FIDEURAM
INTESA SANPAOLO PRIVATE BANKING

Interim report at 31 March 2019

Bank of INTESA SANPAOLO

Mission

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

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

Interim report at 31 March 2019

Introduction

The Consolidated Interim Report of the Fideuram – Intesa Sanpaolo Private Banking Group at 31 March 2019 has been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission.

The accounting and financial reporting standards adopted to prepare the Interim Report comply with those adopted for the Consolidated Financial Statements as at 31 December 2018 (to which consequently reference is made for more details) except for the standard that governs accounting for leases, which was changed due to the mandatory application, starting on 1 January 2019, of the new IFRS 16, replacing IAS 17 - Leases, IFRIC 4 - "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating Leases - Incentives" and SIC 27 - "Evaluating the Substance of Transactions in the Legal Form of a Lease". The new standard requires determining whether a contract is or contains a finance lease, based on the concept of control of use of an identified asset for a specific period of time. Consequently, even lease, charter, rental, or gratuitous loan agreements, which previously were not associated with finance lease, fall within the scope of the new standard. The new accounting model introduced by IFRS 16 requires that the right to use the leased asset be recognised as an asset on the balance sheet, while the payables for lease payments still due to the lessor must be recognised as liabilities in the balance sheet. The procedure for recognition of the income statement components is also modified. While the lease payments were recognised as administrative expenses under IAS 17, the new IFRS 16 requires that these expenses be recognised as amortisation of the "right of use" and as the interest expenses on the payable. Pursuant to the requirements of IFRS 16 and the clarifications of IFRIC, software is excluded from the scope of application of IFRS 16, and is thus recognised, in continuation with the past, in accordance with IAS 38 and its requirements. For the lessee, the application of IFRS 16 from 1 January 2019 causes – when final profit and final cash flow are considered – an increase in the assets carried on the balance sheet (the leased assets), an increase in liabilities (the payable on the leased assets), a reduction in administrative expenses (the lease payments), and a simultaneous increase in financial costs (the remuneration on the recognised payable) and amortisation (for the right to use recognised as an asset). The types of lease falling in the scope of application of the new standard particularly concern arrangements related to real estate, cars and hardware. Real estate lease contracts represent the most important area to be affected. The Group has decided to recognise the effects of first-time application of the standard according to the modified retrospective approach, which grants the option of recognising the entire cumulative effect of application of the new standard at the date of first-time application, without restating the comparative data for the financial statements of the year when IFRS 16 was applied for the first time.

In the first quarter of 2019, the integration of the Swiss companies of the Group took place via the following transactions:

- the contribution to Morval Vonwiller Holding of the 100% stake held by Fideuram in Intesa Sanpaolo Private Bank (Suisse), for CHF 45m. This was accomplished through the issue of new shares wholly subscribed by Fideuram, with the non-controlling shareholders of Morval Vonwiller Holding waiving their pre-emptive rights. The transfer of the shareholding took effect on 22 January 2019, causing the ordinary share capital of Morval Vonwiller Holding to increase by CHF 396,500, while the remaining amount, about CHF 42.4m, was allocated to the capital reserve of Morval Vonwiller Holding. By subscribing the newly issued shares, the shareholding of Fideuram in Morval Vonwiller Holding rose from 94.6% to 95.8%;
- the merger of Intesa Sanpaolo Private Bank (Suisse) into Banque Morval;
- the merger of Morval Vonwiller Holding into the new entity resulting from the previously mentioned merger.

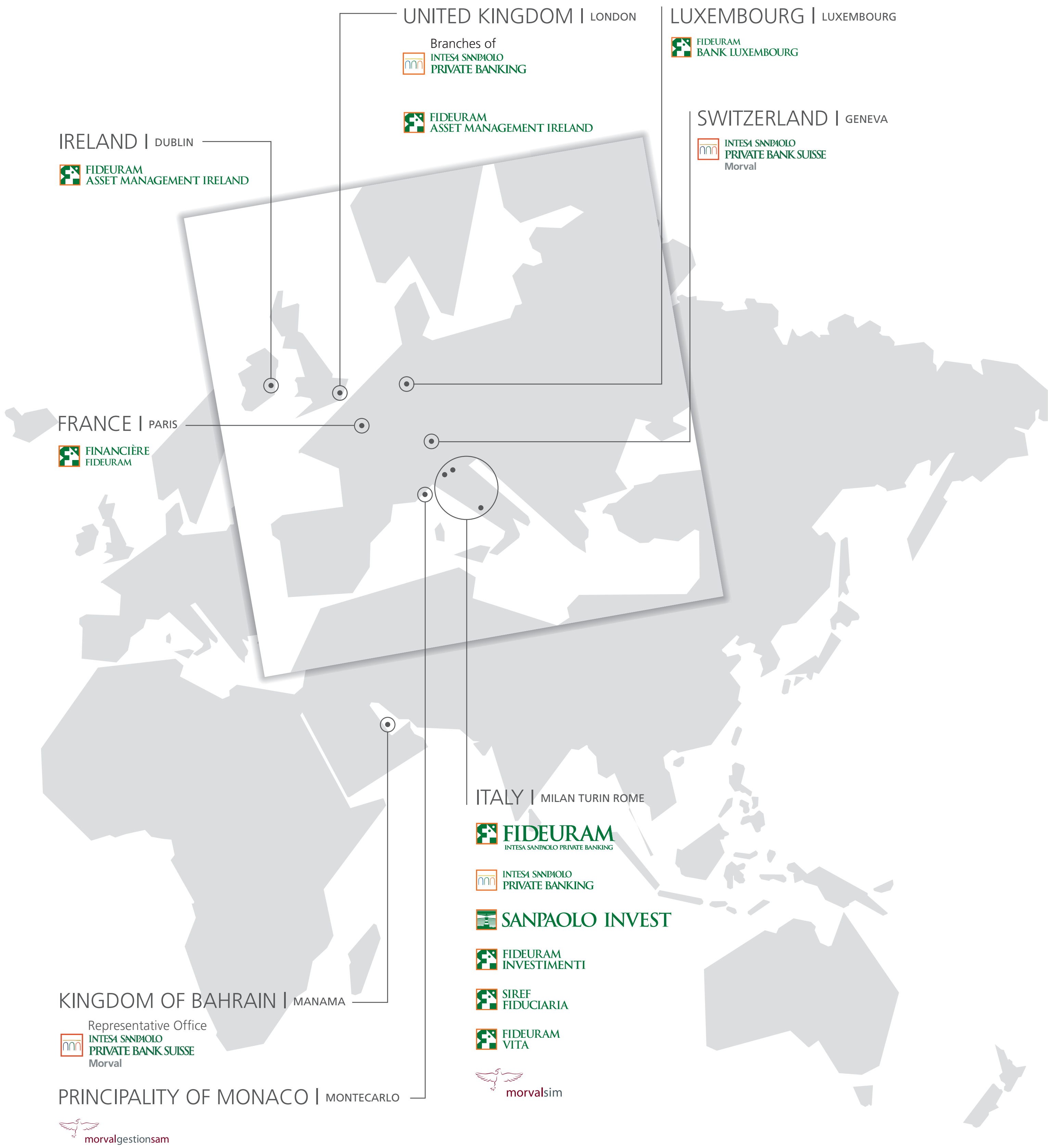
After these transactions, which were all executed with retroactive effect for tax and accounting purposes to 1 January 2019, the new Swiss company that will guide the foreign development of the Group assumed the company name of "Intesa Sanpaolo Private Bank (Suisse) Morval S.A.".

