FIDEURAM
INTESA SANPAOLO PRIVATE BANKING

Interim Report at 31 March 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**.

Contents

Group structure

FIDEURAM
INTESA SANPAOLO PRIVATE BANKING

United Kingdom

Branch of
INTESA SANPAOLO PRIVATE BANKING

Luxembourg

FIDEURAM BANK LUXEMBOURG 100%

Ireland

FIDEURAM ASSET MANAGEMENT IRELAND 100%

France

FINANCIÈRE FIDEURAM 99.99%

Italy

FIDEURAM
INTESA SANPAOLO PRIVATE BANKING

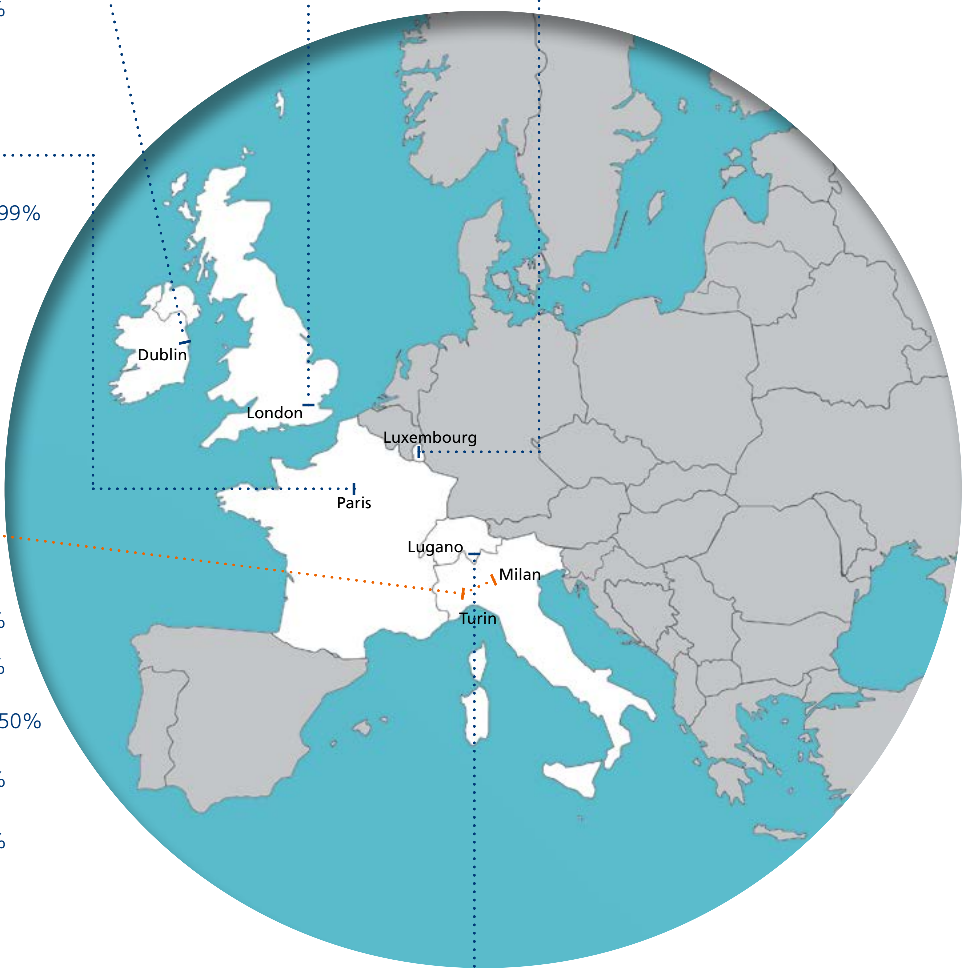
INTESA SANPAOLO PRIVATE BANKING 100%

SANPAOLO INVEST 100%

FIDEURAM INVESTIMENTI 99.50%

SIREFID 100%

FIDEURAM FIDUCIARIA 100%



Switzerland

INTESA SANPAOLO PRIVATE BANK SUISSE 100%

Company Officers
at 31 March 2017

Shareholders' Meeting

Board of Directors

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

Internal Audit Committee

Chairman
CESARE IMBRIANI

Members
OSCAR GIANNONI

GIUSEPPE RUSSO

General Management

General Manager
PAOLO MOLESINI

Joint General Managers
ANDREA CHIOATTO

MASSIMO PIANCASTELLI

Manager responsible for the preparation of the company accounts

PAOLO BACCIGA

Board of Statutory Auditor

Chairman
GIULIO STEFANO LUBATTI

Statutory Auditors
MARCO ANTONIO MODESTO DELL'ACQUA

LORENZO GINISIO

Acting Auditors
ALESSANDRO COTTO

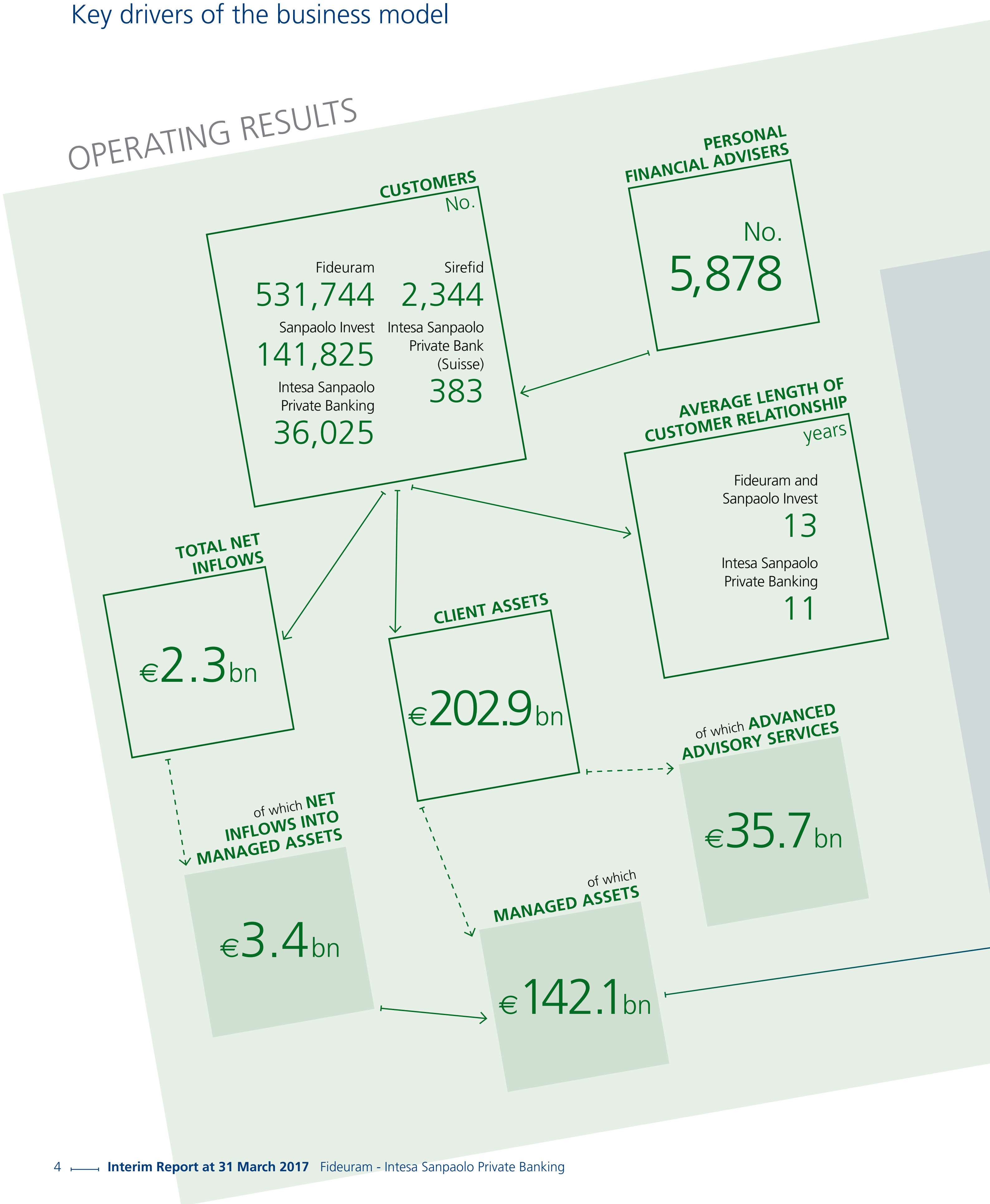
FRANCESCA MONTI

Independent Auditors

KPMG S.p.A.

Key drivers

Key drivers of the business model



FINANCIAL RESULTS

NET RECURRING FEES

€376m
+12%

CONSOLIDATED NET PROFIT

€223m
+5%

COST / INCOME RATIO

27%
(28% in Q1 2016)

RETURN ON EQUITY

44%
(44% in Q1 2016)

Highlights

	31.3.2017	31.3.2016	% CHANGE
CUSTOMER FINANCIAL ASSETS			
Net inflows into managed assets (€m)	3,385	(322)	n.s.
Total net inflows (€m)	2,332	1,874	24
Client Assets (€m)	202,851	186,354	9
OPERATING STRUCTURE			
Personal Financial Advisers (No.)	5,878	5,861	
Staff (No.)	3,039	2,963	
- women (No.)	1,347	1,312	
- outside Italy (No.)	163	149	
Personal Financial Advisers' Offices (No.)	322	326	
Bank Branches (No.)	228	228	
CONSOLIDATED FINANCIAL RESULTS			
Consolidated net profit (€m)	223	213	5
Group shareholders' equity (€m)	2,086	2,014	4
Basic consolidated net earnings per share (€)	0.149	0.142	5
Consolidated pay-out ratio (%)	90.9	75.1	
Fideuram pay-out ratio (%)	99.8	99.7	
Total assets (€m)	35,645	30,356	17
Wealth created (€m)	656	635	3
Economic value distributed (€m)	622	611	2
PROFITABILITY AND SOLVENCY INDICATORS			
Return on Equity (%)	44	44	
Return on Assets (%)	3	3	
Cost / Income ratio (%)	27	28	
Payroll costs / Operating income before net impairment (%)	16	16	
Annualised net profit / Average client assets (%)	0.4	0.5	
Economic Value Added (€m)	202	192	
Counterparty rating (Standard & Poor's)	**Long term: BBB-**	**Short term: A-3**	**Outlook: Stable**

n.s.: not significant

Glossary

Net inflows: Total subscriptions minus disinvestments.

Client Assets: Consist of:

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

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

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

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

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

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.

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).

