FIDEURAM
INTESA SANPAOLO PRIVATE BANKING

Interim report at 30 September 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**.

Interim Report at 30 September 2017

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Group structure

FIDEURAM
INTESA SANPAOLO PRIVATE BANKING

United Kingdom

Branch of
INTESA SANPAOLO PRIVATE BANKING
FIDEURAM ASSET MANAGEMENT IRELAND

Luxembourg

FIDEURAM BANK LUXEMBOURG 100%

Ireland

FIDEURAM ASSET MANAGEMENT IRELAND 100%

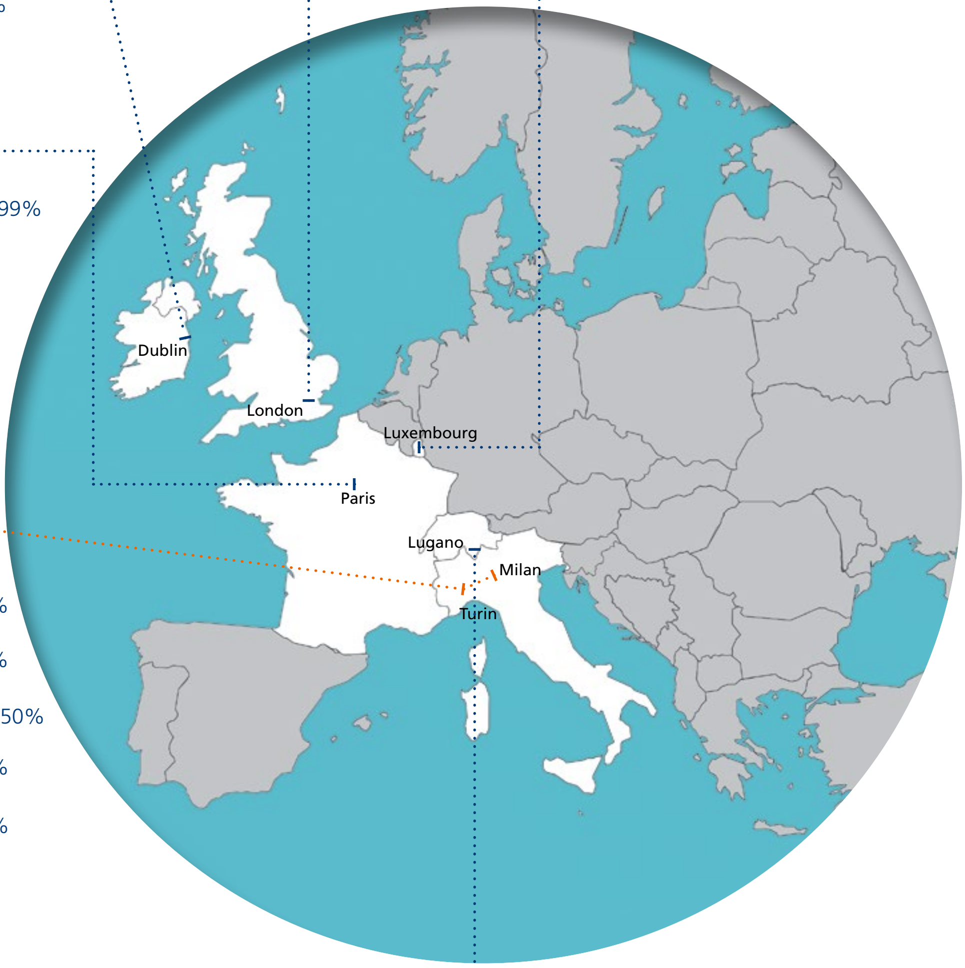
France

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

Shareholders' Meeting

Board of Directors

Board of Statutory Auditors

Internal Audit Committee

Chairman
CESARE IMBRIANI

Members
OSCAR GIANNONI

GIUSEPPE RUSSO

General Management

General Manager
PAOLO MOLESINI

Joint General Managers
ANDREA CHIOATTO

FABIO CUBELLI

Manager responsible for the preparation of the company accounts
PAOLO BACCIGA

Chairman
MATTEO COLAFRANCESCO
(Non-Executive)

Managing Director
PAOLO MOLESINI

Directors
GIANGIACOMO DOMENICO LUIGI NARDOZZI TONIELLI
(Acting Deputy Chairman Independent Non-Executive)

FRANCA CIRRI FIGNAGNANI
(Deputy Chairman Independent Non-Executive)

CLAUDIA DE BENEDETTI
(Independent Non-Executive)

CESARE DOSI
(Independent Non-Executive)

OSCAR GIANNONI
(Independent Non-Executive)

CESARE IMBRIANI
(Independent Non-Executive)

PIERO LUONGO
(Non-Executive)

GIUSEPPE RUSSO
(Independent Non-Executive)

Secretary to the Board of Directors
FILIPPO MAMMOLA

Chairman
GIULIO STEFANO LUBATTI

Statutory Auditors
MARCO ANTONIO MODESTO DELL'ACQUA

LORENZO GINISIO

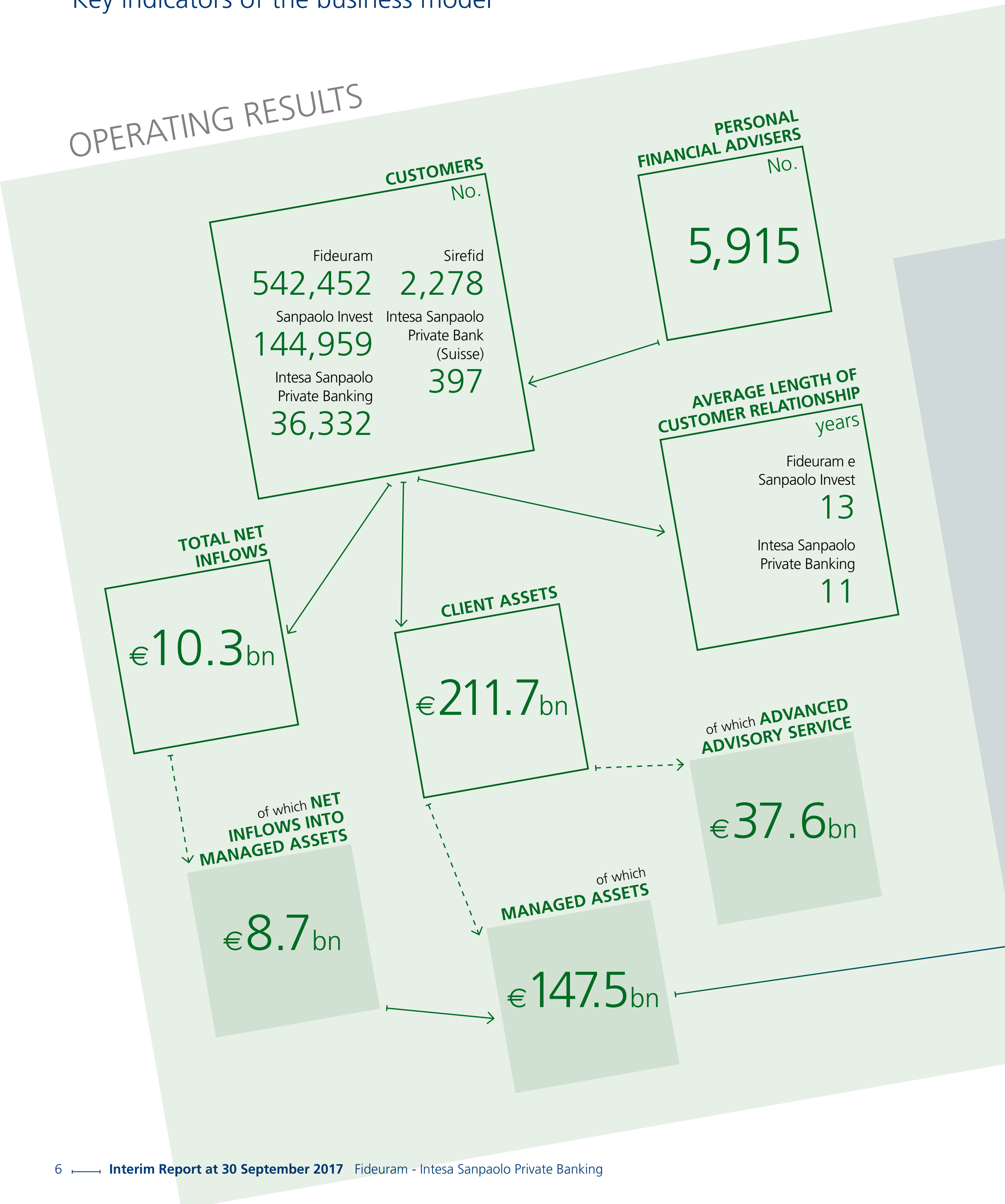
Acting Auditors
ALESSANDRO COTTO

FRANCESCA MONTI

Independent Auditors
KPMG S.p.A.

Key drivers

Key indicators of the business model



FINANCIAL RESULTS

NET RECURRING FEES

€1.2bn
+12%

CONSOLIDATED NET PROFIT

€662m
+13%

COST / INCOME RATIO

28%
(30% in the first nine months of 2016)

RETURN ON EQUITY

39%
(37% in the first nine months of 2016)

Highlights

	30.9.2017	30.9.2016	VAR. %
CUSTOMER FINANCIAL ASSETS			
Net inflows into managed assets (€m)	8,704	1,360	n.s.
Total net inflows (€m)	10,251	5,893	74
Client Assets (€m)	211,685	192,042	10
OPERATING STRUCTURE			
Personal Financial Advisers (No.)	5,915	5,879	
Staff (No.)	3,072	3,014	
- women (No.)	1,358	1,331	
- outside Italy (No.)	172	151	
Personal Financial Advisers' Offices (No.)	322	325	
Bank Branches (No.)	227	228	
CONSOLIDATED FINANCIAL RESULTS			
Consolidated net profit (€m)	662	585	13
Group shareholders' equity (€m)	2,554	2,390	7
Basic consolidated net earnings per share (€)	0.442	0.390	13
Consolidated pay-out ratio (%)	90.9	75.1	
Fideuram pay-out ratio (%)	99.8	99.7	
Total assets (€m)	37,004	31,949	16
Wealth created (€m)	2,036	1,876	9
Economic value distributed (€m)	1,933	1,791	8
PROFITABILITY INDICATORS			
Return on Equity (%)	39	37	
Return on Assets (%)	2	2	
Cost / Income ratio (%)	28	30	
Payroll costs / Operating income before net impairment (%)	16	17	
Annualised net profit / Average client assets (%)	0.4	0.4	
Economic Value Added (€m)	600	522	

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

(*) S&P at 31 October 2017.

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 mutual funds), non-life insurance technical reserves and current account overdrafts.

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

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

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

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

Wealth created and distributed: The increase in value generated by the production and distribution of financial services using Fideuram'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.