The Consolidated Interim Report comprises the balance sheet, income statement, statement of comprehensive income and statement of changes in shareholders' equity, accompanied by explanatory notes on the Group's performance. The balance sheet and income statement as at and for the period ended 31 March 2019 referred to in the explanatory notes have been reclassified to facilitate comparison of the figures for different periods and to enable a clearer and more immediate understanding of the Group's financial position and results. These statements were prepared using appropriate groupings of the items in the official financial statements. An analysis comparing the financial and transaction data for the first three months of 2019 with the corresponding data for 2018 is affected by the impacts of first-time application of IFRS 16 and the acquisition of the Morval Vonwiller Group (taking place in second quarter of 2018). As a consequence, the transaction and financial data presented in the balance sheet and income statement have been restated, where necessary, in the notes to the financial statements so that comparisons may be made on a like-for-like basis. These restated statements were prepared making the adjustments to the historical data required to reflect retrospectively the changes in the accounting standards and the scope of consolidation, as if the company transactions and the first-time application of IFRS 16 had become effective as of 1 January 2018. Detailed information on the restatements and reclassifications is presented in specific reconciliation statements provided in the schedules accompanying this Report.

Contents

Group structure

The Fideuram - Intesa Sanpaolo Private Banking Group operates in twelve countries and comprises the parent company **Fideuram - Intesa Sanpaolo Private Banking** ("Fideuram") and the following companies:



BRITISH VIRGIN ISLANDS | TORTOLA

morvalvonwillers
assets management co.

CAYMAN ISLANDS | GEORGE TOWN

southerngroup

morvalbank&trust

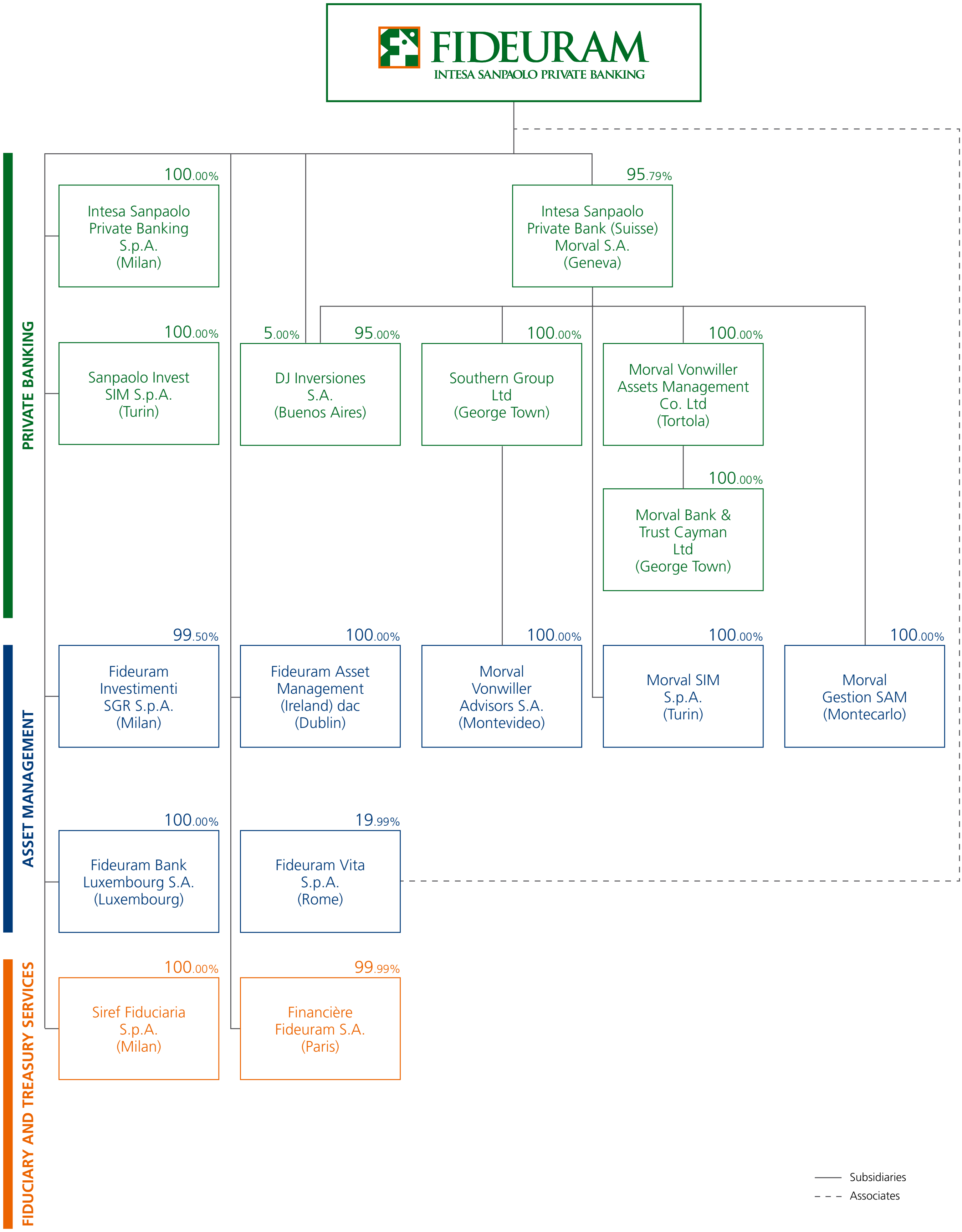
URUGUAY | MONTEVIDEO

morvalvonwiller
advisors

ARGENTINA | BUENOS AIRES

DJ Inversiones

The composition of the Fideuram Group is illustrated as follows:



Company Officers

Shareholders' Meeting

Board of Directors

Chairman
PAOLO MARIA VITTORIO GRANDI

Acting Deputy Chairman
GIANGIACOMO DOMENICO LUIGI NARDOZZI TONIELLI

Managing Director
PAOLO MOLESINI

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

Secretary to the Board of Directors
FILIPPO MAMMOLA

Board of Statutory Auditors

Chairman
GIULIO STEFANO LUBATTI

Statutory Auditors
MARCO ANTONIO MODESTO DELL'ACQUA
LORENZO GINISIO

Acting Auditors
ALESSANDRO COTTO
FRANCESCA MONTI

General Management

General Manager
PAOLO MOLESINI

Joint General Managers
ANDREA CHIOATTO
(Operational and Financial Governance)
FABIO CUBELLI
(Business Coordination)

Manager responsible for the preparation of the company accounts

PAOLO BACCIGA

Independent Auditors

KPMG S.p.A.

Key drivers

Key drivers of the business model

OPERATING RESULTS

Personal Financial Advisers No. 5,924

Customers

Fideuram No. 571,553

Intesa Sanpaolo Private Banking No. 37,620 households

Intesa Sanpaolo Private Bank (Suisse) Morval No. 1,860

Sanpaolo Invest No. 152,455

Siref Fiduciaria No. 2,124 mandates

Total Net Inflows

€1 bn

of which Net Inflows into Managed Assets

-€17 m

Client Assets

€223.7 bn

of which Advanced Advisory Service

€154.6 bn

of which Managed Assets

€37.5 bn

FINANCIAL RESULTS

Fideuram e Sanpaolo Invest
13 years

Average length of Customer Relationship

Intesa Sanpaolo Private Banking
12 years

Net Recurring Fees
€394 m
-3%

Cost / Income Ratio
30%
(28% in Q1 2018)

Consolidated Net Profit
€229 m
-4%

Return On Equity
36%
(38% in Q1 2018)

Highlights

	31.3.2019	31.3.2018 (*)	% CHANGE
CUSTOMER FINANCIAL ASSETS			
Net inflows into managed assets (€m)	(17)	1,585	n.s.
Total net inflows (€m)	1,023	2,397	-57
Client Assets (€m)	223,719	216,022	4
OPERATING STRUCTURE			
Personal Financial Advisers (No.)	5,924	6,057	
Staff (No.)	3,311	3,313	
- women (No.)	1,479	1,465	
- outside Italy (No.)	319	286	
Personal Financial Advisers' Offices (No.)	322	324	
Bank Branches (No.)	230	229	
CONSOLIDATED FINANCIAL RESULTS			
Consolidated net profit (€m)	229	239	-4
Group shareholders' equity (€m)	2,251	3,053	-26
Basic consolidated net earnings per share (€)	0.153	0.160	-4
Consolidated pay-out ratio (%)	97.07	90.39	
Fideuram pay-out ratio (%)	99.48	99.96	
Total assets (€m)	42,941	39,994	7
Wealth created (€m)	712	708	1
Value distributed (€m)	696	693	-
PROFITABILITY INDICATORS			
Return on Equity (%)	36	38	
Return on Assets (%)	2	2	
Cost / Income ratio (%)	30	28	
Payroll costs / Operating income before net impairment (%)	18	17	
Annualised net profit / Average client assets (%)	0.4	0.4	
Economic Value Added (€m)	205	214	

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

(*) Restated where necessary to take the changes in the scope of consolidation into account so that straight comparisons can be made.

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.

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

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

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

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

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

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

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

Consolidated Interim Report

Reclassified financial statements

Consolidated balance sheet

(reclassified - €m)

	31.3.2019	1.1.2019 (*)	CHANGE	
			AMOUNT	%
ASSETS				
Financial assets measured at fair value through profit or loss	310	294	16	5
Financial assets measured at fair value through other comprehensive income	3,277	3,294	(17)	-1
Debt securities measured at amortised cost	13,194	13,299	(105)	-1
Loans to banks	14,525	12,301	2,224	18
Loans to customers	9,263	9,531	(268)	-3
Hedging derivatives	1	-	1	n.s.
Equity investments	158	151	7	5
Property and equipment and intangible assets	563	576	(13)	-2
Tax assets	178	198	(20)	-10
Other assets	1,472	1,388	84	6
TOTAL ASSETS	**42,941**	**41,032**	**1,909**	**5**
LIABILITIES				
Due to banks	3,741	3,409	332	10
Due to customers	34,131	32,354	1,777	5
Financial liabilities held for trading	27	28	(1)	-4
Hedging derivatives	890	808	82	10
Tax liabilities	102	82	20	24
Other liabilities	1,329	1,079	250	23
Provisions for risks and charges	470	468	2	-
Share capital and reserves	2,022	1,970	52	3
Net profit	229	834	(605)	-73
TOTAL LIABILITIES	**42,941**	**41,032**	**1,909**	**5**

(*) Restated taking the application of IFRS 16 into account so that straight comparisons can be made.

n.s.: not significant

Consolidated income statement

(reclassified - €m)

	Q1 2019	Q1 2018 (*)	CHANGE	
			AMOUNT	%
Net interest income	41	36	5	14
Net profit (loss) on financial assets and liabilities	13	20	(7)	-35
Net fee and commission income	427	437	(10)	-2
TOTAL NET INTEREST AND TRADING INCOME	**481**	**493**	**(12)**	**-2**
Net impairment for credit risk	(3)	(1)	(2)	n.s.
OPERATING INCOME	**478**	**492**	**(14)**	**-3**
Personnel expenses	(88)	(85)	(3)	4
Other administrative expenses	(45)	(45)	-	-
Depreciation and amortisation	(13)	(11)	(2)	18
OPERATING EXPENSES	**(146)**	**(141)**	**(5)**	**4**
Net provisions for risks and charges	(10)	(5)	(5)	100
Profit (loss) on equity investments	1	3	(2)	-67
Other income (expense)	(1)	-	(1)	n.s.
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**322**	**349**	**(27)**	**-8**
Income taxes for the period on continuing operations	(94)	(103)	9	-9
Expenses regarding the banking system (net of tax)	(4)	(3)	(1)	33
Non-recurring income (expenses) (net of tax)	5	(4)	9	n.s.
NET PROFIT	**229**	**239**	**(10)**	**-4**