Consolidated Interim Report

Reclassified financial statements

Consolidated balance sheet

(Reclassified - €m)

	31.3.2017	31.12.2016	CHANGE	
			AMOUNT	%
ASSETS				
Cash and cash equivalents	67	71	(4)	-6
Financial assets (other than loans and held-to-maturity investments)	4,449	4,533	(84)	-2
Held-to-maturity investments	98	125	(27)	-22
Loans and advances to banks	20,666	18,705	1,961	10
Loans and advances to customers	8,893	9,602	(709)	-7
Hedging derivatives	4	3	1	33
Equity investments	141	141	-	-
Property and equipment	40	40	-	-
Intangible assets and goodwill	177	181	(4)	-2
Tax assets	185	180	5	3
Other assets	925	1,091	(166)	-15
TOTAL ASSETS	**35,645**	**34,672**	**973**	**3**
LIABILITIES				
Due to banks	2,929	2,665	264	10
Due to customers	27,979	27,561	418	2
Financial liabilities held for trading	17	27	(10)	-37
Hedging derivatives	1,035	1,103	(68)	-6
Tax liabilities	79	64	15	23
Other liabilities	1,057	813	244	30
Provisions for risks and charges	463	458	5	1
Equity attributable to owners of the parent company	2,086	1,981	105	5
TOTAL LIABILITIES	**35,645**	**34,672**	**973**	**3**

Consolidated income statement

(Reclassified - €m)

	Q1 2017	Q1 2016	CHANGE	
			AMOUNT	%
Net interest income	40	42	(2)	-5
Net profit (loss) on financial assets and liabilities	10	20	(10)	-50
Net fee and commission income	409	384	25	7
OPERATING INCOME BEFORE NET IMPAIRMENT	**459**	**446**	**13**	**3**
Net impairment	-	(1)	1	-100
OPERATING INCOME	**459**	**445**	**14**	**3**
Personnel expenses	(72)	(70)	(2)	3
Other administrative expenses	(50)	(51)	1	-2
Depreciation and amortisation	(4)	(4)	-	-
OPERATING EXPENSES	**(126)**	**(125)**	**(1)**	**1**
Net provisions for risks and charges	(7)	(15)	8	-53
Profit (loss) on equity investments	3	3	-	-
Other income (expense)	(1)	-	(1)	n.s.
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**328**	**308**	**20**	**6**
Income taxes for the period on continuing operations	(94)	(87)	(7)	8
Expenses regarding the banking system (net of tax)	(4)	(2)	(2)	100
Non-recurring income (expenses) (net of tax)	(7)	(6)	(1)	17
NET PROFIT	**223**	**213**	**10**	**5**

n.s.: not significant

Quarterly consolidated balance sheets

(Reclassified - €m)

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

Quarterly consolidated income statements

(Reclassified - €m)

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

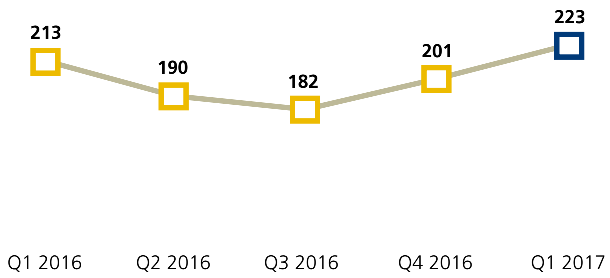
Overview of consolidated results

The Fideuram - Intesa Sanpaolo Private Banking Group ended the first quarter of 2017 with consolidated net profit of €223m, up €10m (+5%) on the first quarter of 2016.
The Wealth created by the Group's business totalled €656m at 31 March 2017, up €21m on the figure for the same period last year. Return on equity (R.O.E.) was 44%.

Analysis of the main income-statement items shows that profit before tax from continuing operations was up €20m on the first quarter of 2016 (+6%).
Operating income was up €14m compared with the first quarter of last year (+3%) due to a €25m increase in net fee and commission income (+7%) and a €1m increase in operating expenses (+1%) compared with the corresponding period in 2016.
The Cost/Income Ratio improved to 27% compared with 28% in the first quarter of 2016.

Consolidated net profit including newly-consolidated companies

(€m)



At 31 March 2017, the number of Personal Financial Advisers in the networks totalled 5,878, compared with 5,848 at 31 December and 5,861 at 31 March 2016. Total Group staff came to 3,039, up from 3,010 at 31 December 2016 as a result of the growth of our distribution and sales networks. Bank branches totalled 228 and Personal Financial Advisers' offices totalled 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 more than €200bn client assets. 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 trust services. The Division's mission is to serve high-end customers, creating value with products and services conceived for excellence, while ensuring the increased profitability of client assets through the constant development of our product range and service delivery solutions.

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

The Group's service model is centred on professional advisory services and the creation of longstanding relationships of trust between our customers and Personal Financial Advisers.

The Group benefits from a strong and stable retail customer base, which can depend on a dedicated service model and tailored product offering.

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

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

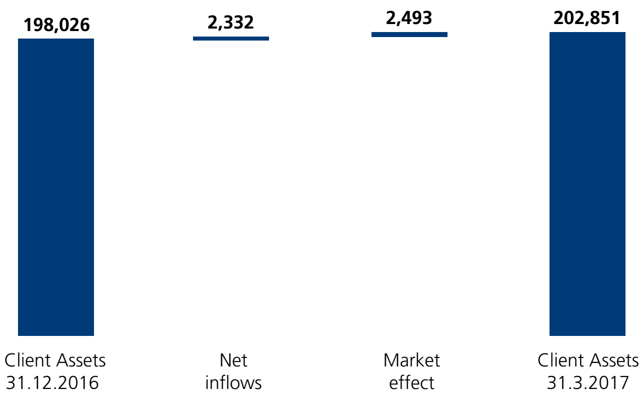
Fideuram - Intesa Sanpaolo Private Banking is a member of the Intesa Sanpaolo Banking Group and wholly owned by Intesa Sanpaolo S.p.A..

Client financial assets

Client Assets totalled €202.9bn at 31 March 2017, up €4.8bn (+2%) on the figure at 31 December 2016 as a result of strong net inflows (+€2.3bn) and the positive market performance of the assets themselves (+€2.5bn).

Client Assets

(€m)



Analysis of the item shows that managed assets totalled €142.1bn (70% of total client assets), up €5.6bn (+4%) on the figure at 31 December 2016 largely as a result of a shift in the allocation of client assets to managed asset products, which led to growth in mutual funds (+€3.1bn), life insurance (+€1.3bn) and discretionary accounts (+€1.1bn). Non-managed assets were, conversely, down €0.8bn from the figure at 31 December 2016, totalling €60.7bn.

Client Assets

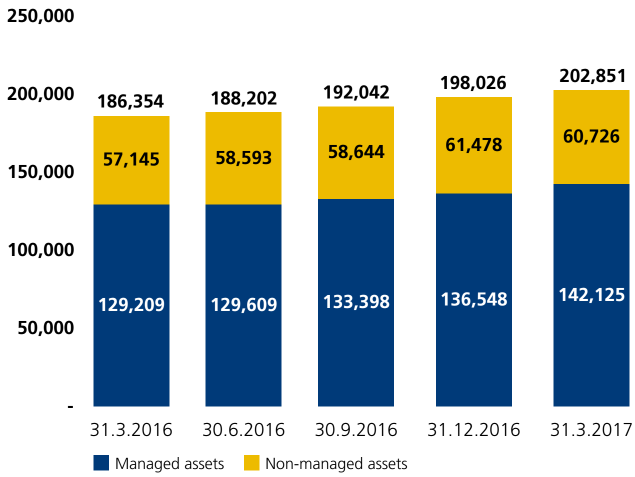
(€m)

	31.3.2017	31.12.2016	CHANGE	
			AMOUNT	%
Mutual funds	51,357	48,263	3,094	6
Discretionary accounts	42,185	41,088	1,097	3
Life insurance	46,967	45,623	1,344	3
including: Fideuram Vita / Intesa SanpaoloVita unit linked	*31,859*	*30,512*	*1,347*	*4*
Pension funds	1,616	1,574	42	3
Total managed assets	**142,125**	**136,548**	**5,577**	**4**
Total non-managed assets	**60,726**	**61,478**	**(752)**	**-1**
including: Securities	*37,165*	*37,787*	*(622)*	*-2*
Total Client Assets	**202,851**	**198,026**	**4,825**	**2**

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

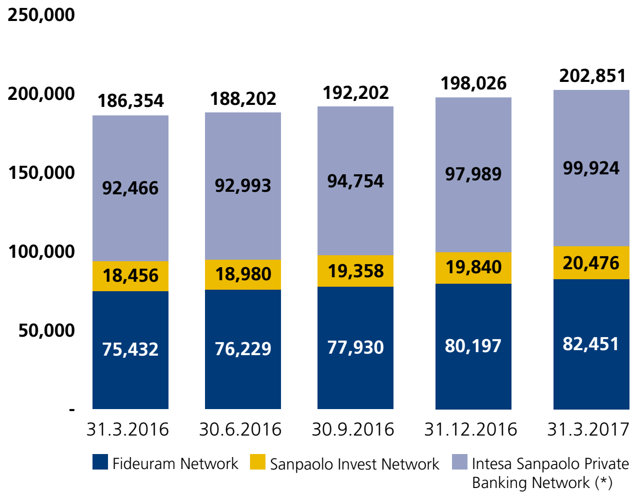
Client Assets - by type of inflow

(€m)



Client Assets - by sales network

(€m)



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

Inflows into managed and non-managed assets

The Group's distribution networks (Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking) brought in €2.3bn net inflows in the first quarter of 2017, up €458m (+24%) on the total for the corresponding period last year. Analysis of the item shows that inflows into managed assets totalled €3.4bn, up sharply (+€3.7bn) on the same 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 (+€3bn) and discretionary accounts (+€0.8bn) compared with the first quarter of last year.
Non-managed assets suffered from a strong shift in asset allocation, with a net outflow of €1.1bn, down €3.2bn from the net inflows of €2.2bn achieved in the same period last year.

Net inflows

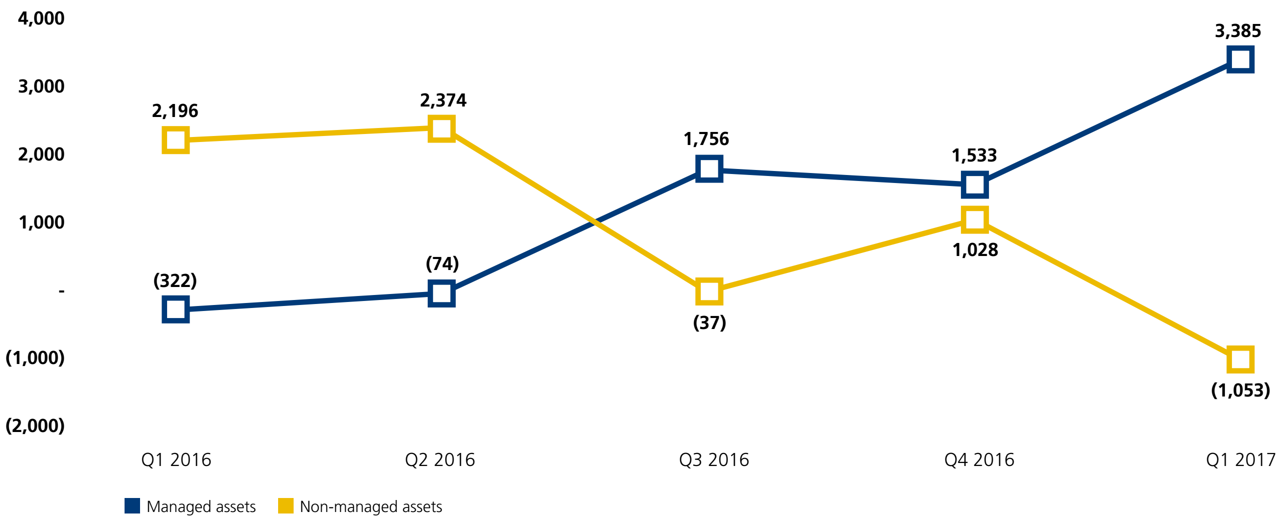
(€m)

	3 MONTHS 2017	3 MONTHS 2016	CHANGE	
			AMOUNT	%
Mutual funds	1,906	(1,088)	2,994	n.s.
Discretionary accounts	641	(117)	758	n.s.
Life insurance	817	860	(43)	-5
including: Fideuram Vita / Intesa SanpaoloVita unit linked	*784*	*1,298*	*(514)*	*-40*
Pension funds	21	23	(2)	-9
Total managed assets	**3,385**	**(322)**	**3,707**	**n.s.**
Total non-managed assets	**(1,053)**	**2,196**	**(3,249)**	**n.s.**
including: Securities	*(873)*	*571*	*(1,444)*	*n.s.*
Total Net inflows	**2,332**	**1,874**	**458**	**24**

n.s.: not significant

Net inflows

(€m)



Customer segmentation

CLIENT ASSETS at 31 March 2017

- Fideuram: €82,451m
- Sanpaolo Invest: €20,476m
- Intesa Sanpaolo Private Banking: €94,760m
- Sirefid: €3,962m (*)
- Intesa Sanpaolo Private Bank (Suisse): €1,202m

(*) Does not include the fiduciary mandates regarding Group Client Assets. Total client assets came to €7.5bn.