Consolidated Interim Report

Reclassified financial statements

Consolidated balance sheet

(Reclassified - €m)

	30.9.2017	31.12.2016	CHANGE	
			AMOUNT	%
ASSETS				
Cash and cash equivalents	72	71	1	1
Financial assets (other than loans and held-to-maturity investments)	4,902	4,533	369	8
Held-to-maturity investments	-	125	(125)	-100
Loans and advances to banks	21,227	18,705	2,522	13
Loans and advances to customers	9,357	9,602	(245)	-3
Hedging derivatives	3	3	-	-
Equity investments	146	141	5	4
Property and equipment	29	40	(11)	-28
Intangible assets and goodwill	175	181	(6)	-3
Tax assets	180	180	-	-
Other assets	913	1,091	(178)	-16
TOTAL ASSETS	**37,004**	**34,672**	**2,332**	**7**
LIABILITIES				
Due to banks	2,670	2,665	5	-
Due to customers	29,167	27,561	1,606	6
Financial liabilities held for trading	42	27	15	56
Hedging derivatives	989	1,103	(114)	-10
Tax liabilities	114	64	50	78
Other liabilities	1,011	813	198	24
Provisions for risks and charges	457	458	(1)	-
Equity attributable to owners of the parent company	2,554	1,981	573	29
TOTAL LIABILITIES	**37,004**	**34,672**	**2,332**	**7**

Consolidated income statement

(Reclassified - €m)

	9 MONTHS 2017	9 MONTHS 2016	CHANGE	
			AMOUNT	%
Net interest income	121	121	-	-
Net profit (loss) on financial assets and liabilities	24	29	(5)	-17
Net fee and commission income	1,250	1,140	110	10
OPERATING INCOME BEFORE NET IMPAIRMENT	**1,395**	**1,290**	**105**	**8**
Net impairment	(1)	(3)	2	-67
OPERATING INCOME	**1,394**	**1,287**	**107**	**8**
Personnel expenses	(225)	(213)	(12)	6
Other administrative expenses	(163)	(165)	2	-1
Depreciation and amortisation	(11)	(11)	-	-
OPERATING EXPENSES	**(399)**	**(389)**	**(10)**	**3**
Net provisions for risks and charges	(22)	(40)	18	-45
Profit (loss) on equity investments	9	9	-	-
Other income (expense)	1	(1)	2	n.s.
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**983**	**866**	**117**	**14**
Income taxes for the period on continuing operations	(288)	(250)	(38)	15
Expenses regarding the banking system (net of tax)	(18)	(9)	(9)	100
Non-recurring income (expenses) (net of tax)	(15)	(22)	7	-32
NET PROFIT	**662**	**585**	**77**	**13**

n.s.: not significant

Quarterly consolidated balance sheets

(Reclassified - €m)

	30.9.2017	30.6.2017	31.3.2017	31.12.2016	30.9.2016	30.6.2016	31.3.2016
ASSETS							
Cash and cash equivalents	72	68	67	71	61	349	49
Financial assets (other than loans and held-to-maturity investments)	4,902	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	21,227	20,985	20,666	18,705	16,287	15,459	14,274
Loans and advances to customers	9,357	9,160	8,893	9,602	9,340	9,819	9,825
Hedging derivatives	3	6	4	3	1	-	-
Equity investments	146	144	141	141	140	137	133
Property and equipment	29	39	40	40	38	38	39
Intangible assets and goodwill	175	176	177	181	169	170	171
Tax assets	180	177	185	180	182	187	189
Other assets	913	941	925	1,091	1,026	1,046	1,015
TOTAL ASSETS	**37,004**	**36,256**	**35,645**	**34,672**	**31,949**	**32,138**	**30,356**
LIABILITIES							
Due to banks	2,670	2,737	2,929	2,665	2,797	2,904	3,201
Due to customers	29,167	28,395	27,979	27,561	23,818	24,252	22,300
Financial liabilities held for trading	42	81	17	27	19	45	52
Hedging derivatives	989	979	1,035	1,103	1,268	1,242	1,152
Tax liabilities	114	75	79	64	84	60	85
Other liabilities	1,011	1,216	1,057	813	1,117	1,005	1,099
Provisions for risks and charges	457	445	463	458	456	442	453
Equity attributable to owners of the parent company	2,554	2,328	2,086	1,981	2,390	2,188	2,014
TOTAL LIABILITIES	**37,004**	**36,256**	**35,645**	**34,672**	**31,949**	**32,138**	**30,356**

Quarterly consolidated income statements

(Reclassified - €m)

	2017			2016			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income	39	42	40	40	40	39	42
Net profit (loss) on financial assets and liabilities	9	5	10	6	9	-	20
Net fee and commission income	423	418	409	403	369	387	384
OPERATING INCOME BEFORE NET IMPAIRMENT	**471**	**465**	**459**	**449**	**418**	**426**	**446**
Net impairment	(1)	-	-	1	(1)	(1)	(1)
OPERATING INCOME	**470**	**465**	**459**	**450**	**417**	**425**	**445**
Personnel expenses	(76)	(77)	(72)	(71)	(72)	(71)	(70)
Other administrative expenses	(55)	(58)	(50)	(60)	(56)	(58)	(51)
Depreciation and amortisation	(4)	(3)	(4)	(4)	(3)	(4)	(4)
OPERATING EXPENSES	**(135)**	**(138)**	**(126)**	**(135)**	**(131)**	**(133)**	**(125)**
Net provisions for risks and charges	(6)	(9)	(7)	-	(11)	(14)	(15)
Profit (loss) on equity investments	3	3	3	1	1	5	3
Other income (expense)	2	-	(1)	(2)	-	(1)	-
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**334**	**321**	**328**	**314**	**276**	**282**	**308**
Income taxes for the period on continuing operations	(99)	(95)	(94)	(93)	(83)	(80)	(87)
Expenses regarding the banking system (net of tax)	(15)	1	(4)	(9)	(5)	(2)	(2)
Non-recurring income (expenses) (net of tax)	(1)	(7)	(7)	(11)	(6)	(10)	(6)
NET PROFIT	**219**	**220**	**223**	**201**	**182**	**190**	**213**

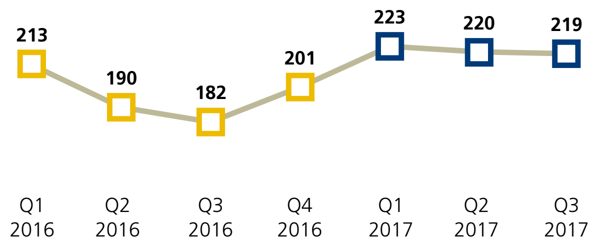
Overview of consolidated results

The Fideuram - Intesa Sanpaolo Private Banking Group ended the first nine months of 2017 with **consolidated net profit** of **€662m**, up €77m (+13%) on the first nine months of 2016.
The Wealth created by the Group's business totalled €2bn at 30 September 2017, up €160m on the same period last year. The return on equity (R.O.E.) was 39%.

Analysis of the main income statement items shows that profit before tax from continuing operations was up €117m on the first nine months of 2016, mainly due to a €110m increase in net fee and commission income and, to a lesser extent, an €18m reduction in net provisions for risks and charges. Reversing their recent trend, operating expenses were up 10m on the figure for the same period last year. The Group's cost/income ratio improved to 28% compared with 30% in the first nine months of 2016.

Consolidated net profit

(€m)



At 30 September 2017, there were a total of 5,915 Personal Financial Advisers in the Group's networks compared with 5,848 at 31 December and 5,879 at 30 September 2016. Total Group staff came to 3,072, up from 3,010 at 31 December 2016 as a result of the growth of our distribution and sales networks. Bank branches totalled 227 and Personal Financial Advisers' offices totalled 322.

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 €211bn. 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. 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..

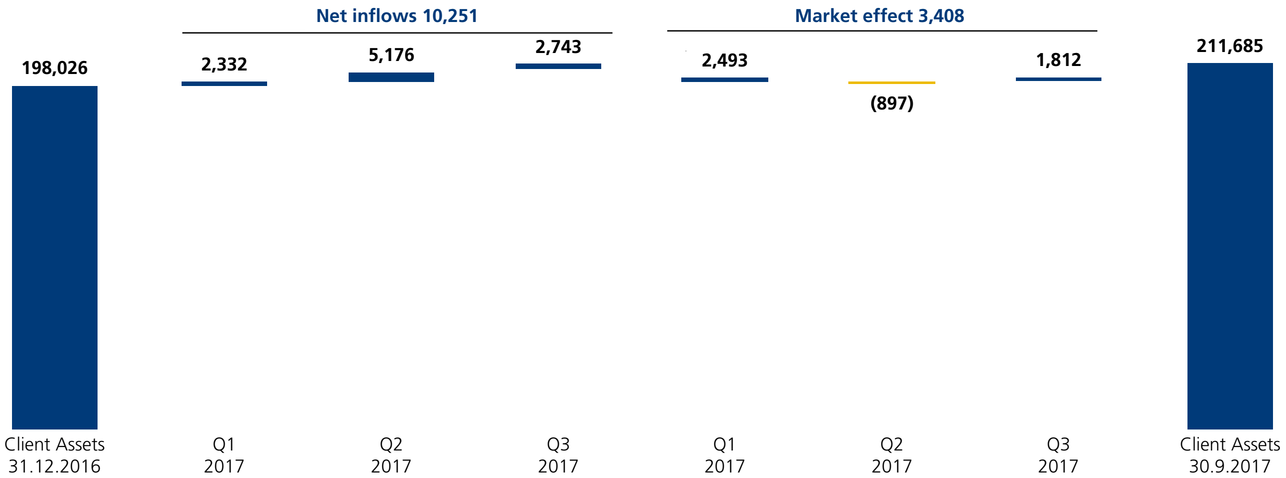
The project to develop the Division's presence outside Italy identified a strategic opportunity in the acquisition of the Morval Vonwiller Group's holding company, headquartered in Switzerland, which operates internationally in the private banking and wealth management sectors. Completion of the transaction is subject to the relevant regulatory authorisations.

Client financial assets

Client Assets totalled €211.7bn at 30 September 2017, up €13.7bn (+7%) on the figure at 31 December 2016, largely as a result of strong net inflows (+€10.3bn) and, to a lesser extent, the strong market performance of the assets themselves (+€3.4bn).

Client Assets

(€m)



Analysis of the item shows that managed assets rose to €147.5bn (70% of total client assets), an increase of €10.9bn on the figure at 31 December 2016. This growth, driven by excellent net inflows, was in mutual funds (+€6.4bn), life assurance (+€2.7bn) and, to a lesser extent, discretionary accounts (+€1.8bn). Non-managed assets totalled €64.2bn, up €2.7bn on the figure at year-end 2016.

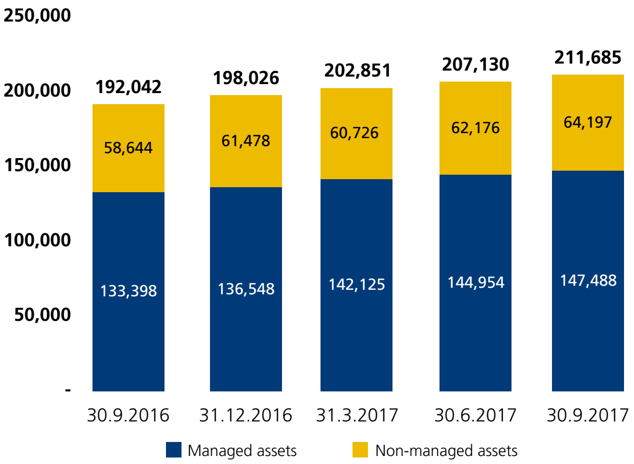
Client Assets

(€m)

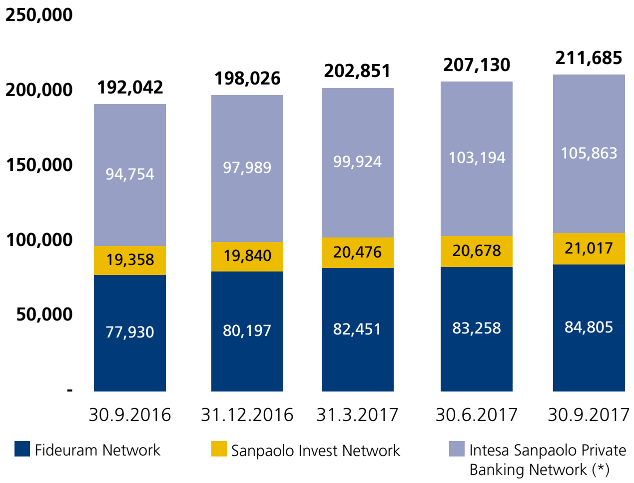
	30.9.2017	31.12.2016	CHANGE	
			AMOUNT	%
Mutual funds	54,640	48,263	6,377	13
Discretionary accounts	42,864	41,088	1,776	4
Life insurance	48,278	45,623	2,655	6
including: Fideuram Vita / Intesa SanpaoloVita unit linked	*33,208*	*30,512*	*2,696*	*9*
Pension funds	1,706	1,574	132	8
Total managed assets	**147,488**	**136,548**	**10,940**	**8**
Total non-managed assets	**64,197**	**61,478**	**2,719**	**4**
including: Securities	*38,963*	*37,787*	*1,176*	*3*
Total Client Assets	**211,685**	**198,026**	**13,659**	**7**

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

Client Assets - by type of inflows
(€m)



Client Assets - by sales network
(€m)



(*) The figures for the Intesa Sanpaolo Private Banking sales network include the client assets of 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 €10.3bn net inflows in the first nine months of 2017, up €4.4bn (+74%) on the total for the corresponding period last year.
Analysis of the item shows that inflows into managed assets totalled €8.7bn, up sharply (+€7.3bn) on the figure for 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 (+€7.1bn) and discretionary accounts (+€0.6bn) compared with the first nine months of last year.
Net inflows into non-managed assets were positive at €1.5bn, impacted by a major asset allocation shift which saw growth down €3bn from the figure for the corresponding period in 2016.