(*) Restated taking the changes in the scope of consolidation and application of IFRS 16 into account so that straight comparisons can be made.
n.s.: not significant

Quarterly consolidated balance sheets

(reclassified - €m)

	31.3.2019	1.1.2019 (**)	30.9.2018	30.6.2018	31.3.2018 (*)
ASSETS					
Financial assets measured at fair value through profit or loss	310	294	298	280	288
Financial assets measured at fair value through other comprehensive income	3,277	3,294	3,151	3,013	3,444
Debt securities measured at amortised cost	13,194	13,299	13,275	13,325	10,658
Loans to banks	14,525	12,301	12,968	13,373	15,337
Loans to customers	9,263	9,531	9,006	8,869	8,510
Hedging derivatives	1	-	2	1	2
Equity investments	158	151	156	148	151
Property and equipment and intangible assets	563	576	294	295	266
Tax assets	178	198	160	158	156
Other assets	1,472	1,388	1,260	1,192	1,182
TOTAL ASSETS	**42,941**	**41,032**	**40,570**	**40,654**	**39,994**
LIABILITIES					
Due to banks	3,741	3,409	2,469	2,464	2,566
Due to customers	34,131	32,354	32,975	33,175	31,668
Financial liabilities held for trading	27	28	30	32	18
Hedging derivatives	890	808	785	815	791
Tax liabilities	102	82	97	61	118
Other liabilities	1,329	1,079	1,115	1,214	1,164
Provisions for risks and charges	470	468	447	445	468
Share capital and reserves	2,022	1,970	1,995	1,994	2,814
Equity attributable to non-controlling interests	-	-	-	-	148
Net profit	229	834	657	454	239
TOTAL LIABILITIES	**42,941**	**41,032**	**40,570**	**40,654**	**39,994**

(*) Restated taking the changes in the scope of consolidation into account so that straight comparisons can be made.

(**) Restated taking the application of IFRS 16 into account so that straight comparisons can be made.

Quarterly consolidated income statements

(reclassified - €m)

	2019	2018			
	Q1	Q4 (*)	Q3 (*)	Q2 (*)	Q1 (*)
Net interest income	41	39	38	36	36
Net profit (loss) on financial assets and liabilities	13	3	6	5	20
Net fee and commission income	427	425	416	423	437
TOTAL NET INTEREST AND TRADING INCOME	**481**	**467**	**460**	**464**	**493**
Net impairment for credit risk	(3)	7	(1)	-	(1)
OPERATING INCOME	**478**	**474**	**459**	**464**	**492**
Personnel expenses	(88)	(97)	(86)	(82)	(85)
Other administrative expenses	(45)	(54)	(53)	(45)	(45)
Depreciation and amortisation	(13)	(12)	(11)	(12)	(11)
OPERATING EXPENSES	**(146)**	**(163)**	**(150)**	**(139)**	**(141)**
Net provisions for risks and charges	(10)	(4)	1	(7)	(5)
Profit (loss) on equity investments	1	3	2	1	3
Other income (expense)	(1)	(3)	-	(1)	-
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**322**	**307**	**312**	**318**	**349**
Income taxes for the period on continuing operations	(94)	(87)	(96)	(95)	(103)
Expenses regarding the banking system (net of tax)	(4)	(6)	(6)	(3)	(3)
Non-recurring income (expenses) (net of tax)	5	(36)	(7)	(5)	(4)
Economic effects of the allocation of acquisition costs (net of tax)	-	(1)	-	-	-
NET PROFIT	**229**	**177**	**203**	**215**	**239**

(*) Restated where necessary to take the changes in the scope of consolidation and application of IFRS 16 into account so that straight comparisons can be made.

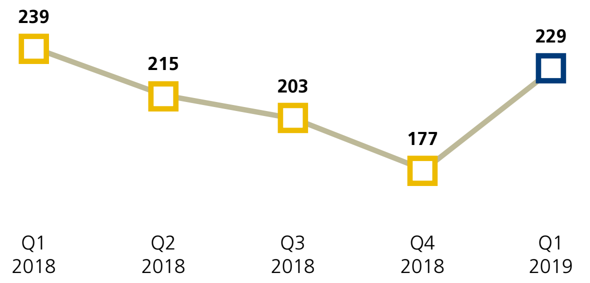
Overview of consolidated results

The Fideuram - Intesa Sanpaolo Private Banking Group ended the first three months of 2019 with **consolidated net profit of €229m**, down €10m (-4%) on the same period of 2018.
The Wealth created by the Group's business totalled €712m at 31 March 2019, up €4m on the figure for the same period last year.
The return on equity (R.O.E.) was 36%.

Analysis of the main income-statement items shows that profit before tax from continuing operations was down €27m on the first quarter of 2018. This change was mainly attributable to operating income, which was down €14m from the first three months of last year, mainly due to the decrease in net fee and commission income (-€10m, -2%).
Operating expenses rose by €5m, profit on equity investments fell by €2m and the provisions for risks and charges increased by €5m.
The Group's Cost/Income Ratio reached 30% from 28% during the same period last year.

Consolidated net profit

(€m)



At 31 March 2019, there were a total of 5,924 Personal Financial Advisers in the Group's networks compared with 5,995 at 31 December and 6,057 at 31 March 2018. Client assets per Personal Financial Adviser were approximately €38m at 31 March 2019. Total Group staff came to 3,311, down from 3,335 at 31 December 2018. Bank branches totalled 230 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 Europe with client assets totalling more than €223bn.
Since 2015, it has directed the business of the Intesa Sanpaolo Group Private Banking Division, which brings together the companies providing the Group's financial advisory, asset management and fiduciary services. The Division's mission is to serve high-end customers, creating value with products and services conceived for excellence, while ensuring the increased profitability of managed assets through the constant development of our product range and service delivery solutions. The Fideuram Group specialises in particular in the provision of financial advisory services and the development, management and distribution of financial, insurance and banking products and services.