CUSTOMERS at 31 March 2017

- Fideuram: no. 531,744
- Sanpaolo Invest: no. 141,825
- Intesa Sanpaolo Private Banking: no. 36,025 (**)
- Sirefid (fiduciary mandates): no. 2,344
- Intesa Sanpaolo Private Bank (Suisse): no. 383

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

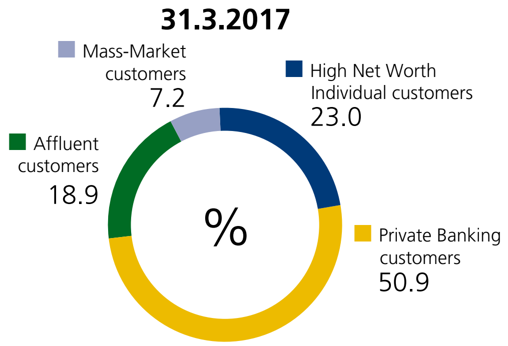
Analysis of the Group's customer distribution shows strong concentration in the Private Banking and High Net Worth Individual (HNWI) segment. This focus on high-end customers (approximately 74% of client assets come from Private Banking and HNWI customers) enables our Personal Financial Advisers to target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

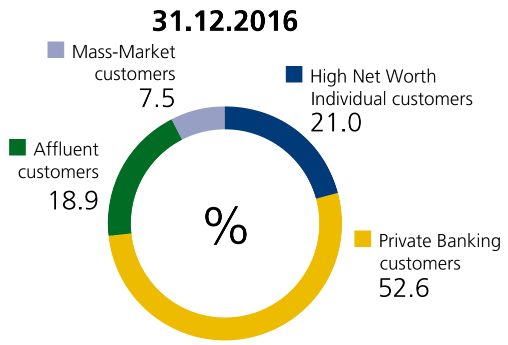
Client assets by type of customer (***)

(€m)

	31.3.2017	31.12.2016	CHANGE	
			AMOUNT	%
High Net Worth Individual customers	46,601	41,489	5,112	12
Private Banking customers	103,159	104,250	(1,091)	-1
Affluent customers	38,377	37,524	853	2
Mass-Market customers	14,714	14,763	(49)	-
Total	**202,851**	**198,026**	**4,825**	**2**

Percentage analysis of client assets by type of customer





(***) The Fideuram Group's customers are segmented as follows:
High Net Worth Individuals: customers with financial assets potentially totalling in excess of €10,000,000.
Private Banking customers: customers with financial assets totalling between €500,000 and €10,000,000.
Affluent customers: customers with financial assets totalling between €100,000 and €500,000.
Mass-Market customers: customers with financial assets 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, Sanpaolo Invest and Intesa Sanpaolo Private Banking - and a network of 228 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 regarding the customer's investments, paying careful attention to risk management and the suitability of their overall portfolio.
- Advanced Advisory Services: provided on the basis of a dedicated contract and subject to the payment of commission.

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

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

A total of over 69,000 customers were subscribed to our Advanced Advisory Services at the end of March 2017, accounting for approximately €35.7bn client assets.

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

Customers subscribed to Advanced Advisory Services

(number)

	31.3.2017	31.12.2016	CHANGE	
			AMOUNT	%
High Net Worth Individual customers	596	520	76	15
Private Banking customers	17,006	15,924	1,082	7
Affluent customers	34,702	34,679	23	-
Mass-Market customers	16,945	17,204	(259)	-2
Total	**69,249**	**68,327**	**922**	**1**

Advanced Advisory Service client assets

(€m)

	31.3.2017	31.12.2016	CHANGE	
			AMOUNT	%
High Net Worth Individual customers	4,043	3,688	355	10
Private Banking customers	21,931	20,717	1,214	6
Affluent customers	8,705	8,672	33	-
Mass-Market customers	1,002	1,029	(27)	-3
Total	**35,681**	**34,106**	**1,575**	**5**

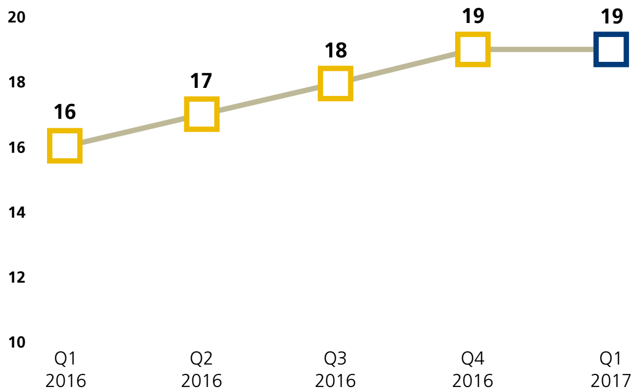
Advanced Advisory Service Fee and Commission Income

(€m)

	3 MONTHS 2017	3 MONTHS 2016	CHANGE	
			AMOUNT	%
Fee and commission income	31	28	3	11
Fee and commission expense	(12)	(12)	-	-
Net fee and commission income	**19**	**16**	**3**	**19**

Quarterly net fee and commission income from Advanced Advisory Services

(€m)



Analysis of the income statement

The Fideuram Group ended the first quarter of 2017 with consolidated net profit of €223m, up €10m (+5%) on the corresponding period last year.

Operating income before net impairment came to €459m, up €13m (+3%) on the first quarter of 2016 as a result of:

- A contraction in net interest income (-€2m).
- Decreased net profit on financial assets (-€10m).
- Increased net fee and commission income (+€25m).

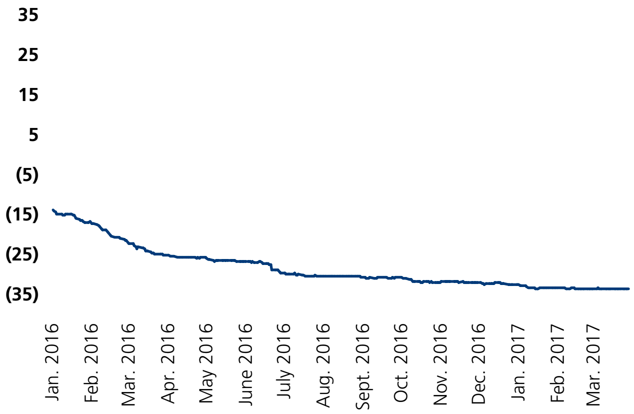
Net interest income

(€m)

	3 MONTHS 2017	3 MONTHS 2016	CHANGE AMOUNT	CHANGE %
Interest expense on due to customers	(7)	(11)	4	-36
Interest expense on due to banks	(9)	(8)	(1)	13
Interest income on debt securities	52	52	-	-
Interest income on loans	27	32	(5)	-16
Net interest on hedging derivatives	(23)	(22)	(1)	5
Other net interest income	-	(1)	1	-100
Total	**40**	**42**	**(2)**	**-5**

Euribor 3 months rate

(bp)

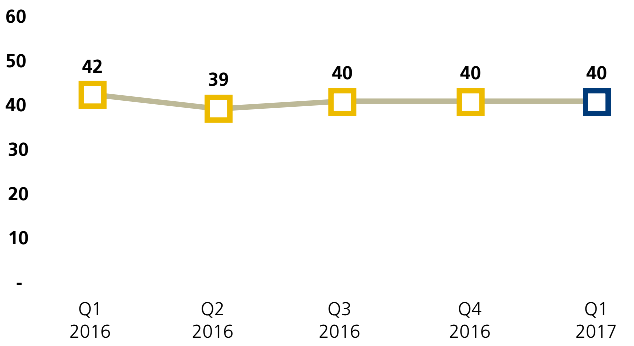


Source: Bloomberg

Net interest income totalled €40m, down €2m (-5%) from the figure for the same period last year due to falling reference interest rates, which were constantly in negative territory. This principally impacted interest-bearing assets (due to the natural anelasticity of customer deposits) and was partially offset by growth in average interest-bearing assets. The quarter-on-quarter figures show the substantial stability of net interest income, which has constantly stood at €40m for the past three quarters.

Quarterly net interest income

(€m)



Net profit (loss) on financial assets and liabilities

(€m)

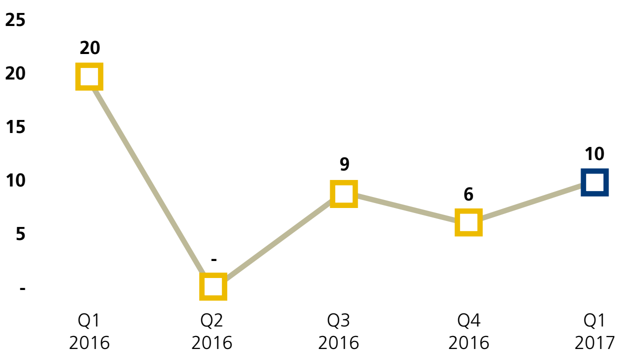
	3 MONTHS 2017	3 MONTHS 2016	CHANGE AMOUNT	CHANGE %
Net profit (loss) on sale of loans and financial assets	5	18	(13)	-72
Net profit (loss) on trading activities	3	2	1	50
Net profit (loss) on hedging derivatives	2	-	2	n.s.
Total	**10**	**20**	**(10)**	**-50**

n.s.: not significant

Net profit on financial assets and liabilities came to €10m, down €10m (-50%) from the figure for the first quarter of 2016.
Analysis of the item shows that net profit on sale of financial assets (€5m) was down €13m from the figure for the same period last year due to decreased sales of investment securities. Net profit on hedging derivatives, resulting from the ineffective hedging of interest-rate derivatives, increased €2m principally due to an upward shift in the long-term interest rate curve. Net profit on trading activities came to €3m, up €1m on the figure for the first quarter of 2016.