Net inflows

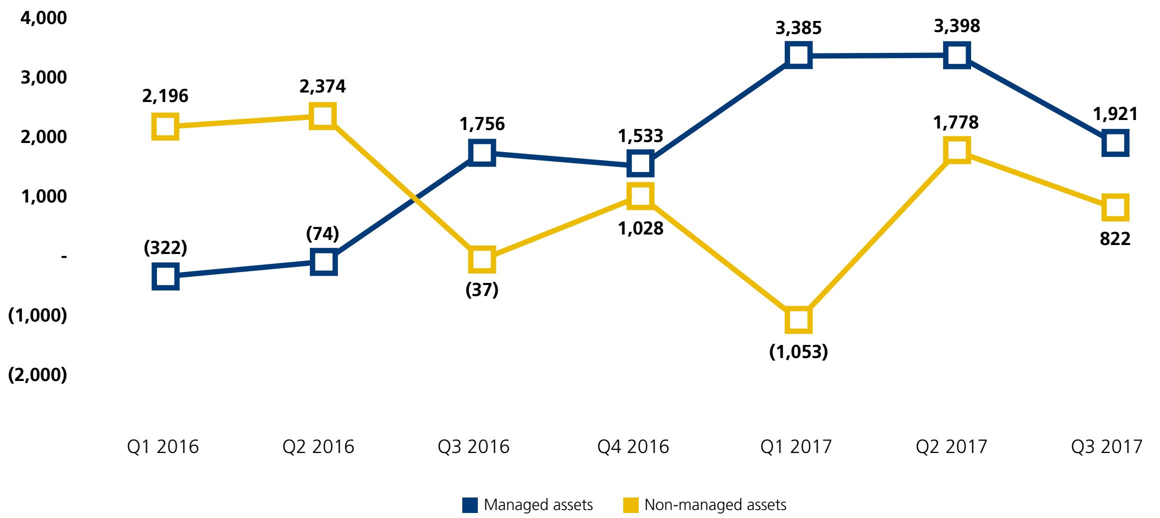
(€m)

	9 MONTHS 2017	9 MONTHS 2016	CHANGE	
			AMOUNT	%
Mutual funds	5,523	(1,599)	7,122	n.s.
Discretionary accounts	870	273	597	n.s.
Life insurance	2,218	2,603	(385)	-15
including: Fideuram Vita / Intesa SanpaoloVita unit linked	*2,340*	*2,565*	*(225)*	*-9*
Pension funds	93	83	10	12
Total managed assets	**8,704**	**1,360**	**7,344**	**n.s.**
Total non-managed assets	**1,547**	**4,533**	**(2,986)**	**-66**
including: Securities	*158*	*803*	*(645)*	*-80*
Total Net inflows	**10,251**	**5,893**	**4,358**	**74**

n.s.: not significant

Net inflows

(€m)



Customer segmentation

CLIENT ASSETS at 30 September 2017

- Fideuram: €84,805m
- Sanpaolo Invest: €21,017m
- Intesa Sanpaolo Private Banking: €100,767m
- Sirefid: €3,782m (*)
- Intesa Sanpaolo Private Bank (Suisse): €1,314m

(*) Does not include fiduciary management assets in Group client assets. Total company client assets were €7.3bn.

CUSTOMERS at 30 September 2017

- Fideuram: no. 542,452
- Sanpaolo Invest: no. 144,959
- Intesa Sanpaolo Private Banking: no. 36,332 (**)
- Sirefid: no. fiduciary mandates 2,278
- Intesa Sanpaolo Private Bank (Suisse): no. 397

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

Analysis of the Group's customer base shows that it is concentrated in the Private Banking and High Net Worth Individual (HNWI) segment. This focus on high-end customers (over 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.

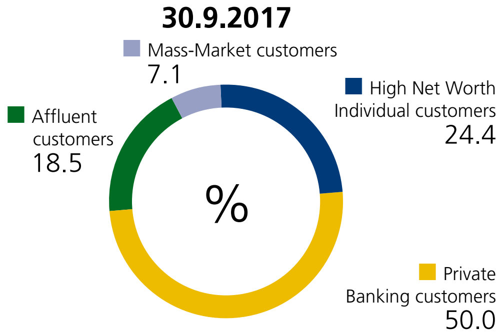
The table and graphs below analyse client assets by type of customer.

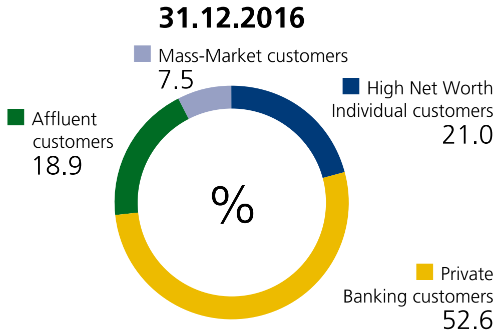
Client Assets by type of customer

(€m)

	30.9.2017	31.12.2016	CHANGE	
			AMOUNT	%
High Net Worth Individual customers	51,619	41,489	10,130	24
Private Banking customers	105,866	104,250	1,616	2
Affluent customers	39,200	37,524	1,676	4
Mass-Market customers	15,000	14,763	237	2
Total	**211,685**	**198,026**	**13,659**	**7**

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 banking group with three renowned brands - Fideuram, Intesa Sanpaolo Private Banking and Sanpaolo Invest - and a network of 227 bank branches and 322 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 supporting each customer's investments, paying careful attention to risk management and the suitability of their overall portfolio.
- Advanced Advisory Services: provided on the basis of a dedicated contract and subject to the payment of commission.

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

- SEI Advanced Advisory Service: this service identifies the customer's individual requirements classified by area of need, analyses their overall position and risk/return profile, and identifies appropriate investment strategies and solutions for each individual area of need, monitoring them over time.
- Private Banking 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 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 September 2017, accounting for approximately €37.6bn client assets. The customer and client assets data for our Advanced Advisory Services are shown below.

Customers subscribed to Advanced Advisory Services

(number)

	30.9.2017	31.12.2016	CHANGE AMOUNT	CHANGE %
High Net Worth Individual customers	683	520	163	31
Private Banking customers	18,014	15,924	2,090	13
Affluent customers	34,635	34,679	(44)	-
Mass-Market customers	17,143	17,204	(61)	-
Total	**70,475**	**68,327**	**2,148**	**3**

Advanced Advisory Service client assets

(€m)

	30.9.2017	31.12.2016	CHANGE AMOUNT	CHANGE %
High Net Worth Individual customers	4,501	3,688	813	22
Private Banking customers	23,330	20,717	2,613	13
Affluent customers	8,716	8,672	44	1
Mass-Market customers	1,024	1,029	(5)	-
Total	**37,571**	**34,106**	**3,465**	**10**

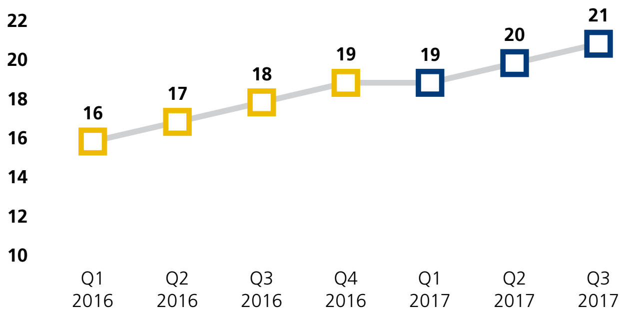
Advanced Advisory Service Fee and Commission Income

(€m)

	9 MONTHS 2017	9 MONTHS 2016	CHANGE AMOUNT	CHANGE %
Fee and commission income	97	87	10	11
Fee and commission expense	(37)	(36)	(1)	3
Net fee and commission income	**60**	**51**	**9**	**18**

Quarterly net fee and commission income from Advanced Advisory Service

(€m)



Analysis of the income statement

The Fideuram Group ended the first nine months of 2017 with consolidated net profit of €662m, up €77m (+13%) on the figure for the corresponding period last year.

Operating income before net impairment came to 1.4bn, up €105m (+8%) on the figure for the first nine months of 2016 as a result of:

- Growth in net fee and commission income (+€110m)
- Decreased net profit on financial assets (-€5m).

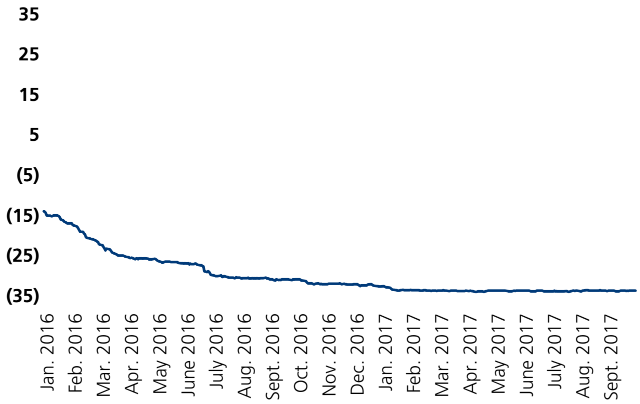
Net interest income

(€m)

	9 MONTHS 2017	9 MONTHS 2016	CHANGE AMOUNT	CHANGE %
Interest expense on due to customers	(19)	(29)	10	-34
Interest expense on due to banks	(17)	(18)	1	-6
Interest income on debt securities	160	156	4	3
Interest income on loans	66	79	(13)	-16
Net interest on hedging derivatives	(69)	(67)	(2)	3
Total	**121**	**121**	**-**	**-**

Euribor 3 months rate

(bp)

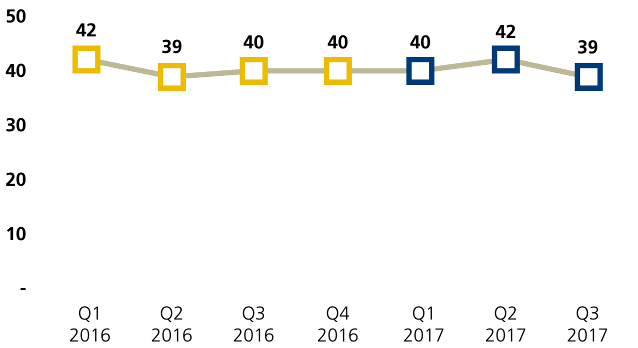


Source: Bloomberg

Net interest income came to €121m, which as in line with the figure for the corresponding period last year, as a result of falling reference interest rates being offset by growth in average interest-bearing assets. Analysis of the quarterly data shows that net interest income was, however, down in the third quarter (-€3m) as a result of a decline in the profitability of short-term loans, again linked to negative interest rates, and the gradual maturing of loans that were more remunerative than new loans.