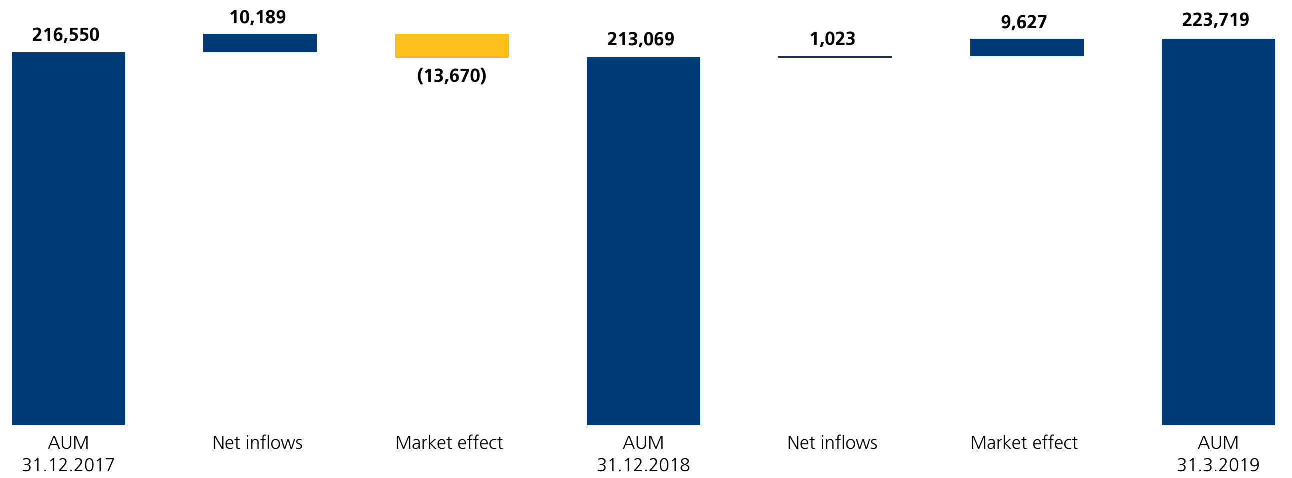
The Group's positioning is principally focused on the Private Banking customers and High Net Worth Individuals. Our products and services are provided by approximately 6,000 highly qualified professionals in four separate networks (Fideuram, Sanpaolo Invest, Intesa Sanpaolo Private Banking and Intesa Sanpaolo Private Bank (Suisse) Morval) with their own brand identities, service models, and customer profiles.
The Group's service model is centred on professional advisory services and the creation of long-standing relationships of trust between our customers and Personal Financial Advisers. The Group benefits from a strong and stable retail customer base, which can rely on a dedicated service model and tailored product offering. Our advisory services are offered as "Basic Advisory Services", which we provide for all customers free of charge in line with the requirements of the MiFID 2 directive, and as three "Advanced Advisory Services" (SEI, View and Private Advisory), which are paid services designed specifically for customers with greater financial assets and provided on the basis of a contract. The investment solutions proposed by our Personal Financial Advisers are for the most part developed and managed within the Group through dedicated product companies. In addition, the Group's marketing agreements with leading international investment houses mean that we are also able to offer third-party products in accordance with the "Guided Open Architecture Model" that the Group has adopted to complement its expertise and satisfy even the most complex customer needs. The Fideuram Group also engages in banking activities (asset gathering and lending), offering its customers a complete range of banking products and services. Fideuram - Intesa Sanpaolo Private Banking is a member of the Intesa Sanpaolo Banking Group and wholly owned by Intesa Sanpaolo S.p.A..

Client financial assets

Client Assets totalled **€223.7bn** at 31 March 2019, up by €10.6bn (+5%) on the figure at 31 December 2018. This result is mainly attributable to market performance, which positively impacted assets by €9.6bn (+€7.6bn in managed assets and +€2bn in non-managed assets) and, to a lesser extent, to net positive inflows amounting to €1bn. During 2018, the negative performance of the client assets was entirely attributable to the negative market effect for €13.7bn, only partly offset by inflows amounting to €10.2bn.

Client Assets (*)

(€m)



(*) Restated where necessary to take the changes in the scope of consolidation into account so that straight comparisons can be made.

Analysis of the aggregated items shows that **managed assets** (about 69% of total client assets) equalled **€154.6bn**, up compared to the amount at the end of 2018 (€147bn), as well as compared to the average figure for 2018 (€152.3bn) and for the first quarter of 2019 (€151.4bn). Compared to the end of 2018, this increase was in mutual funds (+€2.7bn), discretionary accounts (+€2bn) and life insurance (+€2.8bn). **Non-managed assets** totalled **€69.1bn**, up €3bn on the figure at year-end 2018.

Client Assets

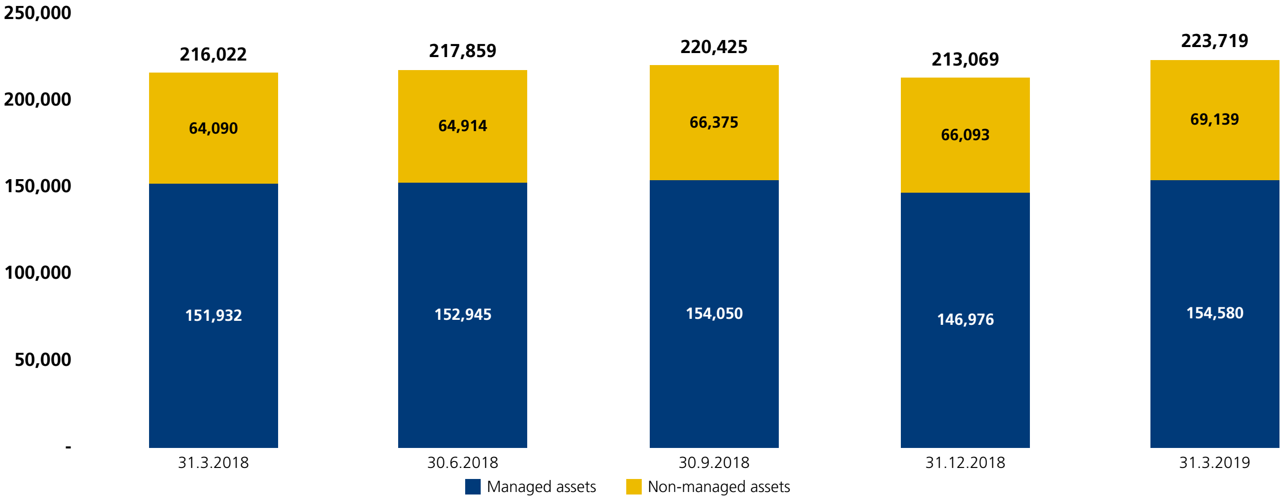
(€m)