Quarterly net profit (loss) on financial assets and liabilities

(€m)



Fee and commission income

(€m)

	3 MONTHS 2017	3 MONTHS 2016	CHANGE AMOUNT	CHANGE %
Fee and commission income	575	543	32	6
Fee and commission expense	(166)	(159)	(7)	4
Net fee and commission income	**409**	**384**	**25**	**7**

Net fee and commission income totalled €409m, up €25m (+7%) on the figure for the first quarter of 2016.

Net fee and commission income

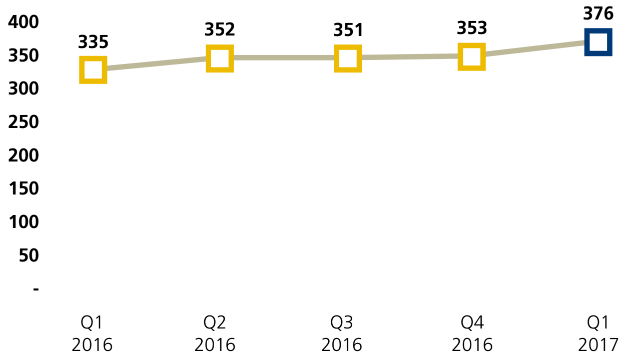
(€m)

	3 MONTHS 2017	3 MONTHS 2016	CHANGE AMOUNT	CHANGE %
Net recurring fees	376	335	41	12
Net front-end fees	47	67	(20)	-30
Other commission expense: incentives and other	(14)	(18)	4	-22
Total	**409**	**384**	**25**	**7**

Net recurring fees totalled €376m, an increase of €41m (+12%) on the figure for the first quarter of the previous financial year due to strong growth in average managed assets, which rose from €127.8bn at 31 March 2016 to approximately €138.4bn at the end of March 2017 (+8%), and to a lesser extent to a shift in asset allocation towards unit-linked policies. Net recurring fees also benefited from the positive contribution of client assets connected with our Advanced Advisory Services, which generated net recurring fees of €19m compared with €16m in the first quarter of 2016 (+19%).

Quarterly net recurring fees

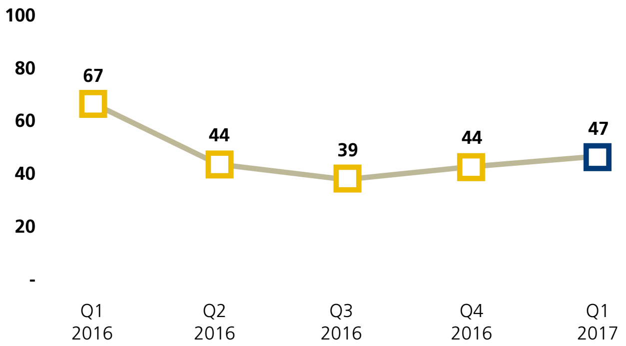
(€m)



Net front-end fees came to €47m, down €20m (-30%) from the figure for the first quarter 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 €21m gross inflows in the period compared with €2bn in the first quarter of 2016.

Quarterly net front-end fees

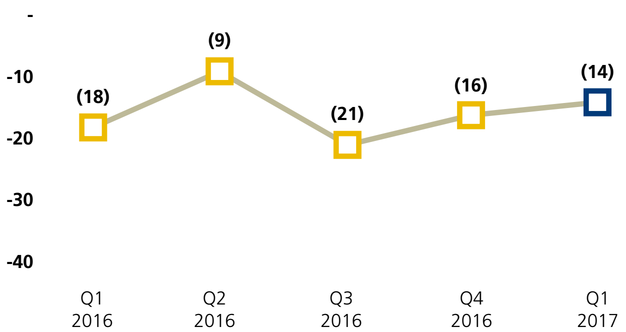
(€m)



Commission expense for incentives and others totalled €14m, down €4m from the figure for the first quarter of last year principally due to decreased incentive payments to and provisions set aside for the Sales Networks as a result of a change in the amortisation period for incentives paid to the Networks. This change was brought in at the end of June 2016 to ensure a closer correlation between the bonuses paid to the Financial Adviser Networks (Fideuram and Sanpaolo Invest) and the commission income generated by customer investments, taking into account the increase in the average investment period of client assets in the portfolio in particular.

Quarterly commission expense for incentives and other

(€m)



Net impairment was zero compared with -€1m in the first quarter of last year, when it was principally due to loan impairment.

Operating expenses

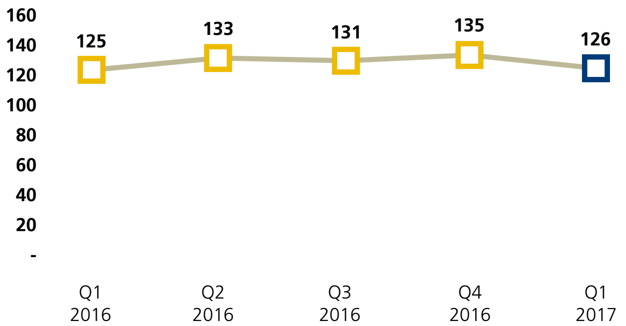
(€m)

	3 MONTHS 2017	3 MONTHS 2016	CHANGE	
			AMOUNT	%
Personnel expenses	72	70	2	3
Other administrative expenses	50	51	(1)	-2
Depreciation and amortisation	4	4	-	-
Total	**126**	**125**	**1**	**1**

Operating expenses came to €126m, up €1m (+1%) on the figure for the first quarter of last year.
Analysis of the item shows that personnel expenses, which totalled €72m, were up €2m compared with the figure for the first quarter of 2016, essentially as a result of the higher cost of increased staff quality and numbers (+76).
Other administrative expenses totalled €50m, down €1m from the same period last year, principally as a result of reduced third-party service costs. Depreciation and amortisation totalled €4m, in line with the figure for the first quarter of 2016.

Quarterly operating expenses

(€m)



Net provisions for risks and charges

(€m)

	3 MONTHS 2017	3 MONTHS 2016	CHANGE	
			AMOUNT	%
Personal Financial Advisers' termination indemnities and incentives	4	13	(9)	-69
Litigation and complaints	3	(1)	4	n.s.
Network Loyalty Schemes	-	3	(3)	-100
Total	**7**	**15**	**(8)**	**-53**

Net provisions for risks and charges came to €7m, down €8m (-53%) from the figure for the same period last year. Analysis of the item shows that the provision for the termination of Personal Financial Adviser agency agreements decreased sharply to €4m (-€9m). 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 quarter of 2017, whereas the reverse had occurred in the first quarter 2016. The provision for litigation and complaints totalled €3m, up €4m from a positive balance of €1m in the first quarter of last year as a result of new litigation initiated in the period. No provisions were set aside for the Network Loyalty Schemes, a decrease of €3m compared with the same period last year, largely due to the aforementioned impact of falling 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 €3m, principally comprised of the profit from the Group's 19.99% interest in Fideuram Vita S.p.A., which was in line with the figure for the first quarter of last year.

Other income and expense, which is a residual item for miscellaneous income and expense that cannot be recognised in other items of the income statement, was negative to the tune of -€1m in the first quarter of 2017 compared with a zero balance in the same period of 2016 due to increased customer compensation expenses.

Income taxes, for which €94m was set aside in the period, were up €7m from the figure for the first quarter of 2016 as a result of increased profit before tax in the period. The tax rate was 29% (compared with 28% in the same period of the previous financial year).

The item **Expenses regarding the banking system net of tax** is for the expenses related to maintaining the stability of the banking system, recognised in the income statement in accordance with current regulations. These expenses totalled €4m at 31 March 2017 and comprised the expenses set aside for the contribution to the Single Resolution Fund introduced by Directive 2014/59/EU, which were up €2m on the figure for the first quarter of last year.

Non-recurring income and expenses net of tax, which include income and expenses that are not ordinary operating expenses, came to €7m (compared with €6m in the first quarter of 2016), principally due to the expenses incurred to integrate Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Bank (Suisse) and Sirefid in the Fideuram Group.

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 31 March 2017

(€m)

	MANAGED FINANCIAL ASSETS	LIFE INSURANCE ASSETS	BANKING SERVICES	TOTAL FOR FIDEURAM GROUP
Net interest income	-	-	40	40
Net profit (loss) on financial assets and liabilities	-	-	10	10
Net fee and commission income	274	122	13	409
Operating income before net impairment	**274**	**122**	**63**	**459**
Operating expenses	(61)	(18)	(47)	(126)
Other	(6)	(2)	3	(5)
Profit before tax from continuing operations	**207**	**102**	**19**	**328**
Average Client Assets	**91,131**	**47,246**	**60,951**	**199,328**
Client Assets	**93,542**	**48,583**	**60,726**	**202,851**
Key indicators				
Cost / Income Ratio	22%	15%	71%	27%
Annualised profit before tax / Average Client Assets	0.9%	0.9%	0.1%	0.7%
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 €93.6bn at 31 March 2017 (46% of total client assets), up €7.6bn (+9%) on 31 March 2016 due to increases in discretionary accounts (+€4.9bn) and mutual funds (+€2.7bn). Net inflows were positive at €2.5bn, up €3.8bn on the same period last year, mainly 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 €207m, up €54m on the same period last year due to increased net fee and commission income (+€50m). The ratio of net fee and commission income to client assets was 0.9%, while the ratio of profit before tax to client assets was 1.2%.

Managed financial assets

(€m)

	3 MONTHS 2017	3 MONTHS 2016	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities	-	-	-
Net fee and commission income	274	224	22
Operating income before net impairment	**274**	**224**	**22**
Operating expenses	(61)	(62)	-2
Other	(6)	(9)	-33
Profit before tax from continuing operations	**207**	**153**	**35**
Average Client Assets	**91,131**	**85,855**	**6**
Client Assets	**93,542**	**85,907**	**9**
Key indicators			
Cost / Income Ratio	22%	28%	
Annualised profit before tax / Average Client Assets	0.9%	0.7%	
Annualised net fee and commission income / Average Client Assets	1.2%	1.0%	

LIFE INSURANCE ASSETS SEGMENT

This segment covers the Group's life insurance and pension fund business, which totalled €48.6bn at 31 March 2017 (24% of total client assets), up €5.3bn principally due to strong life insurance performance (+€5.1bn). Total net inflows in the segment came to €0.8bn, down €45m from the figure for the same period in the previous financial year.
The contribution of this segment to profit before tax from continuing operations totalled €102m, up €22m on the same period in the previous financial year due to increased net fee and commission income. The ratio of net fee and commission income to client assets was 0.9%, while the ratio of profit before tax to client assets was 1%.