Quarterly net interest income

(€m)



Net profit (loss) on financial assets and liabilities

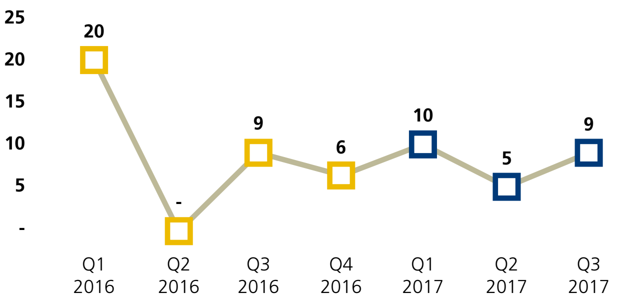
(€m)

	9 MONTHS 2017	9 MONTHS 2016	CHANGE AMOUNT	%
Net profit (loss) on sale of loans and financial assets	15	22	(7)	-32
Net profit (loss) on trading activities	8	6	2	33
Net profit (loss) on hedging derivatives	1	1	-	-
Total	**24**	**29**	**(5)**	**-17**

Net profit (loss) on financial assets and liabilities came to €24m, down €5m from the figure for the first nine months of 2016.
Analysis of the item shows that net profit on sale of financial assets (€15m) was down €7m from the figure for same period last year due to decreased sales of investment securities. Net profit on trading activities came to €8m, up €2m on the corresponding period in 2016. Net profit on hedging derivatives, resulting from the ineffective hedging of interest-rate derivatives, remained in line with the figure for the first nine months of 2016 at €1m.

Quarterly net profit (loss) on financial assets and liabilities

(€m)



Fee and commission income

(€m)

	9 MONTHS 2017	9 MONTHS 2016	CHANGE AMOUNT	%
Fee and commission income	1,774	1,613	161	10
Fee and commission expense	(524)	(473)	(51)	11
Net fee and commission income	**1,250**	**1,140**	**110**	**10**

Net fee and commission income totalled €1.3bn, up €110m (+10%) on the figure for the first nine months of 2016.

Net recurring fees

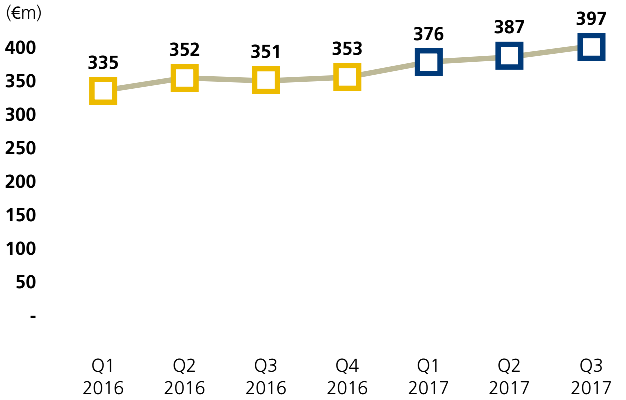
(€m)

	Q1	Q2	Q3	TOTAL
2017	376	387	397	1,160
2016	335	352	351	1,038
Change	**41**	**35**	**46**	**122**

Net recurring fees totalled €1.2bn, an increase of €122m (+12%) on the figure for the first nine months of the previous financial year, principally due to strong growth in average managed assets, which rose from €129.9bn at 30 September 2016 to approximately €142.6bn at the end of September 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 €60m compared with €51m in the first nine months of 2016 (+18%). Analysis of the quarterly data shows that net recurring fees experienced continuous growth in 2017, in line with the sharp increase in average managed assets throughout the period.

Quarterly net recurring fees

(€m)



Performance fees totalled €1m in the first nine months 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 funds for which performance fees are charged half-yearly (applying a High Water Mark clause).

Net front-end fees

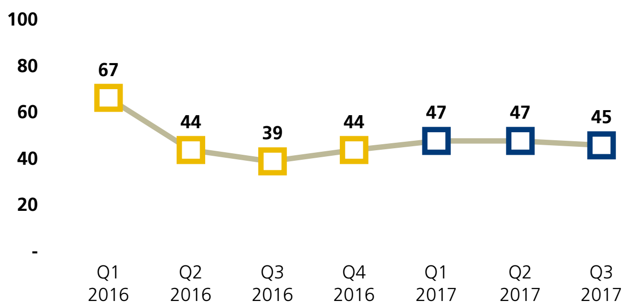
(€m)

	Q1	Q2	Q3	TOTAL
2017	47	47	45	139
2016	67	44	39	150
Change	**(20)**	**3**	**6**	**(11)**

Net front-end fees came to €139m, down €11m (-7%) from the figure for the first nine months 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 €843m gross inflows in the period, compared with €3.6bn in the first nine months of 2016.

Quarterly net front-end fees

(€m)



Other commission expense: incentives and others

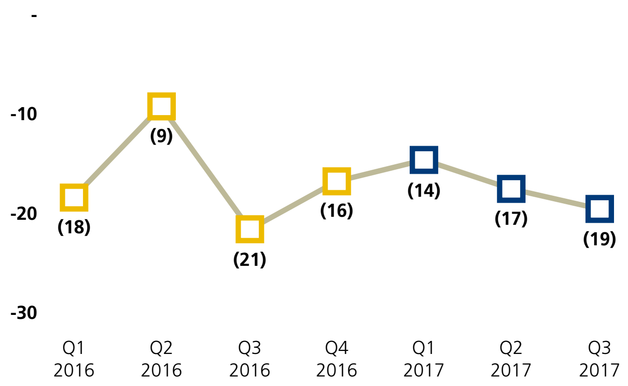
(€m)

	Q1	Q2	Q3	TOTAL
2017	(14)	(17)	(19)	(50)
2016	(18)	(9)	(21)	(48)
Change	**4**	**(8)**	**2**	**(2)**

Commission expense for incentives and others came to €50m, up €2m (+4%) on the figure for the first nine months 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 totalled €1m, a €2m improvement on the corresponding period last year, principally due to decreased loan impairment.

Operating expenses

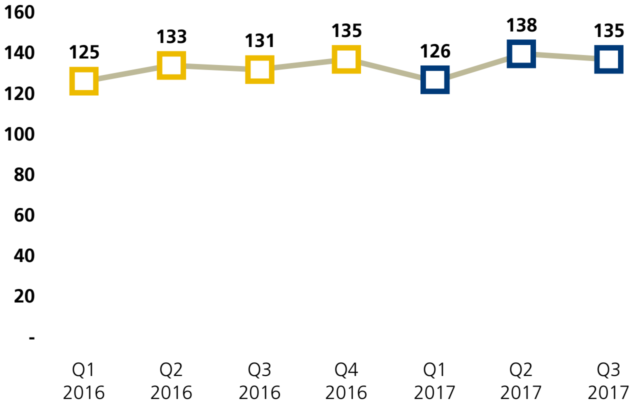
(€m)

	9 MONTHS 2017	9 MONTHS 2016	CHANGE AMOUNT	CHANGE %
Personnel expenses	225	213	12	6
Other administrative expenses	163	165	(2)	-1
Depreciation and amortisation	11	11	-	-
Total	**399**	**389**	**10**	**3**

Operating expenses came to €399m, up €10m (+3%) on the figure for the first nine months of last year.
Analysis of the item shows that personnel expenses, which totalled €225m, were up €12m on the figure for the corresponding period in 2016 due to the increased cost of having strengthened our staff, mainly in the sales area (+58 resources), and the increased impact of the variable components of remuneration.
Other administrative expenses totalled €163m, down €2m from the figure for same period last year, principally as a result of reduced third-party service costs. Depreciation and amortisation totalled €11m, unchanged from the figure for the first nine months of 2016.

Quarterly operating expenses

(€m)



Net provisions for risks and charges

(€m)

	9 MONTHS 2017	9 MONTHS 2016	CHANGE AMOUNT	CHANGE %
Personal Financial Advisers' termination indemnities and incentives	17	29	(12)	-41
Litigation and complaints	3	6	(3)	-50
Network Loyalty Schemes	2	5	(3)	-60
Total	**22**	**40**	**(18)**	**-45**

Net provisions for risks and charges came to €22m, down €18m (-45%) from the figure for the corresponding period last year. Analysis of the item shows that the provision for the termination of Personal Financial Adviser agency agreements decreased sharply to €17m (-41%). 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 nine months of 2017, whereas the reverse had occurred in the first nine months of 2016. The provision for litigation and complaints totalled €3m, down €3m compared with the first nine months of last year as a result of the lower overall risk of the new litigation initiated in the period, and of a number of cases having been concluded with lower expenses than estimated. Provisions totalling €2m 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 €9m, corresponding to the profit from the Group's 19.99% interest in Fideuram Vita S.p.A. and 25% interest in Qingdao Yicai Ltd, which was in line with the figure for the first nine months of 2016.

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, improved to a positive balance of +€1m in the first nine months of 2017 compared with a negative balance of -€1m in the corresponding period of 2016, principally due to an insurance settlement received by Intesa Sanpaolo Private Banking.

Income taxes, for which €288m was set aside in the period, were up €38m compared with the figure for the corresponding period in 2016 as a result of increased profit before tax in the period. The tax rate was 29%, in line with the figure for the first nine months of last 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 €18m in the first nine months of the year, up €9m on the figure for the corresponding period last year, and comprised the €7m expense of the contribution to the Deposit Guarantee Scheme (DGS) introduced by Directive 2014/49/EU, €3m set aside for the contribution to the Single Resolution Fund introduced by Directive 2014/59/EU, and the €8m extraordinary expense connected with the Group's contribution to the Interbank Deposit Guarantee Fund voluntary scheme in respect of Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato.

Non-recurring income and expenses net of tax, which include income and expenses that are not ordinary operating expenses, came to €15m (compared with €22m in the first nine months of 2016), principally due to the expenses incurred integrating Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Bank (Suisse) and Sirefid in the Fideuram Group, which were partially offset by a €6m net gain on the sale of a building owned to a closed-end Italian real estate fund managed by Investire SGR.

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.