	31.3.2019	31.12.2018	CHANGE	
			AMOUNT	%
Mutual funds	58,097	55,418	2,679	5
Discretionary accounts	43,376	41,338	2,038	5
Life insurance	50,999	48,228	2,771	6
including: Fideuram Vita / Intesa Sanpaolo Vita unit linked	*34,233*	*32,649*	*1,584*	*5*
Pension funds	2,108	1,992	116	6
Total managed assets	**154,580**	**146,976**	**7,604**	**5**
Total non-managed assets	**69,139**	**66,093**	**3,046**	**5**
including: Securities	*41,445*	*37,730*	*3,715*	*10*
Total Client Assets	**223,719**	**213,069**	**10,650**	**5**

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

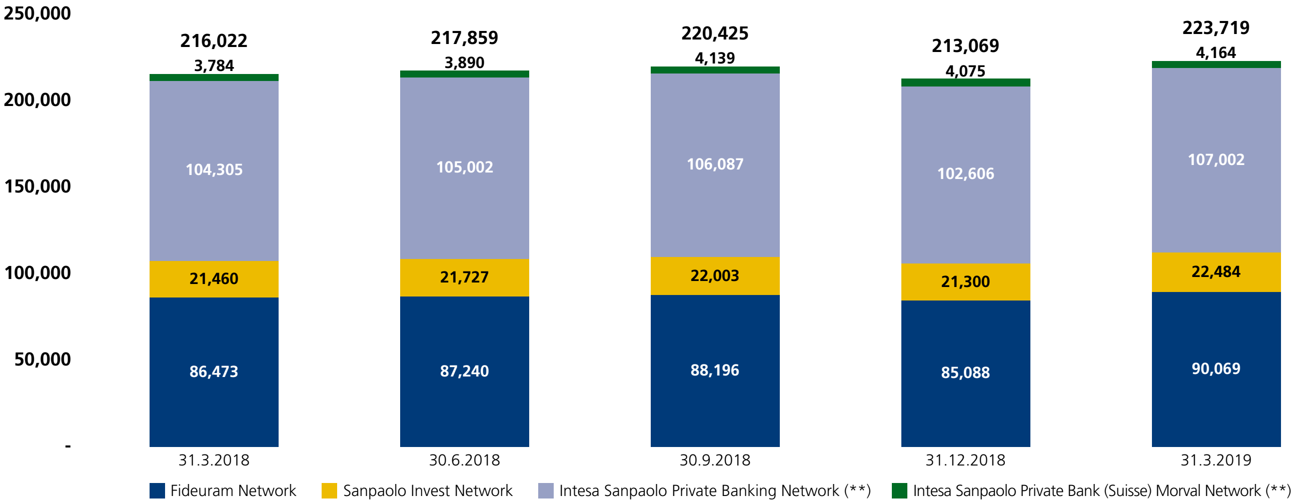
Client Assets - by type of inflows (*)

(€m)



Client Assets - by Sales Network (*)

(€m)



(*) Restated where necessary to take the changes in the scope of consolidation into account so that straight comparisons can be made.

(**) The figures for the Intesa Sanpaolo Private Banking sales network include the client assets of Sirefid Fiduciaria. The Intesa Sanpaolo Private Bank (Suisse) Morval Network includes the client assets of the Intesa Sanpaolo Private Bank (Suisse) Morval Group and the London Branch of Intesa Sanpaolo Private Banking.

Inflows into managed and non-managed assets

The Group's distribution networks brought in **€1bn net inflows** in the first three months of 2019, down €1.4bn (-57%) on the total for the first quarter of 2018. The analysis of aggregated figures shows that the inflows into managed assets, negative at €17m, fell (€1.6bn) from the corresponding period of the previous year. This was partly attributable to the Group personal financial advisers directing a portion of the new inflows from customers towards the bond and money markets. The non-managed assets component was a positive €1bn, having grown (+€228m) on the first quarter of the previous year.

Net inflows

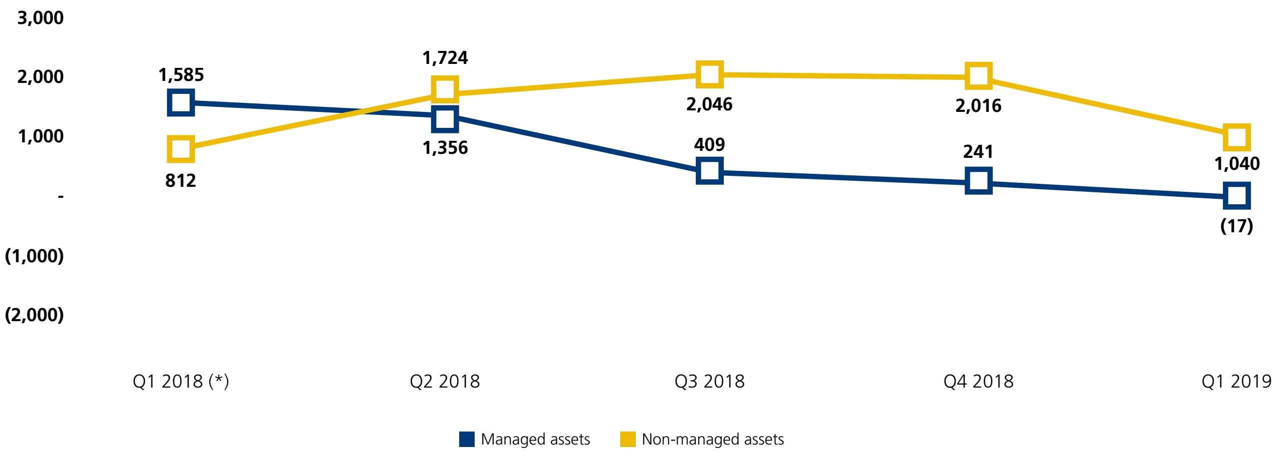
(€m)

	3 MONTHS 2019	3 MONTHS 2018 (*)	CHANGE	
			AMOUNT	%
Mutual funds	(736)	1,244	(1,980)	n.s.
Discretionary accounts	90	43	47	109
Life insurance	596	267	329	123
including: Fideuram Vita / Intesa Sanpaolo Vita unit linked	*(247)*	*272*	*(519)*	*n.s.*
Pension funds	33	31	2	6
Total managed assets	**(17)**	**1,585**	**(1,602)**	**n.s.**
Total non-managed assets	**1,040**	**812**	**228**	**28**
including: Securities	*985*	*429*	*556*	*130*
Total Net inflows	**1,023**	**2,397**	**(1,374)**	**-57**

n.s.: not significant

Net inflows

(€m)



(*) Restated where necessary to take the changes in the scope of consolidation into account so that straight comparisons can be made.

