controlling interests	-	-
340. Parent company interest in net profit (loss) for the period	**443**	**403**

Chairman of the Board
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Consolidated statement of comprehensive income

(€m)

	1ST HALF 2017	1ST HALF 2016
10. Net profit (loss) for the period	**443**	**403**
Other comprehensive income after tax not transferred to the income statement	**1**	**(6)**
20. Property and equipment	-	-
30. Intangible assets	-	-
40. Defined-benefit plans	1	(6)
50. Non-current assets held for sale	-	-
60. Valuation reserves related to investments carried at equity	-	-
Other comprehensive income after tax that may be transferred to the income statement	**7**	**(35)**
70. Hedges of net investments in foreign operations	-	-
80. Exchange rate differences	(1)	-
90. Cash flow hedges	-	-
100. Financial assets available for sale	11	(36)
110. Non-current assets held for sale	-	-
120. Valuation reserves related to investments carried at equity	(3)	1
130. Total other comprehensive income after tax	**8**	**(41)**
140. Total comprehensive income	**451**	**362**
150. Total comprehensive income attributable to non-controlling interests	-	-
160. Total comprehensive income attributable to parent company	451	362

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Statement of changes in consolidated equity

(€m)

	BALANCE AT 31.12.2016	CHANGE TO OPENING BALANCE	BALANCE AT 1.1.2017	ALLOCATION OF PRIOR YEAR PROFIT: RESERVES	ALLOCATION OF PRIOR YEAR PROFIT: DIVIDENDS AND OTHER	CHANGES IN THE PERIOD: CHANGES IN RESERVES	CHANGES IN THE PERIOD: TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY: ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	INTERIM DIVIDENDS	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	DERIVATIVES BASED ON TREASURY SHARES	STOCK OPTIONS	CHANGES IN EQUITY INVESTMENTS	CHANGES IN THE PERIOD: TOTAL COMPREHENSIVE INCOME AT 30.6.2017	SHAREHOLDERS' EQUITY AT 30.6.2017	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS
Share capital:	**300**	**-**	**300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**300**	**300**	**-**
a) Ordinary shares	300	-	300	-	-	-	-	-	-	-	-	-	-	-	-	300	300	-
b) Other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**206**	**-**	**206**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**206**	**206**	**-**
Reserves:	**1,373**	**-**	**1,373**	**72**	**-**	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,455**	**1,455**	**-**
a) From net income	1,299	-	1,299	72	-	10	-	-	-	-	-	-	-	-	-	1,381	1,381	-
b) Other	74	-	74	-	-	-	-	-	-	-	-	-	-	-	-	74	74	-
Valuation reserves	**(84)**	**-**	**(84)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**(76)**	**(76)**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interim dividends	**(600)**	**-**	**(600)**	**-**	**600**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the period	**786**	**-**	**786**	**(72)**	**(714)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**443**	**443**	**443**	**-**
Shareholders' equity	**1,981**	**-**	**1,981**	**-**	**(114)**	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**451**	**2,328**	**2,328**	**-**
Equity attributable to owners of the parent company	**1,981**	**-**	**1,981**	**-**	**(114)**	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**451**	**2,328**		
Equity attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		

Chairman of the Board of Directors
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Managing Director
Paolo Molesini

Manager Responsible for the Preparation of the Company Accounts
Paolo Bacciga

Statement of changes in consolidated equity

(€m)

	BALANCE AT 31.12.2015	CHANGE TO OPENING BALANCE	BALANCE AT 1.1.2016	ALLOCATION OF PRIOR YEAR PROFIT		CHANGES IN THE PERIOD										SHAREHOLDERS' EQUITY AT 30.6.2016	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS
							TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY											
				RESERVES	DIVIDENDS AND OTHER	CHANGES IN RESERVES	ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	INTERIM DIVIDENDS	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	DERIVATIVES BASED ON TREASURY SHARES	STOCK OPTIONS	CHANGES IN EQUITY INVESTMENTS	TOTAL COMPREHENSIVE INCOME AT 30.6.2016			
Share capital:	**300**	**-**	**300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**300**	**300**	**-**
a) Ordinary shares	300	-	300	-	-	-	-	-	-	-	-	-	-	-	-	300	300	-
b) Other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**206**	**-**	**206**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**206**	**206**	**-**
Reserves:	**1,328**	**-**	**1,328**	**33**	**-**	**9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,370**	**1,370**	**-**
a) From net income	1,254	-	1,254	33	-	9	-	-	-	-	-	-	-	-	-	1,296	1,296	-
b) Other	74	-	74	-	-	-	-	-	-	-	-	-	-	-	-	74	74	-
Valuation reserves	**(50)**	**-**	**(50)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(41)**	**(91)**	**(91)**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interim dividends	**(501)**	**-**	**(501)**	**501**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the period	**594**	**-**	**594**	**(534)**	**(60)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**403**	**403**	**403**	**-**
Shareholders' equity	**1,877**	**-**	**1,877**	**-**	**(60)**	**9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**362**	**2,188**	**2,188**	**-**
Equity attributable to owners of the parent company	**1,877**	**-**	**1,877**	**-**	**(60)**	**9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**362**	**2,188**		
Equity attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		