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

Business segmentation at 30 September 2017

(€m)

	MANAGED FINANCIAL ASSETS	LIFE INSURANCE ASSETS	BANKING SERVICES	TOTAL FOR FIDEURAM GROUP
Net interest income	-	-	121	121
Net profit (loss) on financial assets and liabilities	-	-	24	24
Net fee and commission income	825	376	49	1,250
Operating income before net impairment	**825**	**376**	**194**	**1,395**
Operating expenses	(197)	(52)	(150)	(399)
Other	(14)	(6)	7	(13)
Profit before tax from continuing operations	**614**	**318**	**51**	**983**
Average Client Assets	**94,254**	**48,358**	**61,843**	**204,455**
Client Assets	**97,504**	**49,984**	**64,197**	**211,685**
Key indicators				
Cost / Income Ratio	24%	14%	74%	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 €97.5bn at 30 September 2017 (46% of total client assets), an increase of €9.8bn (+11%) on 30 September 2016 as a result of increased mutual funds (+€7.4bn) and discretionary accounts (+€2.4bn). Net inflows were positive to the tune of €6.4bn, up €7.7bn 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 €614m, up €130m compared with the same period in the previous financial year due to growth in net fee and commission income (+€125m). 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)

	9 MONTHS 2017	9 MONTHS 2016	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities	-	-	-
Net fee and commission income	825	700	18
Operating income before net impairment	**825**	**700**	**18**
Operating expenses	(197)	(191)	3
Other	(14)	(25)	-44
Profit before tax from continuing operations	**614**	**484**	**27**
Average Client Assets	**94,254**	**86,383**	**9**
Client Assets	**97,504**	**87,658**	**11**
Key indicators			
Cost / Income Ratio	24%	27%	
Annualised profit before tax / Average Client Assets	0.9%	0.7%	
Annualised net fee and commission income / Average Client Assets	1.2%	1.1%	

LIFE INSURANCE ASSETS SEGMENT

This segment covers the Group's life insurance and pension fund business, which totalled €50bn at 30 September 2017 (24% of total client assets), up €4.2bn on the figure for the corresponding period last year principally due to strong life insurance performance (+€4bn). Total net inflows in the segment were €2.3bn, down €0.4bn compared with the corresponding period in the previous financial year.
The contribution of this segment to profit before tax from continuing operations totalled €318m, up €58m 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)

	9 MONTHS 2017	9 MONTHS 2016	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities	-	-	-
Net fee and commission income	376	323	16
Operating income before net impairment	**376**	**323**	**16**
Operating expenses	(52)	(51)	2
Other	(6)	(12)	-50
Profit before tax from continuing operations	**318**	**260**	**22**
Average Client Assets	**48,358**	**43,475**	**11**
Client Assets	**49,984**	**45,740**	**9**
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%	

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 €64.2bn at 30 September 2017 (30% of total client assets), up €5.6bn compared with the figure at 30 September 2016. Total net inflows in the segment were positive at €1.5bn, down €3bn from the figure for the same period in the previous financial year due to a major shift in asset allocation.
The contribution of this segment to profit before tax from continuing operations was €51m. The €71m decrease in profit before tax from continuing operations compared with the first nine months 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 nine months 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)

	9 MONTHS 2017	9 MONTHS 2016	% CHANGE
Net interest income	121	121	-
Net profit (loss) on financial assets and liabilities	24	29	-17
Net fee and commission income	49	117	-58
Operating income before net impairment	**194**	**267**	**-27**
Operating expenses	(150)	(147)	2
Other	7	2	n.s.
Profit before tax from continuing operations	**51**	**122**	**-58**
Average Client Assets	**61,843**	**58,171**	**6**
Client Assets	**64,197**	**58,644**	**9**
Key indicators			
Cost / Income Ratio	74%	53%	
Annualised profit before tax / Average Client Assets	0.1%	0.3%	
Annualised net fee and commission income / Average Client Assets	0.1%	0.3%	

n.s.: not significant

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 nine months of 2017, reclassified in accordance with the instructions of the Italian Banking Association (Associazione Bancaria Italiana - ABI) following the guidelines of the Global Reporting Initiative (GRI). The Wealth created is the economic value generated in the period, which is for the most part distributed to the stakeholders with whom the Group has relations as part of its daily operations. The Value retained is the difference between the Wealth created and the Value distributed, and it is used for productive investments to enable economic growth and financial stability, as well as to ensure the creation of new wealth to the benefit of our stakeholders. The Wealth created by the global business of the Group totalled €2bn in the first nine months of 2017, up €160m on the total for the corresponding period in 2016. This wealth was distributed to stakeholders as follows:

- Colleagues (employees and Personal Financial Advisers) received 36.2% of the Wealth created, amounting to a total of €737m. This included the remuneration paid to employees and the amounts set aside for and paid to the Personal Financial Adviser Networks.
- Our shareholder received 29.6% of the Wealth created, in the form of the proposed dividend pay-out totalling €602m.
- The government, public authorities, institutions and the community received €414m, principally in the form of direct and indirect taxes, equating to 20.3% of the Wealth created.
- Suppliers received 8.8% of the Wealth created, amounting to €180m paid for goods and services.
- The remaining €103m 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.

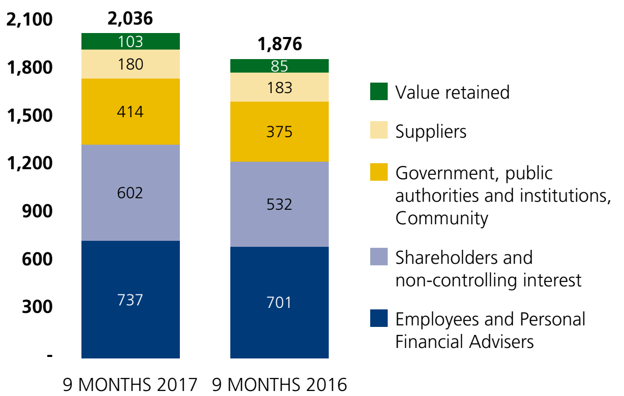
Economic value added

(€m)

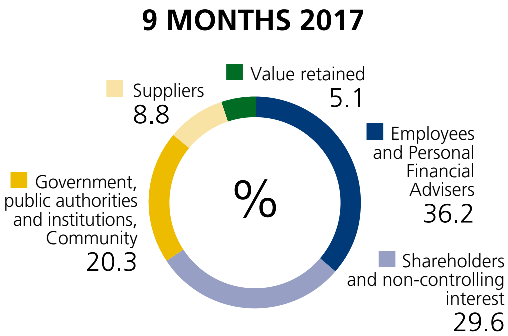
	9 MONTHS 2017	9 MONTHS 2016	CHANGE AMOUNT	CHANGE %
Wealth created	**2,036**	**1,876**	**160**	**9**
Value distributed	**(1,933)**	**(1,791)**	**(142)**	**8**
Employees and Personal Financial Advisers	(737)	(701)	(36)	5
Shareholders and non-controlling interest	(602)	(532)	(70)	13
Government, public authorities and institutions, Community	(414)	(375)	(39)	10
Suppliers	(180)	(183)	3	-2
Value retained	**103**	**85**	**18**	**21**

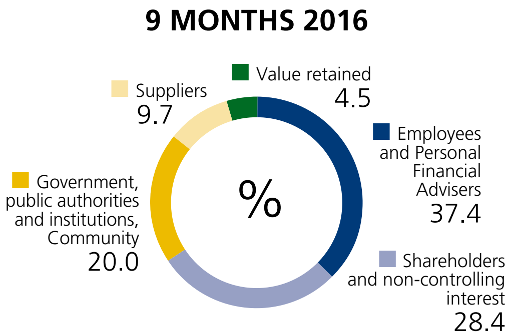
Wealth created

(€m)



Distribution of wealth created (%)





Asset and liability management

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

Group **financial assets** held for treasury and investment purposes totalled €4.9bn, up €244m on the figure at the end of 2016 (+5%).

Financial assets

(€m)

	30.9.2017	31.12.2016	CHANGE	
			AMOUNT	%
Financial assets held for trading	47	41	6	15
Financial assets measured at fair value through profit or loss	208	195	13	7
Financial assets available for sale	4,647	4,297	350	8
Held-to-maturity investments	-	125	(125)	-100
Hedging derivatives	3	3	-	-
Total	**4,905**	**4,661**	**244**	**5**

This was principally due to growth in financial assets available for sale (+€350m) resulting from new securities purchases in the period and, to a lesser extent, to fair value gains on the back of the improved credit spreads of the issuers of the bonds in the portfolio, which were partially offset by the repayment of the bonds in held-to-maturity investments (-€125m).

Financial liabilities

(€m)

	30.9.2017	31.12.2016	CHANGE	
			AMOUNT	%
Financial liabilities held for trading	42	27	15	56
Hedging derivatives	989	1,103	(114)	-10
Total	**1,031**	**1,130**	**(99)**	**-9**

Financial liabilities, consisting of derivatives, totalled €1bn. This was €99m less than the figure at 31 December 2016 (-9%), 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)

	30.9.2017	31.12.2016	CHANGE	
			AMOUNT	%
Due from Central Banks	257	204	53	26
Current account and demand deposits	5,128	4,906	222	5
Term deposits	8,957	7,808	1,149	15
Other	14	24	(10)	-42
Debt securities	6,871	5,763	1,108	19
Total	**21,227**	**18,705**	**2,522**	**13**

Loans and advances to banks came to €21.2bn, up €2.5bn on the figure at the end of 2016 (+13%), principally due to growth in investments in term deposits and debt securities issued by banks in the Intesa Sanpaolo Group. Current accounts included €1.7bn 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 €0.2bn from the figure at year-end 2016.

Due to banks

(€m)

	30.9.2017	31.12.2016	CHANGE	
			AMOUNT	%
Current accounts and demand deposits	118	140	(22)	-16
Term deposits	154	124	30	24
Repurchase agreements	2,385	2,387	(2)	-
Other debts	13	14	(1)	-7
Total	**2,670**	**2,665**	**5**	**-**

Due to banks totalled €2.7bn, in line with the figure at year-end 2016. The Group continued to be a net lender on the interbank market, with net interbank deposits of €18.5bn (€21.2bn deposits and €2.7bn loans), €17.8bn of which (approximately 95.8% 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)

	30.9.2017	31.12.2016	CHANGE	
			AMOUNT	%
Current accounts	5,427	5,198	229	4
Repurchase agreements	-	820	(820)	-100
Loans	599	519	80	15
Other	1,472	1,168	304	26
Debt securities	1,849	1,888	(39)	-2
Impaired assets	10	9	1	11
Total	**9,357**	**9,602**	**(245)**	**-3**

Loans and advances to customers totalled €9.4bn and mainly comprised short-term loans (repayable within 12 months or revocable loans without a specified term) and unlisted debt securities. This was €245m 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 (+€533m in respect of current accounts and other loans).
Net problem loans totalled €10m at the end of September 2017, up €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 €8m, up €3m on the figure at 31 December 2016.
- Loans receivable or overdue came to €1m, down €2m from the figure at 31 December 2016.

Due to customers

(€m)

	30.9.2017	31.12.2016	CHANGE	
			AMOUNT	%
Current accounts and demand deposits	25,890	23,492	2,398	10
Term deposits	2,841	3,967	(1,126)	-28
Repurchase agreements	306	7	299	n.s.
Other debts	130	95	35	37
Total	**29,167**	**27,561**	**1,606**	**6**

n.s.: not significant

Due to customers totalled €29.2bn, up €1.6bn (+6%) on the figure at the end of December 2016 as a result of growth in customer current account deposits (+€2.4bn) and repurchase agreements (+€299m), which was partially offset by decreased term deposits (-€1.1bn).

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	-	-	3	3
Finland	-	-	31	31
France	-	-	81	81
Spain	-	-	314	314
Italy	1,577	3	1,229	2,809
United States	-	-	147	147
Total	**1,577**	**3**	**1,827**	**3,407**

(*) The Italian government bonds in the available-for-sale portfolio, which had a total face value of €265m, were covered by financial-guarantee contracts.

Intangible assets totalled €175m, 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 September 2017 are shown below. The total provisions were in line with the figure at the end of December 2016 (-€1m).

Provisions for risks and charges

(€m)

	30.9.2017	31.12.2016	CHANGE	
			AMOUNT	%
Litigation, securities in default and complaints	99	109	(10)	-9
Personnel expenses	54	64	(10)	-16
Personal Financial Advisers' termination indemnities	216	204	12	6
Network Loyalty Schemes	80	80	-	-
Other	8	1	7	n.s.
Total	**457**	**458**	**(1)**	**-**

The provision for litigation, securities in default and complaints was down €10m from the figure at the end of 2016 as a result of utilisation in the first nine months of the year. The provision for personnel expenses was down €10m 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 €12m due to the provisions set aside in the period. Other provisions totalled €8m, up €7m compared with the figure at 31 December 2016 due to the expense connected with the Group's contribution to the Interbank Deposit Guarantee Fund voluntary scheme in respect of Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato.

Shareholders' equity

Group shareholders' equity including net profit for the period totalled €2.6bn at 30 September 2017, having changed as follows:

Group Shareholders' Equity

(€m)

Shareholders' equity at 31 December 2016	**1.981**
Change in financial assets available for sale	18
Dividend distribution	(114)
Exchange rate differences and other changes	7
Net profit	662
Shareholders' equity at 30 September 2017	**2,554**

The €18m 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 September 2017, the reserve for available-for-sale financial assets was negative to the tune of €80m 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 September 2017.