Customer segmentation

Client assets at 31 March 2019

- Fideuram: €90.1bn
- Sanpaolo Invest: €22.5bn
- Intesa Sanpaolo Private Banking: €102.9bn
- Siref Fiduciaria: €4.3bn(*)
- Intesa Sanpaolo Private Bank (Suisse) Morval: €3.9bn

(*) The figure does not include the fiduciary mandates regarding Group Client Assets. Total client assets came to €12.2bn.

Customers at 31 March 2019

- Fideuram: no. 571,553
- Sanpaolo Invest: no. 152,455
- Intesa Sanpaolo Private Banking: no. 37,620(**)
- Siref Fiduciaria: no. fiduciary mandates 2,124
- Intesa Sanpaolo Private Bank (Suisse) Morval: no. 1,860

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

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

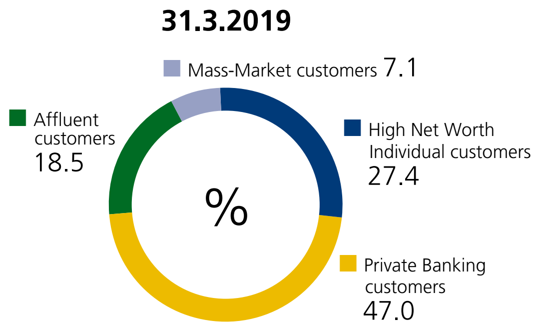
The table and graphs below analyse client assets by type of customer.

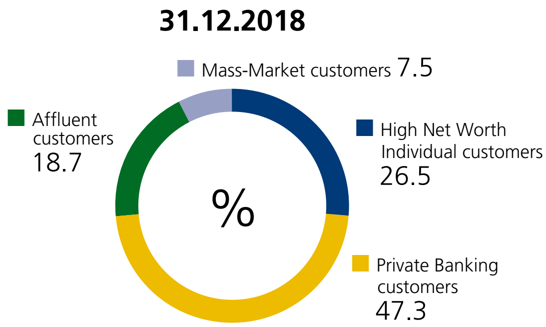
Client assets by type of customer (***)

(€m)

	31.3.2019	31.12.2018	CHANGE	
			AMOUNT	%
High Net Worth Individual customers	61,271	56,576	4,695	8
Private Banking customers	105,235	100,695	4,540	5
Affluent customers	41,437	39,760	1,677	4
Mass-Market customers	15,776	16,038	(262)	-2
Total	**223,719**	**213,069**	**10,650**	**5**

Percentage impact 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: Customers with financial assets totalling less than €100,000.

Advanced advisory services

The Fideuram Group is a leading Italian banking group in the provision of financial advisory services and in the distribution, development and management of financial services and products for private individuals. The Group's principal distinctive strengths, emblematic of its market leadership, are founded on a business model that anchors the distribution of products and services in the professional relationships between our Personal Financial Advisers and their customers. This is supported by the strength of a group with renowned brands – Fideuram, Intesa Sanpaolo Private Banking and Sanpaolo Invest – and a network of 230 bank branches and 322 Personal Financial Advisers' offices, which make a decisive contribution to customer loyalty. Our guided open-architecture model offers third-party products to complement our Group products. The professional relationship between each Personal Financial Adviser and customer is based on a financial advisory service model governed by a specific contract. The services under this model are delivered in two ways:

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

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

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

Over 67,000 customers were subscribed to our Advanced Advisory Services at the end of March 2019, accounting for approximately €37.5bn in client assets.

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

Customers subscribed to Advanced Advisory Services

(number)

	31.3.2019	31.12.2018	CHANGE	
			AMOUNT	%
High Net Worth Individual customers	994	873	121	14
Private Banking customers	17,240	16,758	482	3
Affluent customers	32,201	32,586	(385)	-1
Mass-Market customers	16,984	18,281	(1,297)	-7
Total	**67,419**	**68,498**	**(1,079)**	**-2**

Advanced Advisory Service client assets

(€m)

	31.3.2019	31.12.2018	CHANGE	
			AMOUNT	%
HNWI	4,700	5,717	(1,017)	-18
Private	23,662	21,306	2,356	11
Affluent	8,167	8,186	(19)	-
Mass	1,011	1,132	(121)	-11
Total	**37,540**	**36,341**	**1,199**	**3**

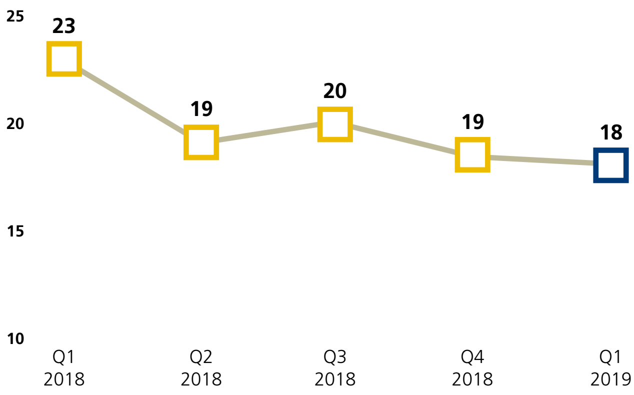
Advanced Advisory Service fee and commission income

(€m)

	3 MONTHS 2019	3 MONTHS 2018	CHANGE	
			AMOUNT	%
Fee and commission income	29	34	(5)	-15
Fee and commission expense	(11)	(11)	-	-
Net fee and commission income	**18**	**23**	**(5)**	**-22**

Quarterly net fee and commission income from Advanced Advisory Services

(€m)



Analysis of the income statement

The Fideuram - Intesa Sanpaolo Private Banking Group ended the first three months of 2019 with consolidated net profit of €229m, down €10m (-4%) on the same period last year.