Chairman of the Board
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Managing Director
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Paolo Bacciga

Statement of consolidated cash flows

(Indirect method)

(€m)

	1ST HALF 2017	1ST HALF 2016
A. OPERATING ACTIVITIES		
1. Operations	**642**	**593**
Net profit (loss)	443	403
Net profit (loss) on financial assets held for trading and on assets/liabilities measured at fair value through profit or loss	(5)	(2)
Net profit (loss) on hedging activities	(1)	3
Net impairment	-	2
Net depreciation and amortisation	12	9
Net provisions for risks and charges and other expense/income	17	29
Uncollected net insurance premiums	-	-
Uncollected other insurance income/expense	-	-
Unpaid taxes and tax credits	181	157
Net adjustments to net value after tax of discontinued operations	-	-
Other adjustments	(5)	(8)
2. Cash from/used in financing activities	**(1,654)**	**(2,936)**
Financial assets held for trading	(43)	(22)
Financial assets measured at fair value through profit or loss	9	(7)
Financial assets available for sale	76	127
Loans and advances to banks: demand deposits	759	(1,113)
Loans and advances to banks: other	(3,039)	(1,124)
Loans and advances to customers	438	(847)
Other assets	146	50
3. Cash from/used in financial liabilities	**1,003**	**2,557**
Due to banks: demand deposits	10	(12)
Due to banks: other	62	(193)
Due to customers	834	2,833
Debt on issue	-	-
Financial liabilities held for trading	61	21
Financial liabilities measured at fair value through profit or loss	-	-
Hedging derivatives	(174)	3
Other liabilities	210	(95)
Net cash from/used in operating activities	**(9)**	**214**
B. INVESTING ACTIVITIES		
Cash from	**125**	**139**
Disposal of equity investments	-	-
Dividend income from equity investments	-	-
Sale/redemptions of held-to-maturity investments	125	139
Sale of property and equipment	-	-
Sale of intangible assets	-	-
Sale of subsidiaries and company divisions	-	-
Cash used in	**(5)**	**(4)**
Acquisition of equity investments	-	-
Purchase of held-to-maturity investments	-	-
Acquisition of property and equipment	-	(1)
Purchase of intangible assets	(5)	(3)
Acquisition of subsidiaries and company divisions	-	-
Net cash from/used in operating activities	**120**	**135**
C. FUNDING ACTIVITIES		
Issue/purchase of treasury shares	-	-
Issue/purchase of equity instruments	-	-
Distribution of dividends and other	(114)	(60)
Net cash from/used in funding activities	**(114)**	**(60)**
NET CASH GENERATED/USED IN THE PERIOD	**(3)**	**289**

Reconciliation

Cash and cash equivalents at beginning of period	71	60
Net cash generated/used in the period	(3)	289
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at end of period	68	349

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Accounting policies

DECLARATION OF COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Condensed Half-Year Consolidated Financial Statements at 30 June 2017 were prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission. The Condensed Half-Year Consolidated Financial Statements were in particular prepared in accordance with IAS 34 on interim financial reporting.

BASIS OF PREPARATION

These Condensed Half-Year Consolidated Financial Statements comprise the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity and Statement of Cash Flows, accompanied by explanatory notes on the Group's performance. These financial statements use the euro as their functional currency, and all the figures herein are stated in millions of euro unless specified otherwise.
These Half-Year Financial Statements were prepared in accordance with the same accounting policies as the financial statements at 31 December 2016, where they are described in greater detail. In accordance with IAS 34, the income statement for the first half of 2017 has been compared with the income statement for the corresponding period in 2016, and the balance sheet at 30 June 2017 has been compared with the balance sheet at 31 December 2016. The Condensed Half-Year Consolidated Financial Statements have been reviewed by KPMG S.p.A..

SCOPE AND METHODS OF CONSOLIDATION

The companies included in the line-by-line consolidation of Fideuram at 30 June 2017 are listed below.