Fideuram's own funds calculated on the basis of its separate accounts totalled €985m at 30 September 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 September 2017 are shown below.

Fideuram S.p.A. Capital Ratios

(€m)

	30.9.2017
CET1	985
Tier 1	985
Own funds	985
Total risk-weighted assets	7,116
CET1 Ratio	**13.8%**
Tier 1 Ratio	**13.8%**
Total Capital Ratio	**13.8%**

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 September 2017, our Common Equity Tier 1 Ratio was estimated to be 15.5%.

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)

	30.9.2017		31.12.2016		CHANGE
	NET EXPOSURE	%	NET EXPOSURE	%	NET EXPOSURE
Doubtful loans	1	-	1	-	-
Unlikely to pay	8	-	5	-	3
Past due or overdue loans	1	-	3	-	(2)
Non-performing assets	**10**	**-**	**9**	**-**	**1**
Performing loans	7,498	80	7,705	83	(207)
Debt instruments	1,849	20	1,888	17	(39)
Loans and advances to customers	**9,357**	**100**	**9,602**	**100**	**(245)**

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 Intesa Sanpaolo. 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 Intesa Sanpaolo. 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 €13.4bn at 30 September 2017 and comprised securities classified as financial assets available for sale, loans and advances to banks and customers, and hedging derivatives.

Banking book

(€m)

	30.9.2017	31.12.2016	CHANGE	
			AMOUNT	%
Financial assets available for sale	4,647	4,297	350	8
Held-to-maturity investments	-	125	(125)	-100
Debt securities classified as loans and advances to banks	6,871	5,763	1,108	19
Debt securities classified as loans and advances to customers	1,849	1,888	(39)	-2
Hedging derivatives	3	3	-	-
Total	**13,370**	**12,076**	**1,294**	**11**

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

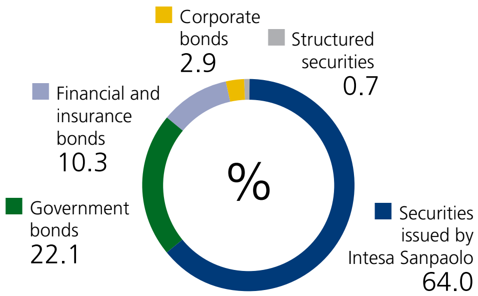
The market risk of this portfolio mainly regards the management of investments in securities. The Group's exposure to interest rate risk is, moreover, also influenced by other typical banking balance sheet items (customer deposits and loans). The financial risk of the banking book is measured using the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

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

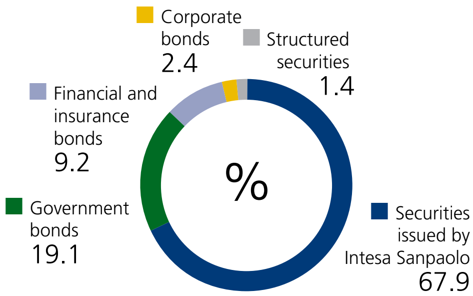
The Value at Risk is the maximum potential amount that the portfolio could lose over the next working day with a confidence interval of 99%, and is calculated using the same method adopted by Intesa Sanpaolo (volatility of the individual risk factors and the historical correlations observed between them). VaR is a risk measurement applied to available-for-sale securities which takes interest rates and credit spreads into account. At 30 September 2017, the Value at Risk calculated for a one-day time horizon was €7.64m, which was comfortably within the limit assigned to the Fideuram Group (€16.5m).

Analysis by product type

30.9.2017

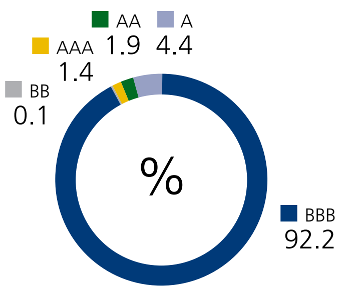


31.12.2016

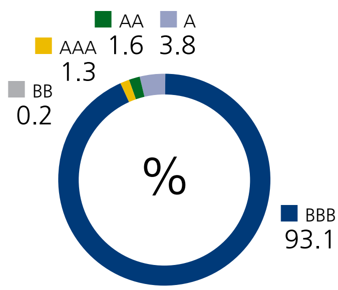


Analysis by rating

30.9.2017



31.12.2016



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 -€22.76m at the end of September 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)

	30.9.2017			31.12.2016		
	LEVEL 1	**LEVEL 2**	**LEVEL 3**	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**
Financial assets held for trading	3	44	-	10	31	-
Financial assets measured at fair value through profit or loss	8	200	-	5	190	-
Financial assets available for sale	4,069	578	-	3,710	583	4
Hedging derivatives	-	3	-	-	3	-
Total	**4,080**	**825**	**-**	**3,725**	**807**	**4**
Financial liabilities held for trading	-	42	-	-	27	-
Hedging derivatives	-	989	-	-	1,103	-
Total	**-**	**1,031**	**-**	**-**	**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 whether it complies 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 for 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.

At 30 September 2017, there were no emerging phenomena of note. The Group's operational losses for all classes of risk totalled €9.1m. The most significant loss item concerned "Internal Misconduct", which is typically the most significant class of risk for the Fideuram Group. In the first nine months of the year, there were 15 cases of misconduct by the same number of Personal Financial Advisers, and provisions totalling €921k were set aside for 10 of them. In addition, €5.3m additional provisions were set aside for past cases of misconduct and €1.8m provisions for compensation, plus €67k provisions 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 September 2017, these provisions totalled €99m. 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 September 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 September 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 Large Taxpayers Office of the Latium Region Office of the Inland Revenue 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, but the Tax Office filed an appeal against the decisions.

In 2015, having completed a general inspection relating to the 2011 tax year, the Lombardy Region Office of the In-

land 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 31 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.

There were two cases pending regarding subsidiary Intesa Sanpaolo Private Banking, both resulting from an inspection by the Large Taxpayers Office of the Lombardy Region Office of the Inland Revenue in 2012, which concluded with the issue of a report setting out its findings regarding the years 2009 to 2011. The report contested two matters:

- The deductibility of costs incurred in 2009 and 2010 as a result of settlements/adverse judgements regarding securities in default, and
- The redemption of the goodwill acquired by the bank as a result of the transfer of company divisions and the consequent deduction of amortisation, with effect from 2011.

The Inland Revenue subsequently closed the case regarding the former for the years 2009 and 2010.
In December 2016, the Lombardy Large Taxpayers Office issued notices of assessment regarding IRES corporate income tax and IRAP regional business tax in relation to the dispute regarding the 2011 tax year. The notices disallowed the deduction of the amortisation of the goodwill arising from the transfers of company divisions by Intesa Sanpaolo Group companies, and claimed taxes totalling €3.8m, plus penalties and interest. Confident that it acted correctly, the bank has lodged an appeal with the Provincial Tax Commission.
In August 2017, the Large Taxpayers Office of the Lombardy Region Office of the Inland Revenue served further notices of assessment on the same matter of IRES corporate income tax and IRAP regional business tax regarding 2012 as well. The bank will also be filing an appeal with the Provincial Tax Commission regarding this dispute.
Since the tax claim is unfounded, no allocations were made to the provisions for risks.

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 sent defence statements to the Ministry of the Economy and Finance within the required 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.

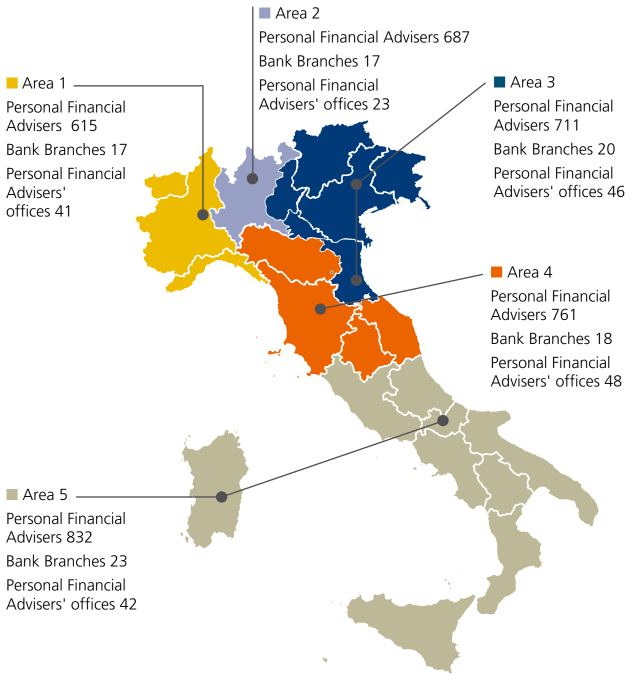
Human capital

SALES NETWORKS

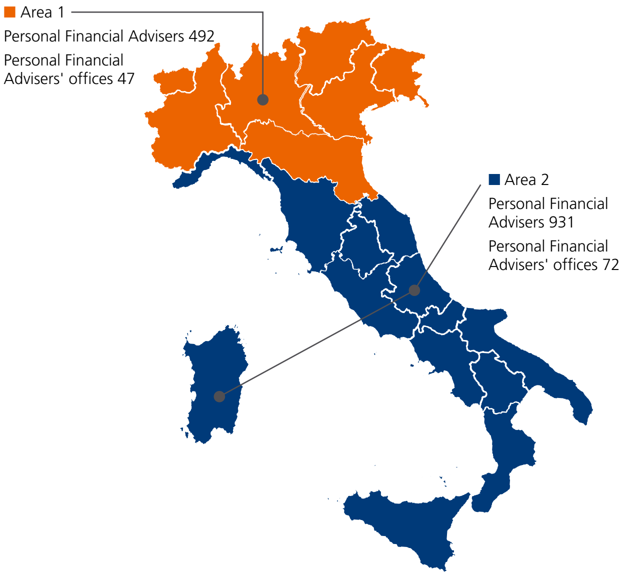
The Group's distribution networks (Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking Networks) totalled 5,915 Personal Financial Advisers at 30 September 2017 compared with 5,848 at 31 December 2016.

	BEGINNING OF PERIOD 1.1.2017	IN	OUT	NET	END OF PERIOD 30.9.2017
Fideuram Network	3,571	152	117	35	3,606
Sanpaolo Invest Network	1,429	69	75	(6)	1,423
Intesa Sanpaolo Private Banking Network	848	64	26	38	886
Total	**5,848**	**285**	**218**	**67**	**5,915**

Fideuram Network



Sanpaolo Invest Network



The Fideuram and Sanpaolo Invest Networks' recruitment programmes brought in 221 new professionals in the first nine months of 2017 (compared with 163 new Personal Financial Advisers recruited in the corresponding period of 2016) and 280 over the past 12 months, compared with 238 in the previous twelve-month period. 192 Personal Financial Advisers left the Group in the first nine months of the year, only 25% of whom, however, moved to competitor networks.