Life insurance assets

(€m)

	3 MONTHS 2017	3 MONTHS 2016	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities	-	-	-
Net fee and commission income	122	101	21
Operating income before net impairment	**122**	**101**	**21**
Operating expenses	(18)	(17)	6
Other	(2)	(4)	-50
Profit before tax from continuing operations	**102**	**80**	**28**
Average Client Assets	**47,246**	**41,961**	**13**
Client Assets	**48,583**	**43,302**	**12**
Key indicators			
Cost / Income Ratio	15%	17%	
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 comprised of securities and current accounts, which totalled €60.7bn at 31 March 2017 (30% of total client assets), up €3.6bn on the figure at 31 March 2016. Total net inflows were negative at €1.1bn, down €3.2bn from the figure for the same period in the previous financial year, impacted by a substantial shift in asset allocation.
The contribution of this segment to profit before tax from continuing operations was €19m. The €56m decrease in profit before tax from continuing operations compared with the figure for the first quarter 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 quarter 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)

	3 MONTHS 2017	3 MONTHS 2016	% CHANGE
Net interest income	40	42	-5
Net profit (loss) on financial assets and liabilities	10	20	-50
Net fee and commission income	13	59	-78
Operating income before net impairment	**63**	**121**	**-48**
Operating expenses	(47)	(46)	2
Other	3	-	n.s.
Profit before tax from continuing operations	**19**	**75**	**-75**
Average Client Assets	**60,951**	**57,054**	**7**
Client Assets	**60,726**	**57,145**	**6**
Key indicators			
Cost / Income Ratio	71%	37%	
Annualised profit before tax / Average Client Assets	0.1%	0.5%	
Annualised net fee and commission income / Average Client Assets	0.1%	0.4%	

n.s.: not significant

Distribution of value

Creating value for our stakeholders is one of the Fideuram Group's prime objectives. The Group considers it crucial to pursue this objective through constant interaction with all the stakeholders it encounters in the course of its business.
The table below showing the Wealth created by the Group was prepared using the income statement figures from the Consolidated Financial Statements for the first quarter of 2017, reclassified following the guidelines of the Italian Banking Association (Associazione Bancaria Italiana - ABI) and 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 €656m in the first quarter of 2017 (+€21m on the first quarter of 2016). This wealth was distributed to stakeholders as follows:

- Employees and Personal Financial Advisers received 35.5% of the Wealth created, amounting to a total of €233m. This included the remuneration paid to employees and the amounts set aside for and paid to the Personal Financial Adviser Networks.
- Our shareholder received 30.9% of the Wealth created, in the form of the proposed dividend, for a total of €203m.
- The government, public authorities, institutions and the community received €129m, principally in the form of direct and indirect taxes, equating to 19.7% of the Wealth created.
- Suppliers received 8.7% of the Wealth created, totalling €57m paid for goods and services.
- The remaining €34m 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.

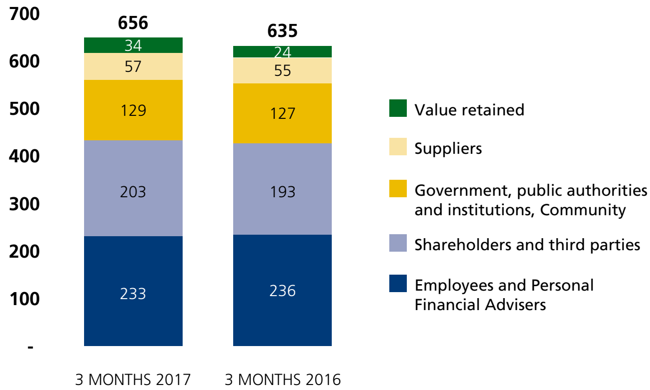
Economic value added

(€m)

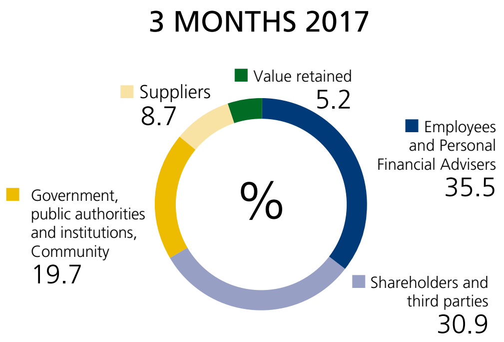
	3 MONTHS 2017	3 MONTHS 2016	CHANGE AMOUNT	CHANGE %
Wealth created	**656**	**635**	**21**	**3**
Value distributed	**(622)**	**(611)**	**(11)**	**2**
Employees and Personal Financial Advisers	(233)	(236)	3	-1
Shareholders and non-controlling interest	(203)	(193)	(10)	5
Government, public authorities and institutions, Community	(129)	(127)	(2)	2
Suppliers	(57)	(55)	(2)	4
Value retained	**34**	**24**	**10**	**42**

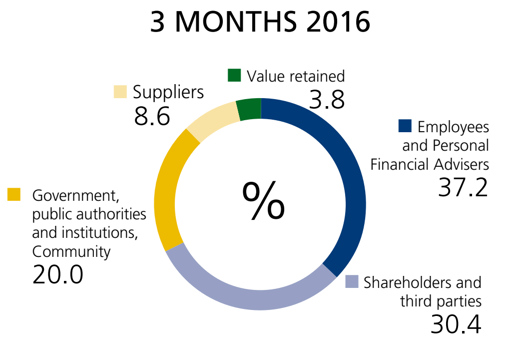
Wealth created

(€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 €4.6bn, down €110m on the figure at the end of 2016 (-2%).

Financial assets

(€m)

	31.3.2017	31.12.2016	CHANGE	
			AMOUNT	%
Financial assets held for trading	21	41	(20)	-49
Financial assets measured at fair value through profit or loss	198	195	3	2
Financial assets available for sale	4,230	4,297	(67)	-2
Held-to-maturity investments	98	125	(27)	-22
Hedging derivatives	4	3	1	33
Total	**4,551**	**4,661**	**(110)**	**-2**

This was principally due to a decrease in financial assets available for sale (-€67m) resulting from fair value losses on the back of the declining credit spreads of the issuers of the bonds in the portfolio. In addition, one bond in the held-to-maturity portfolio was repaid in the first quarter of 2017 (-€27m).

Financial liabilities

(€m)

	31.3.2017	31.12.2016	CHANGE	
			AMOUNT	%
Financial liabilities held for trading	17	27	(10)	-37
Hedging derivatives	1,035	1,103	(68)	-6
Total	**1,052**	**1,130**	**(78)**	**-7**

Financial liabilities totalled €1.1bn, consisting entirely of derivatives. This was €78m less than the figure at 31 December 2016 (-7%), principally 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)

	31.3.2017	31.12.2016	CHANGE	
			AMOUNT	%
Due from Central Banks	452	204	248	122
Current account and demand deposits	4,827	4,906	(79)	-2
Term deposits	8,945	7,808	1,137	15
Other	18	24	(6)	-25
Debt securities	6,424	5,763	661	11
Total	**20,666**	**18,705**	**1,961**	**10**

Loans and advances to banks came to €20.7bn, up €2bn on the figure at the end of 2016 (+10%), principally due to growth in investments in term deposits and debt securities issued by banks in the Intesa Sanpaolo Group. Current accounts included €1.8bn cash linked to securities lending, secured entirely by cash collateral recognised in the financial statements under Loans and advances to banks and Due to banks (Loans and advances to Intesa Sanpaolo and Due to Banca IMI).

Due to banks

(€m)

	31.3.2017	31.12.2016	CHANGE	
			AMOUNT	%
Current accounts and demand deposits	150	140	10	7
Term deposits	330	124	206	166
Repurchase agreements	2,424	2,387	37	2
Other debts	25	14	11	79
Total	**2,929**	**2,665**	**264**	**10**

Due to banks totalled €2.9bn, up €264m (+10%) on the figure at year-end 2016, mainly due to increased inflows from term deposits and repurchase agreements. The Group continued to be a net lender on the interbank market, with net interbank deposits of €17.8bn (€20.7bn loans and €2.9bn debts), of which €16.8bn (approximately 95% 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)

	31.3.2017	31.12.2016	CHANGE	
			AMOUNT	%
Current accounts	5,274	5,198	76	1
Repurchase agreements	-	820	(820)	-100
Loans	535	519	16	3
Other	1,203	1,168	35	3
Debt securities	1,871	1,888	(17)	-1
Impaired assets	10	9	1	11
Total	**8,893**	**9,602**	**(709)**	**-7**

Loans and advances to customers totalled €8.9bn and mainly comprised short-term loans (repayable within 12 months or revocable loans without a specified term) and unlisted debt securities. This was €709m less than the figure at 31 December 2016, principally due to decreased loans under repurchase agreements with institutional customers (-€820m). Net problem loans totalled €10m at the end of March 2017, an increase of €1m on the figure at 31 December 2016 (+11%) as follows:

- Doubtful loans came to €1m, which was in line with the figure at the end of 2016.
- Debtor unlikely to pay loans totalled €6m, up €1m on 31 December 2016.
- Past due or overdue loans came to €3m, unchanged from the figure at 31 December 2016.

Due to customers

(€m)

	31.3.2017	31.12.2016	CHANGE	
			AMOUNT	%
Current accounts and demand deposits	23,683	23,492	191	1
Term deposits	3,878	3,967	(89)	-2
Repurchase agreements	260	7	253	n.s.
Other debts	158	95	63	66
Total	**27,979**	**27,561**	**418**	**2**

n.s.: not significant

Due to customers totalled €28bn, up €418m (+2%) on the figure at the end of December 2016 as a result of growth in customer current account deposits (+€191m) and repurchase agreements (+€253m), which was partially offset by decreased term deposits (-€89m).

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	-	-	39	39
Denmark	-	-	3	3
Finland	-	-	31	31
France	-	-	60	60
Spain	-	-	99	99
Italy	1,594	3	1,029	2,626
Netherlands	-	-	40	40
United States	-	-	101	101
Total	**1,594**	**3**	**1,402**	**2,999**

(*) The Italian government bonds in the available-for-sale portfolio, which had a total face value of €467.8m, were covered by financial-guarantee contracts.

Intangible assets totalled €177m, 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 31 March 2017 were up €5m (+1%) on the figure at 31 December 2016 as shown below.

Provisions for risks and charges

(€m)

	31.3.2017	31.12.2016	CHANGE	
			AMOUNT	%
Litigation, securities in default and complaints	105	109	(4)	-4
Personnel expenses	71	64	7	11
Personal Financial Advisers' termination indemnities	205	204	1	-
Network Loyalty Schemes	81	80	1	1
Other	1	1	-	-
Total	**463**	**458**	**5**	**1**

The provision for litigation, securities in default and complaints was down €4m from the figure at the end of 2016 as a result of utilisation in the first quarter of the year. The provision for personnel expenses was up €7m on the figure at the end of 2016, principally as a result of greater provisions set aside for the variable component of the remuneration payable to the Intesa Sanpaolo Private Banking sales network. The provision for the termination of Personal Financial Adviser agency agreements and the Network Loyalty Schemes was up €2m, largely due to additional provisions set aside in the period.

Shareholders' equity

Group shareholders' equity including net profit for the period totalled €2.1bn at 31 March 2017, having changed as follows:

Group Shareholders' Equity

(€m)

Shareholders' equity at 31 December 2016	**1,981**
Change in financial assets available for sale	(13)
Dividend distribution	(114)
Exchange rate differences and other changes	9
Net profit	223
Shareholders' equity at 31 March 2017	**2,086**

The €13m decrease in financial assets available for sale was principally due to an increase in the negative reserve generated by fair value losses on securities holdings in the period. At the end of March 2017, the reserve for available-for-sale financial assets was negative to the tune of €112m and among other items included €24m 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. These reserves are 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 31 March 2017.

Fideuram's own funds calculated on the basis of its separate accounts totalled €947m at 31 March 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 own funds and main capital ratios at 31 March 2017 are shown below.

Fideuram S.p.A. Capital Ratios

(€m)

	31.3.2017
CET1	947
Tier 1	947
Own funds	947
Total risk-weighted assets	6,925
CET1 Ratio	**13.7%**
Tier 1 Ratio	**13.7%**
Total Capital Ratio	**13.7%**

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 31 March 2017, our Common Equity Tier 1 Ratio was estimated to be 16%.