Equity investments in wholly-owned subsidiaries

NAME	REGISTERED OFFICE	TYPE OF OWNERSHIP (*)	OWNERSHIP		% VOTES (**)
			HELD BY	% OWNED	
Parent company					
Fideuram - Intesa Sanpaolo Private Banking S.p.A. Share capital: Eur 300,000,000 in shares without nominal value	Turin				
Subsidiaries					
1. Sanpaolo Invest SIM S.p.A. Share capital: Eur 15,264,760 in shares of Eur 140 each	Turin	1	Fideuram	100.000%	
2. Intesa Sanpaolo Private Banking S.p.A. Share capital: Eur 105,497,424 in shares of Eur 4 each	Milan	1	Fideuram	100.000%	
3. Fideuram Investimenti SGR S.p.A. Share capital: Eur 25,850,000 in share of Eur 517 each	Milan	1	Fideuram	99.500%	
4. Sirefid S.p.A. Share capital: Eur 2,600,000 in share of Eur 0.52 each	Milan	1	Fideuram	100.000%	
5. Fideuram Fiduciaria S.p.A. Share capital: Eur 1,551,000 in share of Eur 517 each	Turin	1	Fideuram	100.000%	
6. Fideuram Asset Management (Ireland) dac Share capital: Eur 1,000,000 in share of Eur 1,000	Dublin	1	Fideuram	100.000%	
7. Fideuram Bank (Luxembourg) S.A. Share capital: Eur 40,000,000 in share without nominal value	Luxembourg	1	Fideuram	100.000%	
8. Financière Fideuram S.A. Share capital: Eur 346,761,600 in share of Eur 25 each	Paris	1	Fideuram	99.999%	
9. Intesa Sanpaolo Private Bank (Suisse) S.A. Share capital: CHF 20,000,000 in share of CHF 500 each	Lugano	1	Fideuram	100.000%	

LEGEND
(*) Type of ownership
1 = majority voting rights at general shareholders' meetings
(**) Voting rights at general shareholders' meetings. Voting rights are only shown when they differ from % capital ownership.

The Condensed Half-Year Consolidated Financial Statements include Fideuram and its direct and indirect subsidiaries and associates subject to significant influence. Fideuram Vita S.p.A., in which Fideuram holds a 19.99% equity interest, and Qingdao Yicai Wealth Management Ltd., in which Fideuram holds a 25% equity interest, are consolidated using the equity method. The financial statements used to prepare the consolidated financial statements were those prepared by the subsidiaries for 30 June 2017, adjusted where necessary to bring them into line with the Group's accounting policies. The financial statement data of companies operating outside the European Monetary Union area were translated to euro applying the period-end exchange rates to balance sheet items and the average exchange rates for the period to income statement items. Any exchange rate differences arising from conversions at said exchange rates were recognised in the valuation reserve.
The scope of consolidation of the Group was unchanged from 31 December 2016.

IFRS 9: THE NEW INTERNATIONAL FINANCIAL REPORTING STANDARD ON FINANCIAL INSTRUMENTS

The International Financial Reporting Standard IFRS 9, issued by the International Accounting Standards Board (IASB) in July 2014 and endorsed by the European Commission in 2016, replaces IAS 39, the current standard governing the recognition and measurement of financial instruments, from 1 January 2018. IFRS 9 introduces a logical approach to the classification of financial assets which is driven by the contractual cash flow characteristics and the objective of the business model in which an asset is managed.
The new financial reporting standard classifies financial assets in three categories instead of the current four, taking the above two drivers into account:

- Financial assets measured at amortised cost
- Financial assets measured at fair value through other comprehensive income (FVOCI)
- Financial assets measured at fair value through profit or loss (FVTPL).

Financial assets can be recognised at amortised cost or at fair value through other comprehensive income only if they pass the contractual cash flow characteristics test. Equities are always measured at fair value through profit or loss, unless they are not held for trading and the entity irrevocably elects at initial recognition to present value changes in an other comprehensive income reserve that will never be transferred to profit or loss even if the financial instrument is sold.

For financial liabilities, the only new requirement regards the accounting treatment of own credit risk. IFRS 9 requires fair value change due to own credit risk on financial liabilities designated as measured at fair value through profit or loss to be presented in other comprehensive income, unless this treatment leads to a measurement or recognition inconsistency in net profit, and for the remaining amount of the fair value change of the liabilities to be recognised in profit or loss.