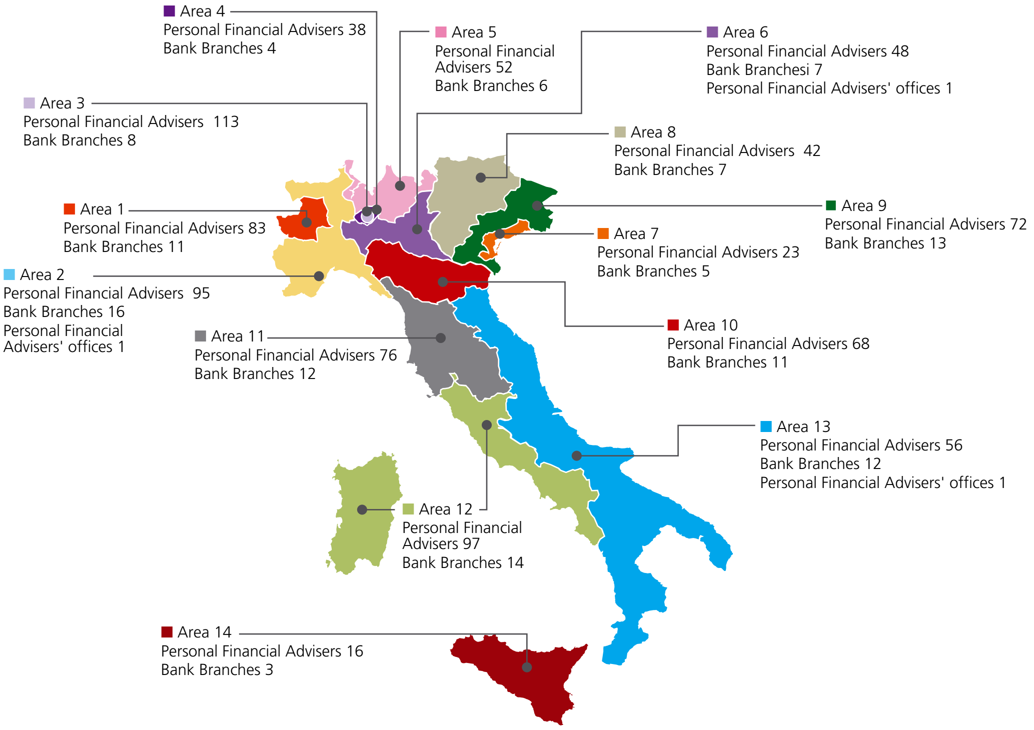
Fideuram Personal Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
9 months					
1.1.2017 - 30.9.2017	3,571	152	117	35	3,606
1.1.2016 - 30.9.2016	3,589	109	105	4	3,593
Twelve-month period					
1.10.2016 - 30.9.2017	3,593	193	180	13	3,606
1.10.2015 - 30.9.2016	3,596	162	165	(3)	3,593

Sanpaolo Invest Personal Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
9 months					
1.1.2017 - 30.9.2017	1,429	69	75	(6)	1,423
1.1.2016 - 30.9.2016	1,436	54	51	3	1,439
Twelve-month period					
1.10.2016 - 30.9.2017	1,439	87	103	(16)	1,423
1.10.2015 - 30.9.2016	1,452	76	89	(13)	1,439

Intesa Sanpaolo Private Banking Network



The Intesa Sanpaolo Private Banking Network at period end comprised 847 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), 34 freelance professionals on agency contracts and 5 Personal Financial Advisers at Intesa Sanpaolo Private Bank (Suisse).

Intesa Sanpaolo Private Banking Personal Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
9 months					
1.1.2017 - 30.9.2017	848	64	26	38	886
1.1.2016 - 30.9.2016	821	45	19	26	847
Twelve-month period					
1.10.2016 - 30.9.2017	847	76	37	39	886
1.10.2015 - 30.9.2016	826	48	27	21	847

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 developing and providing enhanced support for their customers. At the end of September 2017, 894 Personal Financial Advisers had joined together in teams, collectively managing a total of around €7.5bn assets for over 69,000 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 3,072 at 30 September 2017, compared with 3,010 at the end of December 2016, an increase of 62 which was principally due to the growth of our distribution and sales networks. Direct employees totalled 3,012.

Human Resources

(number)

	30.9.2017	31.12.2016	30.9.2016
Fideuram - Intesa Sanpaolo Private Banking	1,335	1,323	1,326
Intesa Sanpaolo Private Banking	1,346	1,314	1,310
Sanpaolo Invest SIM	49	49	51
Sirefid	61	56	58
Fideuram Fiduciaria	24	24	25
Intesa Sanpaolo Private Bank (Suisse)	27	25	25
Financière Fideuram	4	4	4
Asset Management	**226**	**215**	**215**
Fideuram Asset Management (Ireland)	63	58	56
Fideuram Bank (Luxembourg)	68	65	66
Fideuram Investimenti SGR	95	92	93
Total	**3,072**	**3,010**	**3,014**

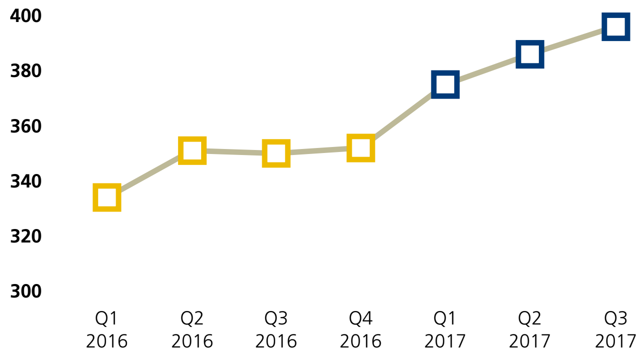
Events after the reporting period and outlook

There were no significant events after the reporting period requiring any changes to be made to the consolidated financial statements at 30 September 2017.

The first nine months 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 €662m. The Group's managed asset inflow development policies and constant focus on risk management will see us end the current year with net profit up on 2016.

Quarterly net recurring fees

(€m)



The Board of Directors
Turin, 6 November 2017

Accounting policies

DECLARATION OF COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Consolidated Interim Report at 30 September 2017 has been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission.

BASIS OF PREPARATION

The Consolidated Interim Report comprises the Balance Sheet, Income Statement, Statement of Comprehensive Income and Statement of Changes in Equity, accompanied by explanatory notes on the Group's performance. The report uses the euro as its presentation currency, and all the figures herein are stated in millions of euro unless specified otherwise.
This Report was prepared in accordance with the same accounting policies adopted for the financial statements at 31 December 2016, where they are described in greater detail. The income statement for the first nine months of 2017 is compared with the income statement for the corresponding period in 2016, while the balance sheet at 30 September 2017 is compared with the balance sheet at 31 December 2016. The Consolidated Interim Report is not subject to an audit by the Independent Auditors.

SCOPE AND METHODS OF CONSOLIDATION

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

Equity investments at 30.9.2017

NAME	REGISTERED OFFICE	OWNERSHIP %
Sanpaolo Invest SIM S.p.A.	Turin	100.000
Intesa Sanpaolo Private Banking S.p.A.	Milan	100.000
Fideuram Investimenti SGR S.p.A.	Milan	99.500
Sirefid S.p.A.	Milan	100.000
Fideuram Fiduciaria S.p.A.	Turin	100.000
Fideuram Asset Management (Ireland) dac	Dublin	100.000
Fideuram Bank (Luxembourg) S.A.	Luxembourg	100.000
Financière Fideuram S.A.	Paris	99.999
Intesa Sanpaolo Private Bank (Suisse) S.A.	Lugano	100.000

The Consolidated Interim Report includes 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 are those prepared by the subsidiaries for the reference date 30 September 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 are translated to euro applying the period-end exchange rates to balance sheet items and the average exchange rates for the period to income statement items. Any exchange rate differences arising from conversions at said exchange rates are 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 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 specified 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 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 completed 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 fourth quarter 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 €241m as the difference between the theoretical total negative reserve at 30 September 2017 (€281m) and the total negative reserve actually recorded in other comprehensive income 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 30.9.2017	FAIR VALUE AT 30.9.2017	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	1,579	1,336	(4)	37	(71)	38

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

Consolidated financial statements

Consolidated balance sheet

(€m)

ASSETS	30.9.2017	31.12.2016
10. Cash and cash equivalents	72	71
20. Financial assets held for trading	47	41
30. Financial assets measured at fair value through profit or loss	208	195
40. Financial assets available for sale	4,647	4,297
50. Held-to-maturity investments	-	125
60. Loans and advances to banks	21,227	18,705
70. Loans and advances to customers	9,357	9,602
80. Hedging derivatives	3	3
90. Adjustments to financial assets subject to macro-hedging	-	-
100. Equity investments	146	141
110. Reinsurers' share of technical reserves	-	-
120. Property and equipment	29	40
130. Intangible assets	175	181
of which: goodwill	140	140
140. Tax assets	180	180
a) Current	27	28
b) Deferred	153	152
of which: convertible to tax credits (Italian law No. 214/2011)	18	21
150. Non-current assets held for sale and discontinued operations	-	-
160. Other assets	913	1,091
TOTAL ASSETS	**37,004**	**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)

LIABILITIES AND SHAREHOLDERS' EQUITY	30.9.2017	31.12.2016
10. Due to banks	2,670	2,665
20. Due to customers	29,167	27,561
30. Debt on issue	-	-
40. Financial liabilities held for trading	42	27
50. Financial liabilities measured at fair value through profit or loss	-	-
60. Hedging derivatives	989	1,103
70. Adjustments to financial liabilities subject to macro-hedging	-	-
80. Tax liabilities	114	64
a) Current	63	11
b) Deferred	51	53
90. Liabilities associated with non-current assets held for sale and discontinued operations	-	-
100. Other liabilities	958	759
110. Provision for employment termination indemnities	53	54
120. Provisions for risks and charges	457	458
a) Pensions and other commitments	8	8
b) Other provisions	449	450
130. Technical reserves	-	-
140. Valuation reserves	(70)	(84)
150. Redeemable shares	-	-
160. Equity instruments	-	-
170. Reserves	1,456	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	662	786
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**37,004**	**34,672**

Chairman of the Board
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Paolo Bacciga

Consolidated income statement

(€m)

	9 MONTHS 2017	9 MONTHS 2016
10. Interest income and similar income	248	244
20. Interest expense and similar expense	(117)	(112)
30. Net interest income	**131**	**132**
40. Fee and commission income	1,775	1,613
50. Fee and commission expense	(535)	(485)
60. Net fee and commission income	**1,240**	**1,128**
70. Dividends and similar income	-	-
80. Net profit (loss) on trading activities	7	6
90. Net profit (loss) on hedging derivatives	1	1
100. Net profit (loss) on sale or repurchase of:	15	22
a) Loans	6	8
b) Financial assets available for sale	9	14
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	4	1
120. Total net interest and trading income	**1,398**	**1,290**
130. Net impairment of:	(6)	(3)
a) Loans	(1)	(3)
b) Financial assets available for sale	(5)	-
c) Held-to-maturity investments	-	-
d) Other financial transactions	-	-
140. Operating income	**1,392**	**1,287**
150. Net insurance premiums	-	-
160. Other income/expense from insurance activities	-	-
170. Operating income from financing and insurance activities	**1,392**	**1,287**
180. Administrative expenses:	(590)	(582)
a) Personnel expenses	(246)	(237)
b) Other administrative expenses	(344)	(345)
190. Net provisions for risks and charges	(32)	(40)
200. Depreciation of property and equipment	(2)	(2)
210. Amortisation of intangible assets	(16)	(13)
220. Other income/expense	165	160
230. Operating expenses	**(475)**	**(477)**
240. Profit (loss) on equity investments	9	9
250. Net fair value gains (losses) on property and equipment and intangible assets	-	-
260. Goodwill impairment	-	-
270. Gain (loss) on disposal of investments	8	-
280. Profit (loss) before tax from continuing operations	**934**	**819**
290. Income taxes for the period on continuing operations	(272)	(234)
300. Profit (loss) after tax from continuing operations	**662**	**585**
310. Profit (loss) after tax from discontinued operations	-	-
320. Net profit (loss) for the period	**662**	**585**
330. Net profit (loss) for the period attributable to non-controlling interests	-	-
340. Parent company interest in net profit (loss) for the period	**662**	**585**

Chairman of the Board
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Matteo Colafrancesco

Managing Director
Paolo Molesini

Manager Responsible for the Preparation
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Paolo Bacciga

Consolidated statement of comprehensive income

(€m)