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)

	31.3.2017		31.12.2016		CHANGE
	NET EXPOSURE	%	NET EXPOSURE	%	NET EXPOSURE
Doubtful loans	1	-	1	-	-
Unlikely to pay	6	-	5	-	1
Past due or overdue loans	3	-	3	-	-
Non-performing assets	**10**	**-**	**9**	**-**	**1**
Performing loans	7,012	79	7,705	83	(693)
Debt instruments	1,871	21	1,888	17	(17)
Loans and advances to customers	**8,893**	**100**	**9,602**	**100**	**(709)**

LIQUIDITY RISK

The Fideuram Group manages liquidity risk in accordance with Intesa Sanpaolo's Liquidity Risk Governance Guidelines, which ensure prompt implementation of national and supranational legal and regulatory changes.
The 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 compliance with the regulations and operational limits adopted with the Group Liquidity Risk Governance Policy, as updated to align it with the Intesa Sanpaolo Group's Guidelines and approved by the Board of Directors on 16 June 2016. The new provisions principally implement the European Commission Delegated Regulation of 10 October 2014 (the "Delegated Act") with specific regard to Commission Implementing Regulation 2016/313, which amended the community regulation to align it with the functioning of the Union, specifying the short-term liquidity requirements for EU credit institutions in detail, introducing additional liquidity monitoring metrics and, among other things, updating the minimum ratios for both normal and stress conditions. 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 Investment 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 €12.6bn at 31 March 2017 and comprised securities classified as financial assets available for sale, held-to-maturity investments, debt securities classified as loans and advances to banks and customers, and hedging derivatives.

Banking Book

(€m)

	31.3.2017	31.12.2016	CHANGE	
			AMOUNT	%
Financial assets available for sale	4,230	4,297	(67)	-2
Held-to-maturity investments	98	125	(27)	-22
Debt securities classified as loans and advances to banks	6,424	5,763	661	11
Debt securities classified as loans and advances to customers	1,871	1,888	(17)	-1
Hedging derivatives	4	3	1	33
Total	**12,627**	**12,076**	**551**	**5**

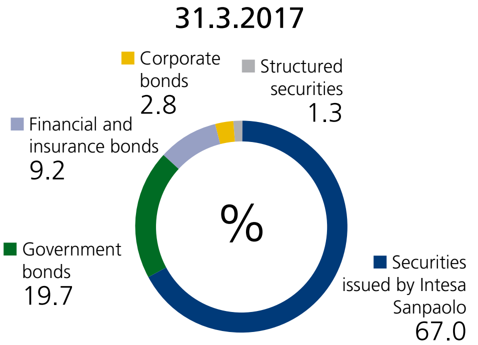
At 31 March 2017, the Group portfolio had the following overall composition with respect to product type and rating.

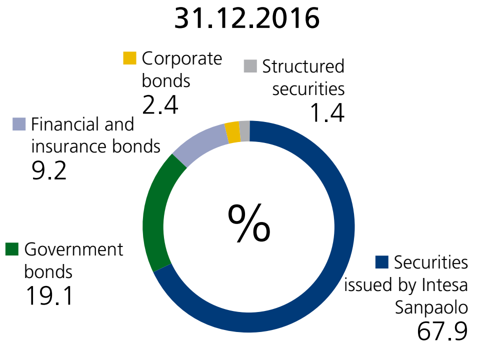
The market risk of this portfolio mainly regards the management of investments in securities. The Group's exposure to interest rate risk is, moreover, also influenced by other typical banking balance sheet items (customer deposits and loans). The financial risk of the banking book is measured using the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

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

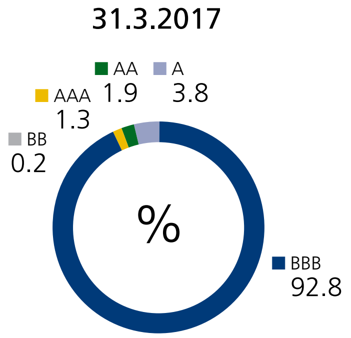
The Value at Risk is the maximum potential amount that the portfolio could lose over the next working day with a confidence interval of 99%, and is calculated using the same method adopted by Intesa Sanpaolo (volatility of the individual risk factors and the historical correlations observed between them). VaR is a risk measurement applied to available-for-sale securities which takes interest rates and credit spreads into account.

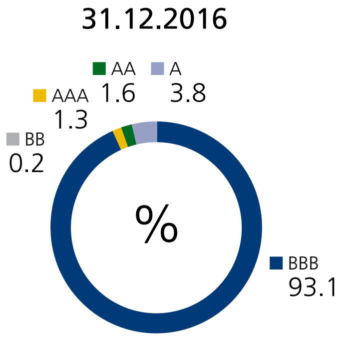
Analysis by product type





Analysis by rating





At 31 March 2017, the Value at Risk calculated for a one-day time horizon was €9.2m, which was within the limit assigned to the Fideuram Group (€16.5m).

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 -€22.4m at the end of March 2017.

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)

	31.3.2017			31.12.2016		
	LEVEL 1	**LEVEL 2**	**LEVEL 3**	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**
Financial assets held for trading	3	18	-	10	31	-
Financial assets measured at fair value through profit or loss	5	193	-	5	190	-
Financial assets available for sale	3,643	583	4	3,710	583	4
Hedging derivatives	-	4	-	-	3	-
Total	**3,651**	**798**	**4**	**3,725**	**807**	**4**
Financial liabilities held for trading	-	17	-	-	27	-
Hedging derivatives	-	1,035	-	-	1,103	-
Total	**-**	**1,052**	**-**	**-**	**1,130**	**-**

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

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

OPERATIONAL RISK

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

a) The Board of Directors is responsible for the development and strategic supervision of the risk management policies, and for ensuring the smooth operation, efficiency and effectiveness of the operational risk management and control system over time, while also deciding on matters regarding compliance with the criteria for determining the bank's capital requirement.
b) The Internal Audit Committee is responsible for monitoring the suitability of the operational risk management and control system, and for ascertaining its compliance with the related regulatory requirements.
c) The Managing Director is responsible for ensuring the suitability and effectiveness over time of the risk management and control systems, and the procedures used for determining the capital requirement.

d) The Internal Audit Department is responsible for periodically auditing the operational risk management system and for reporting on it to the Company Bodies.
e) The Operational Risk Committee is a consultative body that is responsible for analysing the reports on the operational risk profile and proposing any actions required to prevent and mitigate operational risk.
f) The decentralised Operational Risk Management (ORM) Unit, which reports to the Chief Risk Officer, is responsible for organising and maintaining the body of activities provided for by the operational risk management system.

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

Operational risk monitoring is carried out using an integrated reporting system that provides Management with information to support the management and/or mitigation of the risks assumed. A structured training programme has been launched for staff actively involved in the operational risk governance process to provide continuous support for the process. In addition, the Group follows a traditional policy for transferring operational risk (to cover offences such as employee misconduct, theft and damage, the transport of valuables, computer fraud, forgery, cybercrime, fire and earthquake damage and third-party liability), with a view to mitigating its impact. In order to achieve optimal use of the operational risk transfer instruments available and to leverage the financial benefits while complying with all the related regulatory requirements, the Group has taken out an insurance policy known as an Operational Risk Insurance Programme which provides greater cover and significantly higher limits than traditional policies, transferring the risk of substantial operational losses to the insurance market. Our internal model's insurance mitigation component has been authorised by the Bank of Italy.
In addition, the Group has its own operational continuity solutions that can be deployed to contain risks regarding its premises and infrastructures and the impact of events such as environmental disasters, international crises and social protests. The Fideuram Group has also taken out a traditional insurance policy to cover any cases of misconduct by the Personal Financial Advisers in the Group's Sales Networks.
The Group calculates its capital requirement using a combination of the methods provided for in the relevant legislation (the Advanced Measurement Approach - AMA, Traditional Standardised Approach - TSA, and Basic Indicator Approach - BIA), and then extends the process (for the AMA component only) to its subsidiaries. The capital absorption thus obtained for the Fideuram Group was €205.4m at 31 March 2017, which was broadly stable compared with 31 December 2016.

At 31 March 2017, there were no emerging phenomena of note. The most significant loss item concerned "Internal Misconduct", which is typically the most significant class of risk for the Fideuram Group. In the first quarter of the year, there were eight cases of misconduct by the same number of Personal Financial Advisers, and provisions totalling €360k were set aside for two. The Group's operational losses for all classes of risk totalled €5m in the quarter and included, among other items, €2.4m additional provisions for past cases of misconduct and €1.3m new provisions for compensation. The remaining losses mainly regarded 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 the aforesaid 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.

These provisions totalled €105m at 31 March 2017. 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. The number and value of pending proceedings were not sufficient to have any eventual significant impact on the business, assets or financial position of the Group at 31 March 2017.

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

Tax disputes

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

In that year, the bank settled in compliance with the assessment regarding the deductibility of the various items in respect of IRES corporate income tax and IRAP regional business tax, and appealed to the Rome Provincial Tax Commission over the question of non-compliance and financial penalties regarding withholding tax on mutual fund interest.

The appeals in first instance regarding both years were heard and granted in January 2017.

Human capital

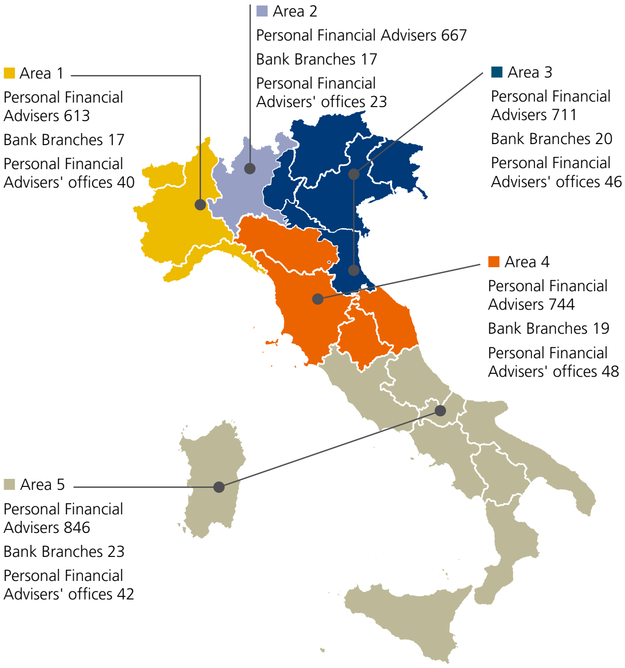
DISTRIBUTION NETWORKS

The Group's distribution structure (Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking Networks) comprised 5,878 Personal Financial Advisers at 31 March 2017 compared with 5,848 at 31 December 2016.