The Fideuram Group has identified the following business models for the recognition and measurement of financial instruments:

1. Hold to Collect, covering financial instruments which are held stably in the portfolio and generate net interest income. These financial instruments are recognised as financial assets measured at amortised cost.
2. Hold to Collect & Sell, covering financial instruments held to generate net interest income and maximise portfolio returns through sales that take advantage of favourable market opportunities. These financial instruments are recognised as financial assets measured at fair value through other comprehensive income.

The Group also engages in a residual activity of buying and selling debt securities. The financial instruments in these transactions are recognised as financial assets measured at fair value through profit or loss.

IFRS 9 introduces a new impairment model for instruments measured at amortised cost and at fair value through other comprehensive income (other than equity instruments), replacing the current incurred loss model with an expected loss impairment model to obtain more timely recognition of credit losses in the income statement. IFRS 9 requires entities to account for expected credit losses in the 12 months (Stage 1) after initial recognition of a financial instrument. However, the time horizon for calculating expected loss becomes the entire residual life of the asset when there has been any significant deterioration in the credit quality of the financial instrument since initial recognition (Stage 2) or there is evidence of impairment (Stage 3).
In line with the Group policies set out by Intesa Sanpaolo, the Fideuram Group has decided to keep the 30-day limit as the threshold for recognising financial assets in Stage 2, and to use classification as a forborne exposure as an additional recognition criterion.
Lastly, the new standard provides for a hedge accounting model that allows an entity to reflect risk management activities in the financial statements, as well as strengthening the quality of risk management reporting.
The Group elected to opt out of this requirement in accordance with Intesa Sanpaolo guidelines and to keep the current IAS 39 rules.

Implementation by Fideuram

Considering the substantial impact that the adoption of IFRS 9 will have on the organisation and its financial reporting, Fideuram is taking part in an Intesa Sanpaolo Group project to ensure consistent implementation of the new financial reporting standard from 1 January 2018. The first phase has now been completed, designed to obtain an in-depth understanding of the areas the standard will affect and to identify its quantitative and qualitative impacts. The project is currently implementing the application and organisational measures necessary for the effective organic adoption of the new financial reporting standard.

The procedures for applying the Solely Payments of Principal and Interest (SPPI) test to contractual cash flows have been specified. Analyses of the portfolio have confirmed that only a negligible percentage of the debt securities held do not pass the SPPI test.

Where the characteristics of the business models are concerned, the quantitative thresholds for sales of financial instruments to be classified in the Hold to Collect business model have been specified.

The following activities have been completed regarding impairment:

- The procedures for tracking the credit quality of portfolios of financial assets measured at amortised cost and at fair value through other comprehensive income have been established.
- The parameters for determining a significant increase in credit risk in order to allocate performing loans correctly to Stage 1 or Stage 2 have been established.
- The models for staging and for calculating expected credit loss at one year and lifetime are close to finalisation.

The principal anticipated impacts of the adoption of the new financial reporting standard for the Group mainly result from the application of the new impairment accounting model based on the concept of expected loss (instead of the incurred loss approach currently provided for by IAS 39), which leads to an increase in write-downs, and from the application of the new rules for transferring exposures between the different classification stages provided for by the standard. From the analyses carried out and implementations in progress, we estimate that this impact, recognised in other comprehensive income upon first application, will in no case critically affect our current financial statement and regulatory asset values. The final impact will depend on the composition of the loan and financial portfolios at the transition date, on the macroeconomic forecasts for future years formulated at the date of transition to IFRS 9, and on a number of standard and application interpretations still the subject of debate both Internationally and in Italy.

The Fideuram Group will estimate the balance sheet impacts of the adoption of the new financial reporting standard in the second half of 2017.

TRANSFERS BETWEEN CLASSES

In accordance with the related compulsory disclosure requirements, the Group states that it availed itself of the amendment to IAS 39 endorsed by EC Regulation 1004/2008 and reclassified available-for-sale bonds totalling €580m as Loans & Receivables in the third quarter of 2008. If the Group had not availed itself of the option to reclassify these bonds, they would have suffered a further loss of approximately €243m, amounting to the difference between the theoretical total negative reserve at 30 June 2017 (€283m) and the total negative reserve recorded under shareholders' equity at the reclassification date (€40m). The table below shows the book value, fair value and effects on the Group's total comprehensive income of the bonds reclassified in accordance with said amendment to IAS 39.

(€m)

TYPE OF FINANCIAL INSTRUMENT	SOURCE CATEGORY	DESTINATION CATEGORY	BOOK VALUE AT 30.6.2017	FAIR VALUE AT 30.6.2017	COMPREHENSIVE INCOME WITHOUT TRANSFER (BEFORE TAX)		COMPREHENSIVE INCOME FOR THE YEAR (BEFORE TAX)	
					ESTIMATIONS	OTHER	ESTIMATIONS (*)	OTHER
Debt securities	Financial assets available for sale	Loans and advances to customers	1,533	1,301	(5)	24	(59)	25

(*) Includes changes in fair value attributable to interest-rate hedging.