	9 MONTHS 2017	9 MONTHS 2016
10. Net profit (loss) for the period	**662**	**585**
Other comprehensive income after tax not transferred to the income statement	**-**	**(7)**
20. Property and equipment	-	-
30. Intangible assets	-	-
40. Defined-benefit plans	-	(7)
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	**14**	**(16)**
70. Hedges of net investments in foreign operations	-	-
80. Exchange rate differences	(2)	-
90. Cash flow hedges	(2)	-
100. Financial assets available for sale	21	(17)
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	**14**	**(23)**
140. Total comprehensive income	**676**	**562**
150. Total comprehensive income attributable to non-controlling interests	-	-
160. Total comprehensive income attributable to parent company	676	562

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Paolo Bacciga

Statement of changes in consolidated equity

(€m)

	BALANCE AT 31.12.2016	CHANGE TO OPENING BALANCE	BALANCE AT 1.1.2017	ALLOCATION OF INCOME FOR THE PREVIOUS YEAR		CHANGES IN THE PERIOD										SHAREHOLDERS' EQUITY AT 30.9.2017	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 30.9.2017			
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**	**-**	**11**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,456**	**1,456**	**-**
a) From net income	1,299	-	1,299	72	-	11	-	-	-	-	-	-	-	-	-	1,382	1,382	-
b) Other	74	-	74	-	-	-	-	-	-	-	-	-	-	-	-	74	74	-
Valuation reserves	**(84)**	**-**	**(84)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14**	**(70)**	**(70)**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interim dividends	**(600)**	**-**	**(600)**	**-**	**600**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the period	**786**	**-**	**786**	**(72)**	**(714)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**662**	**662**	**662**	**-**
Shareholders' equity	**1,981**	**-**	**1,981**	**-**	**(114)**	**11**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**676**	**2,554**	**2,554**	**-**
Equity attributable to owners of the parent company	**1,981**	**-**	**1,981**	**-**	**(114)**	**11**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**676**	**2,554**		
Equity attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		

Chairman of the Board
of Directors
Matteo Colafrancesco

Managing Director
Paolo Molesini

Manager Responsible for the Preparation
of the Company Accounts
Paolo Bacciga

Statement of changes in consolidated equity

(€m)

				ALLOCATION OF INCOME FOR THE PREVIOUS YEAR		CHANGES IN THE PERIOD												
							TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY											
	BALANCE AT 31.12.2015	CHANGE TO OPENING BALANCE	BALANCE AT 1.1.2016	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 30.9.2016	SHAREHOLDERS' EQUITY AT 30.9.2016	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:	**1,328**	**-**	**1,328**	**33**	**-**	**11**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,372**	**1,372**	**-**
a) From net income	1,254	-	1,254	33	-	11	-	-	-	-	-	-	-	-	-	1,298	1,298	-
b) Other	74	-	74	-	-	-	-	-	-	-	-	-	-	-	-	74	74	-
Valuation reserves	**(50)**	**-**	**(50)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(23)**	**(73)**	**(73)**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interim dividends	**(501)**	**-**	**(501)**	**501**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the period	**594**	**-**	**594**	**(534)**	**(60)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**585**	**585**	**585**	**-**
Shareholders' equity	**1,877**	**-**	**1,877**	**-**	**(60)**	**11**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**562**	**2,390**	**2,390**	**-**
Equity attributable to owners of the parent company	**1,877**	**-**	**1,877**	**-**	**(60)**	**11**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**562**	**2,390**		
Equity attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		

Chairman of the Board of Directors
Matteo Colafrancesco

Managing Director
Paolo Molesini

Manager Responsible for the Preparation of the Company Accounts
Paolo Bacciga

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

The Manager responsible for the preparation of the company accounts, Paolo Bacciga, hereby certifies in accordance with article 154 bis, subparagraph 2, of the Italian Finance Consolidation Act that the accounting information contained in this Consolidated Interim Report at 30 September 2017 corresponds to the accounting documents, records and books.

Turin, 6 November 2017

Paolo Bacciga
Manager responsible for the preparation
of the Company Accounts

Schedules

Basis of preparation of the reclassified financial statements

The balance sheet and income statement at 30 September 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	30.9.2017	31.12.2016
Cash and cash equivalents		72	71
	Item 10. Cash and cash equivalents	*72*	*71*
Financial assets (other than loans and held-to-maturity investments)		4,902	4,533
	Item 20. Financial assets held for trading	*47*	*41*
	Item 30. Financial assets designed at fair value through profit or loss	*208*	*195*
	Item 40. Financial assets available for sale	*4,647*	*4,297*
Held-to-maturity investments		-	125
	Item 50. Held-to-maturity investments	-	*125*
Loans and advances to banks		21,227	18,705
	Item 60. Loans and advances to banks	*21,227*	*18,705*
Loans and advances to customers		9,357	9,602
	Item 70. Loans and advances to customers	*9,357*	*9,602*
Hedging derivatives		3	3
	Item 80. Hedging derivatives	*3*	*3*
Equity investments		146	141
	Item 100. Equity investments	*146*	*141*
Property and equipment		29	40
	Item 120. Property and equipment	*29*	*40*
Intangible assets and goodwill		175	181
	Item 130. Intangible assets	*175*	*181*
Tax assets		180	180
	Item 140. Tax assets	*180*	*180*
Other assets		913	1,091
	Item 160. Other assets	*913*	*1,091*
Total assets	**Total assets**	**37,004**	**34,672**

RECLASSIFIED CONSOLIDATED BALANCE SHEET - LIABILITIES	CONSOLIDATED BALANCE SHEET - LIABILITIES	30.9.2017	31.12.2016
Due to banks		2,670	2,665
	Item 10. Due to banks	*2,670*	*2,665*
Due to customers		29,167	27,561
	Item 20. Due to customers	*29,167*	*27,561*
Financial liabilities held for trading		42	27
	Item 40. Financial liabilities held for trading	*42*	*27*
Hedging derivatives		989	1,103
	Item 60. Hedging derivatives	*989*	*1,103*
Tax liabilities		114	64
	Item 80. Tax liabilities	*114*	*64*
Other liabilities		1,011	813
	Item 100. Other liabilities	*958*	*759*
	Item 110. Provision for employment termination indemnities	*53*	*54*
Provision for risks and charges		457	458
	Item 120. Provision for risks and charges	*457*	*458*
Equity attributable to owners of the parent company		2,554	1,981
	Items 140, 170, 175, 180, 190, 220 Equity attributable to owners of the parent company	*2,554*	*1,981*
Total liabilities	**Total liabilities and shareholders' equity**	**37,004**	**34,672**

Reconciliation of consolidated income statement and reclassified consolidated income statement

(€m)

RECLASSIFIED CONSOLIDATED INCOME STATEMENT	CONSOLIDATED INCOME STATEMENT	9 MONTHS 2017	9 MONTHS 2016
Net interest income		121	121
	Item 30. Net interest income	*131*	*132*
	- Item 60. (partial) Net fee and commission income related to net interest income	*(10)*	*(11)*
Net profit (loss) on financial assets and liabilities		24	29
	Item 80. Net profit (loss) on trading activities	*7*	*6*
	Item 90. Net profit (loss) on hedging derivatives	*1*	*1*
	Item 100. Net profit (loss) on sales and repurchases	*15*	*22*
	Item 110. Net profit (loss) on financial assets and liabilities designated at fair value through profit or loss	*4*	*1*
	- Item 60. (partial) Return on insurance policies for network loyalty schemes	*(1)*	*(1)*
	- Item 180. a) (parzial) Return on Intesa Sanpaolo Shares for remuneration and bonus schemes	*(1)*	*-*
	- Item 190. (partial) Return on insurance policies for network loyalty schemes	*(1)*	*-*
Net fee and commission income		1,250	1,140
	Item 60. Net fee and commission income	*1,240*	*1,128*
	- Item 60. (partial) Net fee and commission income related to net interest income	*10*	*11*
	- Item 60. (partial) Return on insurance policies for network loyalty schemes	*1*	*1*
Operating income before net impairment		**1,395**	**1,290**
Net impairment		(1)	(3)
	Item 130. Net impairment	*(6)*	*(3)*
	- Item 130. (parzial) Expenses regarding the banking system	*5*	*-*
Operating income		**1,394**	**1,287**
Personnel expenses		(225)	(213)
	Item 180. a) Personnel expenses	*(246)*	*(237)*
	- Item 180. a) (partial) Expenses connected with the Intesa Sanpaolo business plan	*20*	*24*
	- Item 180. a) (parzial) Return on Intesa Sanpaolo Shares for remuneration and bonus schemes	*1*	*-*
Other administrative expenses		(163)	(165)
	Item 180. b) Other administrative expenses	*(344)*	*(345)*
	- Item 220. (partial) Recovery of indirect taxes	*164*	*161*
	- Item 180. b) (partial) Expenses connected with the Intesa Sanpaolo business plan	*3*	*5*
	- Item 180. b) (parzial) Expenses regarding the banking system	*14*	*14*
Depreciation and amortisation		(11)	(11)
	Item 200. Depreciation of property and equipment	*(2)*	*(2)*
	Item 210. Amortisation of intangible assets	*(16)*	*(13)*
	- Item 210. (partial) Expenses connected with the Intesa Sanpaolo business plan	*7*	*4*
Operating expenses		**(399)**	**(389)**
Net provisions for risks and charges		(22)	(40)
	Item 190. Net provisions for risks and charges	*(31)*	*(40)*
	- Item 190. (partial) Return on insurance policies for network loyalty schemes	*1*	*-*
	- Item 190. (parzial) Expenses regarding the banking system	*8*	*-*
Profit (loss) on equity investments		9	9
	Item 240. Profit (loss) on equity investments	*9*	*9*
Other income (expense)		1	(1)
	Item 220. Other income/expense	*165*	*160*
	Item 270. Gain (loss) on disposal of investments	*8*	*-*
	- Item 220. (partial) Recovery of indirect taxes	*(164)*	*(161)*
	- Item 270. Gain (loss) on disposal of investments	*(8)*	*-*
Profit before tax from continuing operations		**983**	**866**
Income taxes		(288)	(250)
	Item 290. Income taxes	*(272)*	*(234)*
	- Item 290. (partial) Tax impact of expenses connected with the Intesa Sanpaolo business plan	*(10)*	*(11)*
	- Item 290. (parzial) Tax impact of expenses regarding the banking system	*(9)*	*(5)*
	- Item 290. (parziale) Tax impact on gain (loss) on disposal of investments	*3*	*-*
Expenses regarding the banking system (net of tax)		(18)	(9)
	- Item 130. (parzial) Expenses regarding the banking system	*(5)*	*-*
	- Item 180. b) (parzial) Expenses regarding the banking system	*(14)*	*(14)*
	- Item 190. (parzial) Expenses regarding the banking system	*(8)*	*-*
	- Item 290. (parzial) Tax impact of expenses regarding the banking system	*9*	*5*
Non-recurring income (expenses) net of tax		(15)	(22)
	- Item 180. a) (partial) Expenses connected with the Intesa Sanpaolo business plan	*(20)*	*(24)*
	- Item 180. b) (partial) Expenses connected with the Intesa Sanpaolo business plan	*(3)*	*(5)*
	- Item 210. (partial) Expenses connected with the Intesa Sanpaolo business plan	*(7)*	*(4)*
	- Item 290. (partial) Tax impact of expenses connected with the Intesa Sanpaolo business plan	*10*	*11*
	- Item 270. Gain (loss) on disposal of investments	*8*	*-*
	- Item 290. (parzial) Tax impact on gain (loss) on disposal of investments	*(3)*	*-*
Net profit	**Item 340. Parent company interest in net profit (loss) for the period**	**662**	**585**

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Michael Benis BA FCIOL MITI

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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.

FIDEURAM
INTESA SANPAOLO PRIVATE BANKING

Turin - Registered Office
Piazza San Carlo, 156 - 10121 Turin
Tel. 011 5773511 - Fax 011 548194

Milan - Permanent Secondary Office
Corso di Porta Romana, 16 - 20122 Milan
Tel. 02 85181 - Fax 02 85185235

www.fideuram.it