Personal Financial Advisers

	BEGINNING OF PERIOD 1.1.2017	IN	OUT	NET	END OF PERIOD 31.3.2017
Fideuram Network	3,571	66	56	10	3,581
Sanpaolo Invest Network	1,429	33	29	4	1,433
Intesa Sanpaolo Private Banking Network	848	21	5	16	864
Total	**5,848**	**120**	**90**	**30**	**5,878**

Fideuram Network



Sanpaolo Invest Network

Intesa Sanpaolo Private Banking Network

The Fideuram and Sanpaolo Invest Networks' recruitment programmes brought in 99 new professionals in the first quarter of 2017, compared with 77 new Personal Financial Advisers recruited in the corresponding period of 2016, and 244 over the past 12 months, compared with 243 in the previous twelve-month period. 85 Personal Financial Advisers left the Group in the first quarter of the year, only 19% of whom, however, moved to competitor networks.

The Intesa Sanpaolo Private Banking Network at period end comprised 833 Personal Financial Advisers employed as salaried employees registered in Italy's Unified Register of Financial Advisers (including 1 Personal Financial Adviser in London), as well as 26 freelance professionals on agency contracts and 5 Personal Financial Advisers at Intesa Sanpaolo Private Bank (Suisse).

Fideuram Personal Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
Q1					
1.1.2017 - 31.3.2017	3,571	66	56	10	3,581
1.1.2016 - 31.3.2016	3,589	49	54	(5)	3,584
Twelve-month period					
1.4.2016 - 31.3.2017	3,584	167	170	(3)	3,581
1.4.2015 - 31.3.2016	3,581	168	165	3	3,584

Sanpaolo Invest Personal Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
Q1					
1.1.2017 - 31.3.2017	1,429	33	29	4	1,433
1.1.2016 - 31.3.2016	1,436	28	17	11	1,447
Twelve-month period					
1.4.2016 - 31.3.2017	1,447	77	91	(14)	1,433
1.4.2015 - 31.3.2016	1,470	75	98	(23)	1,447

Intesa Sanpaolo Private Banking Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
Q1					
1.1.2017 - 31.3.2017	848	21	5	16	864
1.1.2016 - 31.3.2016	821	15	6	9	830
Twelve-month period					
1.4.2016 - 31.3.2017	830	63	29	34	864
1.4.2015 - 31.3.2016	814	42	26	16	830

The recruitment programmes were conducted with the greatest rigour and professionalism by the managements of the Group's Networks, and focused on finding Personal Financial Advisers of high standing in line with the role of market leader which has always distinguished the Fideuram Group. The training and work of these top professionals are guided by the principles of ethics and transparency which differentiate the Group and aim, among other things, to secure customer loyalty through the support of financial advisory services that are tailored to each customer's personal investment needs and risk profile.

Moreover, we continued to see steady growth in the Personal Financial Advisers who have joined our Team Fideuram project, conceived to promote collaboration between Personal Financial Advisers with a view to providing enhanced support for and increasing their customers. At the end of March 2017, 816 Personal Financial Advisers had joined together in teams, collectively managing a total of around €7bn assets for over 65,000 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 3,039 at 31 March 2017, compared with 3,010 at the end of December 2016, an increase of 29 which was principally due to the growth of our distribution and sales networks. Direct employees totalled 2,966.

Employees

	31.3.2017	31.12.2016	31.3.2016
Fideuram - Intesa Sanpaolo Private Banking	1,323	1,323	1,305
Intesa Sanpaolo Private Banking	1,333	1,314	1,288
Sanpaolo Invest SIM	49	49	51
Sirefid	62	56	58
Fideuram Fiduciaria	24	24	24
Intesa Sanpaolo Private Bank (Suisse)	26	25	24
Financière Fideuram (*)	4	4	3
Asset Management	**218**	**215**	**210**
Fideuram Asset Management (Ireland)	59	58	56
Fideuram Bank (Luxembourg)	66	65	66
Fideuram Investimenti SGR	93	92	88
Total	**3,039**	**3,010**	**2,963**

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

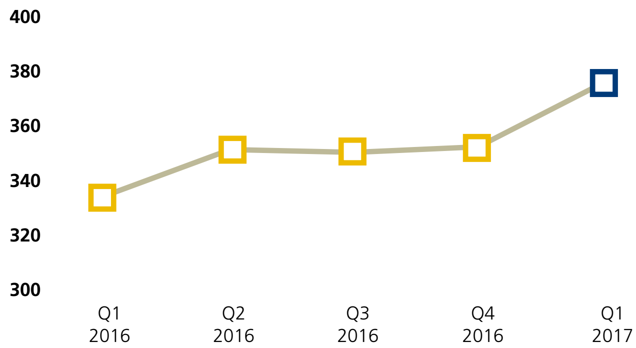
Events after the reporting period and outlook

There were no significant events after the reporting period requiring any changes to this Report.
During April, Fideuram Asset Management (Ireland) launched its business support for the new London Branch, which acts as the fund manager of certain of the Group's collective investment products.

The first quarter of 2017 saw the Group operating to full capacity in pursuit of the strategic objectives set out in the Intesa Sanpaolo business plan. The high volatility of the financial markets did not impact net recurring fees, which are the foundation of Fideuram's profitability.
The Group's managed asset inflow development policies and constant focus on risk management could, in the absence of any currently-unforeseeable major corrections in the financial markets, enable our Group to continue the growth embarked upon in 2016.

Quarterly net recurring fees

(€m)



The Board of Directors
Turin, 4 May 2017

Accounting policies

DECLARATION OF COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Consolidated Interim Report at 31 March 2017 was 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 quarter of 2017 is compared with the income statement for the corresponding period of 2016, while the balance sheet at 31 March 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 31 March 2017 are listed below.

Equity investments at 31.3.2017

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 were those prepared by the subsidiaries for the reference date 31 March 2017, adjusted where necessary to bring them into line with the Group's accounting policies. The financial statement data of companies operating outside the European Monetary Union area were translated to euro applying the year-end exchange rates to balance sheet items and the average exchange rates for the period to income statement items. Any exchange rate differences arising from conversions at said exchange rates were recognised in the valuation reserve.
The scope of consolidation of the Group was unchanged from 31 December 2016.

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 €580m available-for-sale bonds 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 €298m as the difference between the theoretical total negative reserve at 31 March 2017 (€338m) and the total negative reserve actually recorded under shareholders' equity at the reclassification date (€40m). The table below shows the book value, fair value and effects on the Group's total comprehensive income of the bonds reclassified in accordance with said amendment to IAS 39.

(€m)

TYPE OF FINANCIAL INSTRUMENT	SOURCE CATEGORY	DESTINATION CATEGORY	BOOK VALUE AT 31.3.2017	FAIR VALUE AT 31.3.2017	COMPREHENSIVE INCOME WITHOUT TRANSFER (BEFORE TAX)		COMPREHENSIVE INCOME FOR THE PERIOD (BEFORE TAX)	
					ESTIMATIONS	OTHER	ESTIMATIONS (*)	OTHER
Debt securities	Financial assets available for sale	Loans and advances to customers	1,595	1,297	(60)	12	(29)	12

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

Consolidated financial statements

Consolidated balance sheet

(€m)

ASSETS	31.3.2017	31.12.2016
10. Cash and cash equivalents	67	71
20. Financial assets held for trading	21	41
30. Financial assets measured at fair value through profit or loss	198	195
40. Financial assets available for sale	4,230	4,297
50. Held-to-maturity investments	98	125
60. Loans and advances to banks	20,666	18,705
70. Loans and advances to customers	8,893	9,602
80. Hedging derivatives	4	3
90. Adjustments to financial assets subject to macro-hedging	-	-
100. Equity investments	141	141
110. Reinsurers' share of technical reserves	-	-
120. Property and equipment	40	40
130. Intangible assets	177	181
of which: goodwill	140	140
140. Tax assets	185	180
a) Current	28	28
b) Deferred	157	152
of which: convertible to tax credits (Italian law No. 214/2011)	20	21
150. Non-current assets held for sale and discontinued operations	-	-
160. Other assets	925	1,091
TOTAL ASSETS	**35,645**	**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	31.3.2017	31.12.2016
10. Due to banks	2,929	2,665
20. Due to customers	27,979	27,561
30. Debt on issue	-	-
40. Financial liabilities held for trading	17	27
50. Financial liabilities measured at fair value through profit or loss	-	-
60. Hedging derivatives	1,035	1,103
70. Adjustments to financial liabilities subject to macro-hedging	-	-
80. Tax liabilities	79	64
a) Current	47	11
b) Deferred	32	53
90. Liabilities associated with non-current assets held for sale and discontinued operations	-	-
100. Other liabilities	1,003	759
110. Provision for employment termination indemnities	54	54
120. Provisions for risks and charges	463	458
a) Pensions and other commitments	8	8
b) Other provisions	455	450
130. Technical reserves	-	-
140. Valuation reserves	(97)	(84)
150. Redeemable shares	-	-
160. Equity instruments	-	-
170. Reserves	1,454	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	223	786
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**35,645**	**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 Income Statement

(€m)

	Q1 2017	Q1 2016
10. Interest income and similar income	81	84
20. Interest expense and similar expense	(38)	(38)
30. Net interest income	**43**	**46**
40. Fee and commission income	575	543
50. Fee and commission expense	(170)	(163)
60. Net fee and commission income	**405**	**380**
70. Dividends and similar income	-	-
80. Net profit (loss) on trading activities	3	2
90. Net profit (loss) on hedging derivatives	2	-
100. Net profit (loss) on sale or repurchase of:	5	18
a) Loans	-	8
b) Financial assets available for sale	5	10
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	3	(2)
120. Total net interest and trading income	**461**	**444**
130. Net impairment of:	-	(1)
a) Loans	-	(1)
b) Financial assets available for sale	-	-
c) Held-to-maturity investments	-	-
d) Other financial transactions	-	-
140. Operating income	**461**	**443**
150. Net insurance premiums	-	-
160. Other income/expense from insurance activities	-	-
170. Operating income from financing and insurance activities	**461**	**443**
180. Administrative expenses:	(184)	(180)
a) Personnel expenses	(79)	(77)
b) Other administrative expenses	(105)	(103)
190. Net provisions for risks and charges	(9)	(14)
200. Depreciation of property and equipment	(1)	(1)
210. Amortisation of intangible assets	(5)	(4)
220. Other income/expense	47	49
230. Operating expenses	**(152)**	**(150)**
240. Profit (loss) on equity investments	3	3
250. Net fair value gains (losses) on property and equipment and intangible assets	-	-
260. Goodwill impairment	-	-
270. Gain (loss) on disposal of investments	-	-
280. Profit (loss) before tax from continuing operations	**312**	**296**
290. Income taxes for the period on continuing operations	(89)	(83)
300. Profit (loss) after tax from continuing operations	**223**	**213**
310. Profit (loss) after tax from discontinued operations	-	-
320. Net profit (loss) for the period	**223**	**213**
330. Net profit (loss) for the period attributable to non-controlling interests	-	-
340. Parent company interest in net profit (loss) for the period	**223**	**213**

Chairman of the Board
of Directors
Matteo Colafrancesco

Managing Director
Paolo Molesini

Manager Responsible for the Preparation
of the Company Accounts
Paolo Bacciga

Consolidated statement of comprehensive income

(€m)