Certification of the condensed half-year consolidated financial statements

Certification of the condensed half-year consolidated financial statements

1. The undersigned Paolo Molesini, as Managing Director and General Manager, and Paolo Bacciga, as Manager responsible for the preparation of the company accounts, of Fideuram - Intesa Sanpaolo Private Banking, hereby certify, also taking account of the provisions of article 154 bis, subparagraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, that the consolidated financial statements are:
   - suitable for the characteristics of the Group, and
   - that the Group has fully applied the administrative and accounting procedures for preparing the condensed half-year consolidated financial statements during the first half of 2017.

2. The evaluation of the suitability and effective application of the administrative and accounting procedures for preparing the condensed half-year consolidated financial statements at 30 June 2017 was carried out using methodologies developed in line with the COSO framework and, for the IT part, COBIT, which are generally internationally accepted as reference frameworks for the internal audit system[1].

3. In addition, the undersigned also certify as follows:

   3.1 The condensed half-year consolidated financial statements at 30 June 2017:
   - have been prepared in accordance with the applicable international financial reporting standards recognised in the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002,
   - correspond with the accounting books and records,
   - are suitable for providing a faithful and proper representation of the financial performance and cash flows of the issuer and of the group of companies included in the consolidation.

   3.2 The Interim Directors’ Report contains a reliable analysis of the references to important events that occurred in the first half of the financial year and their impact on the condensed half-year consolidated financial statements, together with a description of the principal risks and uncertainties for the remaining half of the financial year, as well as a reliable analysis of the information on significant transactions with related parties.

28 July 2017

Paolo Molesini
Managing Director and
General Manager

Paolo Bacciga
Manager responsible for the preparation
of the company accounts

1 The COSO Framework was developed by the Committee of Sponsoring Organizations of the Treadway Commission, a US body dedicated to improving the quality of company information by providing guidance on ethical standards and an effective system of corporate governance and organisation. The COBIT Framework - Control Objectives for IT and related technology - is a set of guidance materials developed by the IT Governance Institute, a US body that aims to develop and improve corporate standards in the IT sector.

Independent Auditors' Report

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(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

To the shareholder of
Fideuram - Intesa Sanpaolo Private Banking S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Fideuram Group - Intesa Sanpaolo Private Banking comprising the consolidated balance sheet, the consolidated income statement and the statements of consolidated comprehensive income, changes in equity and cash flows and notes thereto, as at and for the six months ended 30 June 2017. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Fideuram Group - Intesa Sanpaolo Private Banking as at and for the six months ended 30 June 2017 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

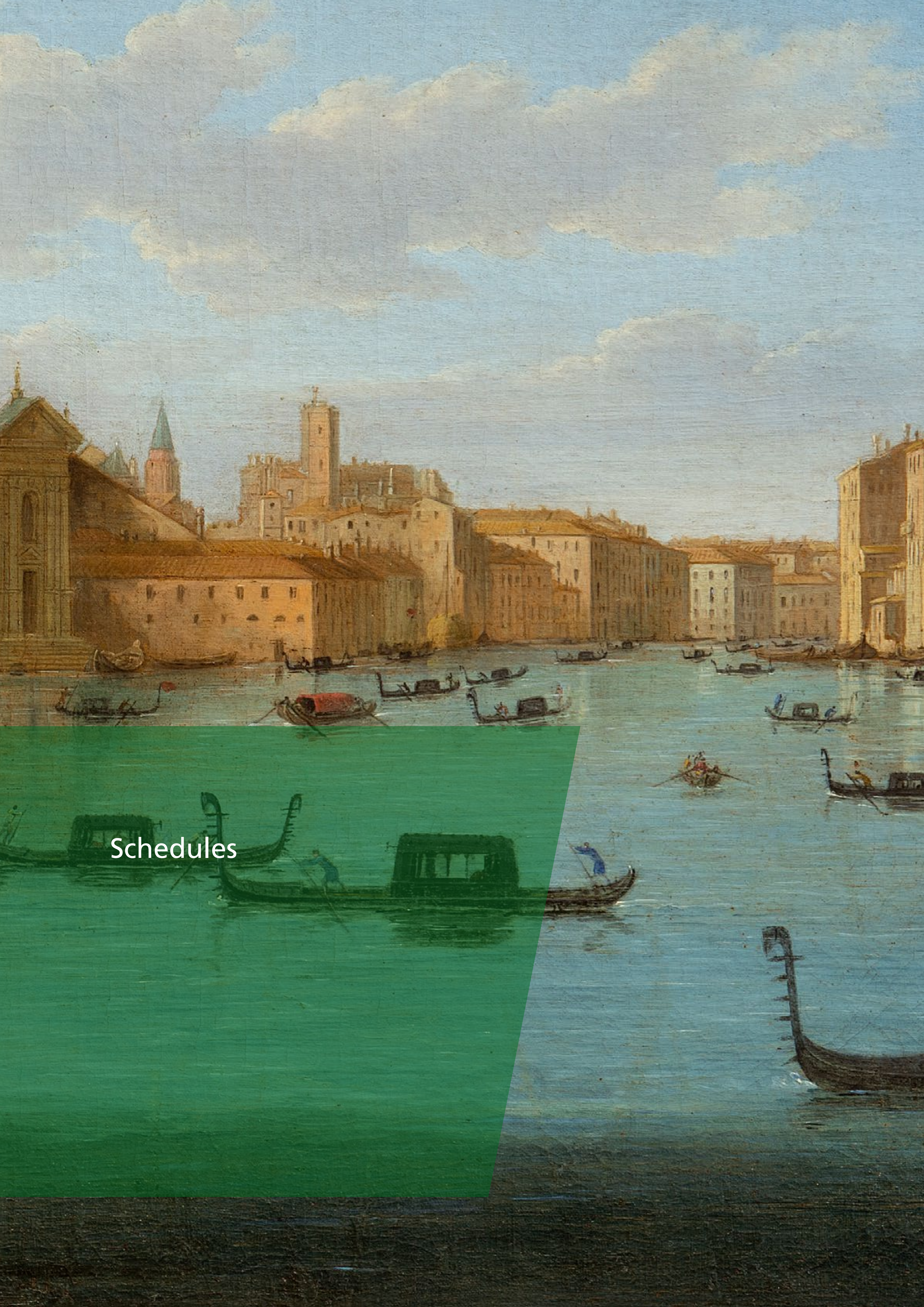
Rome, 2 August 2017

KPMG S.p.A.

(signed on the original)

Giuseppe Scimone
Director of Audit

Schedules



Basis of preparation of the reclassified financial statements

The balance sheet and income statement at 30 June 2017 are a reclassified balance sheet and reclassified income statement to facilitate comparison of the figures for different periods and to enable a clearer and more immediate understanding of the Group's financial position. These statements were prepared using appropriate groupings of the items in the official financial statements.
Moreover, the reclassified consolidated income statement has been changed as follows to provide a clearer presentation of the Group's operating performance:

- Net profit (loss) on financial assets, fee and commission income and expense, and the provisions have been stated net of the returns on the insurance policies taken out as part of the Personal Financial Adviser Networks' Loyalty Schemes, recognised in the official Bank of Italy schedule as net profit (loss) on assets measured at fair value, which - in pertaining to the Personal Financial Advisers - have been recognised as commission expense and provisions.
- Net profit on financial assets and personnel expenses have been stated net of the change in fair value of the Intesa Sanpaolo shares purchased under the employee bonus schemes.
- Expenses for stamp duty on current and deposit accounts, which are recognised in the official Bank of Italy schedule under administrative expenses, have been stated net of income from amounts recovered.
- Fee and commission income has been stated net of the amount related to net interest income.
- Non-recurring income and expenses have been reclassified, net of tax effect, in a separate item designated "Non-recurring income (expenses) net of tax".
- The expenses incurred for maintaining the stability of the banking system (consisting of the contributions to the Deposit Guarantee Scheme and to the Single Resolution Fund, in addition to the expenses connected with the voluntary scheme set up by the Interbank Deposit Guarantee Fund) have been reclassified in a separate item, net of tax, designated "Expenses regarding the banking system (net of tax)".