	Q1 2017	Q1 2016
10. Net profit (loss) for the period	**223**	**213**
Other comprehensive income after tax not transferred to the income statement	**-**	**(3)**
20. Property and equipment	-	-
30. Intangible assets	-	-
40. Defined-benefit plans	-	(3)
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	**(13)**	**(21)**
70. Hedges of net investments in foreign operations	-	-
80. Exchange rate differences	-	-
90. Cash flow hedges	-	-
100. Financial assets available for sale	(11)	(22)
110. Non-current assets held for sale	-	-
120. Valuation reserves related to investments carried at equity	(2)	1
130. Total other comprehensive income after tax	**(13)**	**(24)**
140. Total comprehensive income	**210**	**189**
150. Total comprehensive income attributable to non-controlling interests	-	-
160. Total comprehensive income attributable to parent company	210	189

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 31.12.2016	CHANGE TO OPENING BALANCE	BALANCE AT 1.1.2017	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 31.3.2017	SHAREHOLDERS' EQUITY AT 31.3.2017	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS
Share capital:	**300**	**-**	**300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**300**	**300**	**-**
a) Ordinary shares	300	-	300	-	-	-	-	-	-	-	-	-	-	-	-	300	300	-
b) Other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**206**	**-**	**206**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**206**	**206**	**-**
Reserves:	**1,373**	**-**	**1,373**	**72**	**-**	**9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,454**	**1,454**	**-**
a) From net income	1,299	-	1,299	72	-	9	-	-	-	-	-	-	-	-	-	1,380	1,380	-
b) Other	74	-	74	-	-	-	-	-	-	-	-	-	-	-	-	74	74	-
Valuation reserves	**(84)**	**-**	**(84)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13)**	**(97)**	**(97)**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interim dividends	**(600)**	**-**	**(600)**	**-**	**600**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the period	**786**	**-**	**786**	**(72)**	**(714)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**223**	**223**	**223**	**-**
Shareholders' equity	**1,981**	**-**	**1,981**	**-**	**(114)**	**9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**210**	**2,086**	**2,086**	**-**
Equity attributable to owners of the parent company	**1,981**	**-**	**1,981**	**-**	**(114)**	**9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**210**	**2,086**		
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)

	BALANCE AT 31.12.2015	CHANGE TO OPENING BALANCE	BALANCE AT 1.1.2015	ALLOCATION OF INCOME FOR THE PREVIOUS YEAR		CHANGES IN THE PERIOD										SHAREHOLDERS' EQUITY AT 31.3.2016	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS
							TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY											
				RESERVES	DIVIDENDS AND OTHER	CHANGES IN RESERVES	ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	INTERIM DIVIDENDS	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	DERIVATIVES BASED ON TREASURY SHARES	STOCK OPTIONS	CHANGES IN EQUITY INVESTMENTS	TOTAL COMPREHENSIVE INCOME AT 31.3.2016			
Share capital:	**300**	**-**	**300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**300**	**300**	**-**
a) Ordinary shares	300	-	300	-	-	-	-	-	-	-	-	-	-	-	-	300	300	-
b) Other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**206**	**-**	**206**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**206**	**206**	**-**
Reserves:	**1,328**	**-**	**1,328**	**33**	**-**	**8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,369**	**1,369**	**-**
a) From net income	1,254	-	1,254	33	-	8	-	-	-	-	-	-	-	-	-	1,295	1,295	-
b) Other	74	-	74	-	-	-	-	-	-	-	-	-	-	-	-	74	74	-
Valuation reserves	**(50)**		**(50)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(24)**	**(74)**	**(74)**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interim dividends	**(501)**	**-**	**(501)**	**501**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the period	**594**	**-**	**594**	**(534)**	**(60)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**213**	**213**	**213**	**-**
Shareholders' equity	**1,877**	**-**	**1,877**	**-**	**(60)**	**8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**189**	**2,014**	**2,014**	**-**
Equity attributable to owners of the parent company	**1,877**	**-**	**1,877**	**-**	**(60)**	**8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**189**	**2,014**		
Equity attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		

Chairman of the Board of Directors
Matteo Colafrancesco

Managing Director
Paolo Molesini

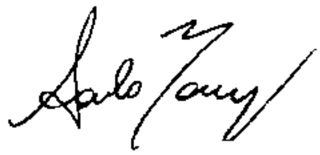
Manager Responsible for the Preparation of the Company Accounts
Paolo Bacciga

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 31 March 2017 corresponds to the accounting documents, records and books.

Turin, 4 May 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 31 March 2017 are a reclassified condensed balance sheet and reclassified condensed income statement to facilitate comparison of the figures for different periods and to enable a clearer and more immediate understanding of the bank'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 BALANCE SHEET - ASSETS	CONSOLIDATED BALANCE SHEET - ASSETS	31.3.2017	31.12.2016
Cash and cash equivalents		67	71
	Item 10. Cash and cash equivalents	*67*	*71*
Financial assets (other than loans and held-to-maturity investments)		4,449	4,533
	Item 20. Financial assets held for trading	*21*	*41*
	Item 30. Financial assets measured at fair value through profit or loss	*198*	*195*
	Item 40. Financial assets available for sale	*4,230*	*4,297*
Held-to-maturity investments		98	125
	Item 50. Held-to-maturity investments	*98*	*125*
Loans and advances to banks		20,666	18,705
	Item 60. Loans and advances to banks	*20,666*	*18,705*
Loans and advances to customers		8,893	9,602
	Item 70. Loans and advances to customers	*8,893*	*9,602*
Hedging derivatives		4	3
	Item 80. Hedging derivatives	*4*	*3*
Equity investments		141	141
	Item 100. Equity investments	*141*	*141*
Property and equipment		40	40
	Item 120. Property and equipment	*40*	*40*
Intangible assets and goodwill		177	181
	Item 130. Intangible assets	*177*	*181*
Tax assets		185	180
	Item 140. Tax assets	*185*	*180*
Other assets		925	1,091
	Item 160. Other assets	*925*	*1,091*
Total assets	**Total assets**	**35,645**	**34,672**

RECLASSIFIED BALANCE SHEET - LIABILITIES	CONSOLIDATED BALANCE SHEET - LIABILITIES	31.3.2017	31.12.2016
Due to banks		2,929	2,665
	Item 10. Due to banks	*2,929*	*2,665*
Due to customers		27,979	27,561
	Item 20. Due to customers	*27,979*	*27,561*
Financial liabilities held for trading		17	27
	Item 40. Financial liabilities held for trading	*17*	*27*
Hedging derivatives		1,035	1,103
	Item 60. Hedging derivatives	*1,035*	*1,103*
Tax liabilities		79	64
	Item 80. Tax liabilities	*79*	*64*
Other liabilities		1,057	813
	Item 100. Other liabilities	*1,003*	*759*
	Item 110. Provision for employment termination indemnities	*54*	*54*
Provision for risks and charges		463	458
	Item 120. Provision for risks and charges	*463*	*458*
Equity attributable to owners of the parent company		2,086	1,981
	Items 140, 170, 175, 180, 190, 220 Equity attributable to owners of the parent company	*2,086*	*1,981*
Total liabilities	**Total liabilities and shareholders' equity**	**35,645**	**34,672**

Reconciliation of consolidated income statement and reclassified consolidated income statement

(€m)

RECLASSIFIED CONSOLIDATED INCOME STATEMENT	CONSOLIDATED INCOME STATEMENT	Q1 2017	Q1 2016
Net interest income		40	42
	Item 30. Net interest income	*44*	*46*
	- Item 60. (partial) Net fee and commission income related to net interest income	*(4)*	*(4)*
Net profit (loss) on financial assets and liabilities		10	20
	Item 80. Net profit (loss) on trading activities	*2*	*2*
	Item 90. Net profit (loss) on hedging derivatives	*2*	*-*
	Item 100. Net profit (loss) on sales and repurchases	*5*	*18*
	Item 110. Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss	*3*	*(2)*
	- Item 180. a) (partial) Return on Intesa Sanpaolo Shares for remuneration and bonus schemes	*-*	*1*
	- Item 190. (partial) Return on insurance policies for network loyalty schemes	*(2)*	*1*
Net fee and commission income		409	384
	Item 60. Net fee and commission income	*405*	*380*
	- Item 60. (partial) Net fee and commission income related to net interest income	*4*	*4*
Operating income before net impairment		**459**	**446**
Net impairment		-	(1)
	Item 130. Net impairment	*-*	*(1)*
Operating income		**459**	**445**
Personnel expenses		(72)	(70)
	Item 180. a) Personnel expenses	*(79)*	*(77)*
	- Item 180. a) (partial) Expenses connected with the Intesa Sanpaolo business plan	*7*	*8*
	- Item 180. a) (partial) Return on Intesa Sanpaolo Shares for remuneration and bonus schemes	*-*	*(1)*
Other administrative expenses		(50)	(51)
	Item 180 b) Other administrative expenses	*(105)*	*(103)*
	- Item 220. (partial) Recovery of indirect taxes	*48*	*49*
	- Item 180. b) (partial) Expenses connected with the Intesa Sanpaolo business plan	*1*	*-*
	- Item 180. b) Expenses regarding the banking system	*6*	*3*
Depreciation and amortisation		(4)	(4)
	Item 200. Depreciation of property and equipment	*(1)*	*(1)*
	Item 210. Amortisation of intangible assets	*(5)*	*(4)*
	- Item 210. (partial) Expenses connected with the Intesa Sanpaolo business plan	*2*	*1*
Operating expenses		**(126)**	**(125)**
Net provisions for risks and charges		(7)	(15)
	Item 190. Net provisions for risks and charges	*(9)*	*(14)*
	- Item 190. (partial) Return on insurance policies for network loyalty schemes	*2*	*(1)*
Profit (loss) on equity investments		3	3
	Item 240. Profit (loss) on equity investments	*3*	*3*
Other operating income (expense)		(1)	-
	item 220. Other income/expense	*47*	*49*
	- Item 220. (partial) Recovery of indirect taxes	*(48)*	*(49)*
Profit (loss) before tax from continuing operations		**328**	**308**
Income taxes for the period on continuing operations		(94)	(87)
	Item 290. Income taxes for the period on continuing operations	*(89)*	*(83)*
	- Item 290. (partial) Tax impact of expenses connected with the Intesa Sanpaolo business plan	*(3)*	*(3)*
	- Item 290. (partial) Tax impact of expenses regarding the banking system	*(2)*	*(1)*
Expenses regarding the banking system (net of tax)		(4)	(2)
	- Item 180. b) Expenses regarding the banking system	*(6)*	*(3)*
	- Item 290. (partial) Tax impact of expenses regarding the banking system	*2*	*1*
Non-recurring income (expenses) net of tax		(7)	(6)
	- Item 180. a) (partial) Expenses connected with the Intesa Sanpaolo business plan	*(7)*	*(8)*
	- Item 180. b) (partial) Expenses connected with the Intesa Sanpaolo business plan	*(1)*	*-*
	- Item 210. (partial) Expenses connected with the Intesa Sanpaolo business plan	*(2)*	*(1)*
	- Item 290. (partial) Tax impact of expenses connected with the Intesa Sanpaolo business plan	*3*	*3*
Net profit	**Item 340. Parent company interest in net profit (loss) for the period**	**223**	**213**

Communications, Graphic Design and Development:

www.mercuriogp.eu

English Language version:
Michael Benis BA FCIOL MITI

MIX
Paper from
responsible sources
FSC® C084473

Fideuram - Intesa Sanpaolo Private Banking has printed this report on paper sourced from responsibly-managed forests to FSC® (Forest Stewardship Council®) standards.

Printed using inks with plant-based solvents.

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
156 Piazza San Carlo - 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