Reconciliation statements

Reconciliation of consolidated balance sheet and reclassified consolidated balance sheet

(€m)

RECLASSIFIED CONSOLIDATED BALANCE SHEET - ASSETS	CONSOLIDATED BALANCE SHEET - ASSETS	30.6.2017	31.12.2016
Cash and cash equivalents		68	71
	Item 10. Cash and cash equivalents	*68*	*71*
Financial assets (other than loans and held-to-maturity investments)		4,560	4,533
	Item 20. Financial assets held for trading	*84*	*41*
	Item 30. Financial assets measured at fair value through profit or loss	*188*	*195*
	Item 40. Financial assets available for sale	*4,288*	*4,297*
Held-to-maturity investments		-	125
	Item 50. Held-to-maturity investments	*-*	*125*
Loans and advances to banks		20,985	18,705
	Item 60. Loans and advances to banks	*20,985*	*18,705*
Loans and advances to customers		9,160	9,602
	Item 70. Loans and advances to customers	*9,160*	*9,602*
Hedging derivatives		6	3
	Item 80. Hedging derivatives	*6*	*3*
Equity investments		144	141
	Item 100. Equity investments	*144*	*141*
Property and equipment		39	40
	Item 120. Property and equipment	*39*	*40*
Intangible assets and goodwill		176	181
	Item 130. Intangible assets	*176*	*181*
Tax assets		177	180
	Item 140. Tax assets	*177*	*180*
Other assets		941	1,091
	Item 160. Other assets	*941*	*1,091*
Total assets	**Total assets**	**36,256**	**34,672**

RECLASSIFIED CONSOLIDATED BALANCE SHEET - LIABILITIES	CONSOLIDATED BALANCE SHEET - LIABILITIES	30.6.2017	31.12.2016
Due to banks		2,737	2,665
	Item 10. Due to banks	*2,737*	*2,665*
Due to customers		28,395	27,561
	Item 20. Due to customers	*28,395*	*27,561*
Financial liabilities held for trading		81	27
	Item 40. Financial liabilities held for trading	*81*	*27*
Hedging derivatives		979	1,103
	Item 60. Hedging derivatives	*979*	*1,103*
Tax liabilities		75	64
	Item 80. Tax liabilities	*75*	*64*
Other liabilities		1,216	813
	Item 100. Other liabilities	*1,163*	*759*
	Item 110. Provision for employment termination indemnities	*53*	*54*
Provision for risks and charges		445	458
	Item 120. Provision for risks and charges	*445*	*458*
Equity attributable to owners of the parent company		2,328	1,981
	Items 140, 170, 175, 180, 190, 220 Equity attributable to owners of the parent company	*2,328*	*1,981*
Total liabilities	**Total liabilities and shareholders' equity**	**36,256**	**34,672**

Reconciliation of consolidated income statement and reclassified consolidated income statement

(€m)

RECLASSIFIED CONSOLIDATED INCOME STATEMENT	CONSOLIDATED INCOME STATEMENT	1ST HALF 2017	1ST HALF 2016
Net interest income		82	81
	Item 30. Net interest income	*89*	*89*
	- Item 60. (partial)) Net fee and commission income related to net interest income	*(7)*	*(8)*
Net profit (loss) on financial assets and liabilities		15	20
	Item 80. Net profit (loss) on trading activities	*5*	*4*
	Item 90. Net profit (loss) on hedging derivatives	*1*	*(3)*
	Item 100. Net profit (loss) on sales and repurchases	*9*	*19*
	Item 110. Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss	*2*	*(2)*
	- Item 180. a) (partial) Return on Intesa Sanpaolo Shares for remuneration and bonus schemes	*(1)*	*1*
	- Item 190. (partial) Return on insurance policies for network loyalty schemes	*(1)*	*1*
Net fee and commission income		827	771
	Item 60. Net fee and commission income	*820*	*763*
	- Item 60. (partial) Net fee and commission income related to net interest income	*7*	*8*
Operating income before net impairment		**924**	**872**
Net impairment		-	(2)
	Item 130. Net impairment	*-*	*(2)*
Operating income		**924**	**870**
Personnel expenses		(149)	(141)
	Item 180. a) Personnel expenses	*(164)*	*(159)*
	- Item 180. a) (partial) Expenses connected with the Intesa Sanpaolo business plan	*14*	*19*
	- Item 180. a) (partial) Return on Intesa Sanpaolo Shares for remuneration and bonus schemes	*1*	*(1)*
Other administrative expenses		(108)	(109)
	Item 180 b) Other administrative expenses	*(229)*	*(232)*
	- Item 220. (partial) Recovery of indirect taxes	*115*	*113*
	- Item 180. b) (partial) Expenses connected with the Intesa Sanpaolo business plan	*2*	*4*
	- Item 180. b) Expenses regarding the banking system	*4*	*6*
Depreciation and amortisation		(7)	(8)
	Item 200. Depreciation of property and equipment	*(1)*	*(1)*
	Item 210. Amortisation of intangible assets	*(11)*	*(8)*
	- Item 210. (partial) Expenses connected with the Intesa Sanpaolo business plan	*5*	*1*
Operating expenses		**(264)**	**(258)**
Net provisions for risks and charges		(16)	(29)
	Item 190. Net provisions for risks and charges	*(17)*	*(28)*
	- Item 190. (partial) Return on insurance policies for network loyalty schemes	*1*	*(1)*
Profit (loss) on equity investments		6	8
	Item 240. Profit (loss) on equity investments	*6*	*8*
Other operating income (expense)		(1)	(1)
	Item 220. Other income/expense	*114*	*112*
	- Item 220. (partial) Recovery of indirect taxes	*(115)*	*(113)*
Profit (loss) before tax from continuing operations		**649**	**590**
Income taxes for the year on continuing operations		(189)	(167)
	Item 290. Income taxes for the year on continuing operations	*(181)*	*(157)*
	- Item 290. (partial) Tax impact of expenses connected with the Intesa Sanpaolo business plan	*(7)*	*(8)*
	- Item 290. (partial) Tax impact of expenses regarding the banking system	*(1)*	*(2)*
Expenses regarding the banking system (net of tax)		(3)	(4)
	- Item 180. b) Expenses regarding the banking system	*(4)*	*(6)*
	- Item 290. (partial) Tax impact of expenses regarding the banking system	*1*	*2*
Non-recurring income (expenses) net of tax		(14)	(16)
	- Item 180. a) (partial) Expenses connected with the Intesa Sanpaolo business plan	*(14)*	*(19)*
	- Item 180. b) (partial) Expenses connected with the Intesa Sanpaolo business plan	*(2)*	*(4)*
	- Item 210. (partial) Expenses connected with the Intesa Sanpaolo business plan	*(5)*	*(1)*
	- Item 290. (partial) Tax impact of expenses connected with the Intesa Sanpaolo business plan	*7*	*8*
Net profit	**Item 340. Parent company interest in net profit (loss) for the period**	**443**	**403**

Contact us

Fideuram, Sanpaolo Invest, Intesa Sanpaolo Private Banking and Intesa Sanpaolo Private Bank (Suisse) Branches and Personal Financial Advisers' Offices

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INTESA SANPAOLO PRIVATE BANKING PERSONAL FINANCIAL ADVISERS' OFFICES

Bari - Salò - Genoa

INTESA SANPAOLO PRIVATE BANK (SUISSE) BRANCH

Lugano

(at 30 June 2017)

Fideuram in a click

Fideuram's Mobile Banking provides access to banking services and information at any time of the day or night.

The dedicated **"Fideuram"** iPhone or iPad app can be downloaded free of charge from the **App Store / iTunes** and from **Google Play** for devices that use the Android operating system. Customers using smartphones with other operating systems can simply enter www.fideuram.it in their browser app to be transferred to the mobile site automatically.

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GALLERIE D'ITALIA.
THREE MUSEUM CENTRES: A CULTURAL NETWORK FOR THE COUNTRY.

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

In an architectural complex of great value, the **Gallerie di Piazza Scala** in Milan host a selection of two hundred nineteenth-century works of the Lombard school, along with a display itinerary dedicated to Italian art of the twentieth century.

The **Gallerie di Palazzo Leoni Montanari** in Vicenza display the most important collection of Russian icons in the West, examples of eighteenth-century Veneto art and a collection of ceramics from Attica and Magna Graecia.

In Naples, the **Gallerie di Palazzo Zevallos Stigliano** present the *Martyrdom of Saint Ursula*, one of Caravaggio's last masterpieces, along with works of southern Italian art ranging from the seventeenth to the early twentieth century.

Cover photo:

HENDRIK FRANS VAN LINT *(Antwerp, 1684 - Rome, 1763)*
Church of Santa Maria della Salute with Punta della Dogana, ca. 1750
Oil on canvas, 46.5 x 71.5 cm
Intesa Sanpaolo Collection
Gallerie d'Italia - Palazzo Leoni Montanari, Vicenza

Van Lint's view of the *Church of Santa Maria della Salute with Punta della Dogana* belongs to the Intesa Sanpaolo's 18th century Venetian art collection, which is part of the permanent exhibition at Gallerie d'Italia - Palazzo Leoni Montanari, the Bank's museum venue in Vicenza.
The collection offers a review of all the pictorial genres - particularly landscape painting - that won Venice and its school a central role on the international artistic scene in the 18th century. Views of many Italian locations, including Venice, painted by Gaspar van Wittel (late 1600s) were crucial for the success met by this genre in the 1700s. Among his main followers, we cannot fail to mention Hendrik Frans van Lint, a famous Flemish painter who was much sought after for the extreme refinement of his works.

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