Total net interest and trading income totalled €481m, down €12m (-2%) compared with the first quarter of 2018. This result is attributable to:

- Increased net interest income (+€5m).
- Decreased net profit on financial assets (-€7m).
- A decline in net fee and commission income (-€10m).

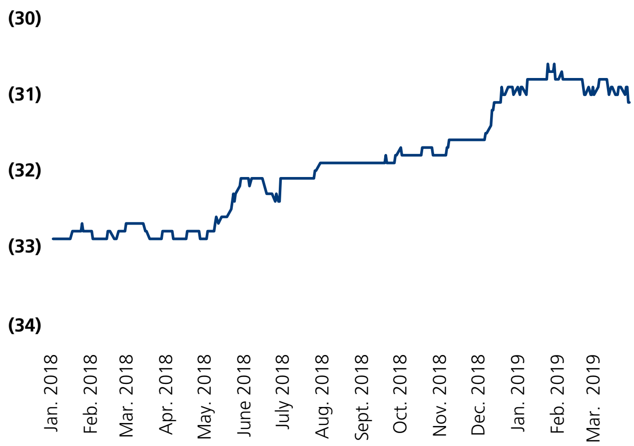
Net interest income

(€m)

	3 MONTHS 2019	3 MONTHS 2018	CHANGE AMOUNT	CHANGE %
Interest expense on due to customers	(8)	(9)	1	-11
Interest expense on due to banks	(5)	(4)	(1)	25
Interest income on debt securities	57	54	3	6
Interest income on loans	21	18	3	17
Net interest on hedging derivatives	(24)	(23)	(1)	4
Total	**41**	**36**	**5**	**14**

3-month Euribor rate

(bps)

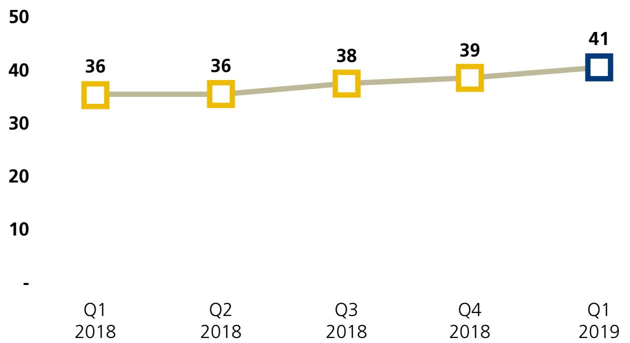


Source: Bloomberg

Net interest income totalled €41m, up €5m (+14%) compared to the first quarter of last year, due to growth in average interest-bearing assets, despite the interest rates remaining broadly negative in the shortest term segment and in any case affected by a general downward trend also on the long part of the benchmark yield curve for the Euro. The trend analysis shows growth in net interest income starting from the second half of 2018. This is attributable to the greater volumes invested in the owned portfolio and the repositioning of the treasury business on longer maturities.

Quarterly net interest income

(€m)



Net profit (loss) on financial assets and liabilities

(€m)

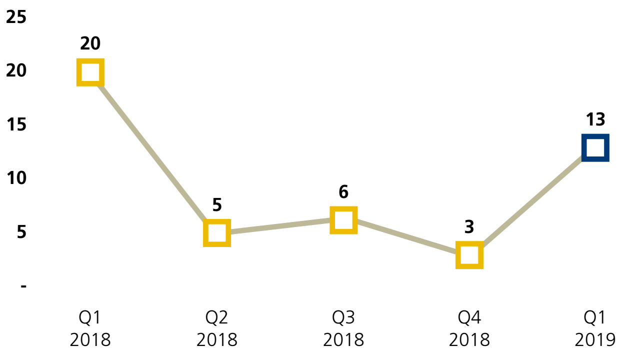
	3 MONTHS 2019	3 MONTHS 2018	CHANGE	
			AMOUNT	%
Net profit (loss) on sale of loans and financial assets	9	19	(10)	-53
Net profit (loss) on trading activities	5	-	5	n.s.
Net profit (loss) on hedging derivatives	(1)	1	(2)	n.s.
Total	**13**	**20**	**(7)**	**-35**

n.s.: not significant

Net profit on financial assets and liabilities came to €13m, down by €7m on the figure for the first three months of 2018 (-35%).
Analysis of the item shows that net profit on sale of loans and financial assets was down €10m due to decreased sales of investment securities compared with the same period last year. The net profit on trading activities was up €5m on the same period last year. This was mainly due to the good foreign exchange performance. Net profit on hedging derivatives, resulting from the ineffective hedging of interest-rate derivatives, decreased by €2m, principally due to movements in the market interest rates curve (3 and 6-month Euribor) to which the hedging derivative coupon flows are linked.

Quarterly net profit (loss) on financial assets and liabilities

(€m)



Fee and commission income

(€m)

	3 MONTHS 2019	3 MONTHS 2018	CHANGE	
			AMOUNT	%
Fee and commission income	612	624	(12)	-2
Fee and commission expense	(185)	(187)	2	-1
Net fee and commission income	**427**	**437**	**(10)**	**-2**

Net fee and commission income totalled €427m, a decrease of €10m compared with the first three months of 2018 (-2%).

Net fee and commission income

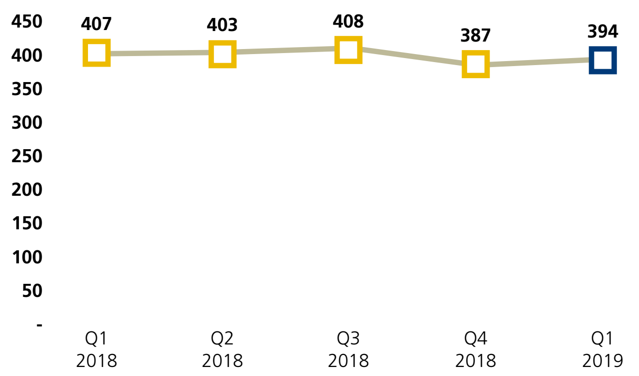
(€m)

	3 MONTHS 2019	3 MONTHS 2018	CHANGE	
			AMOUNT	%
Net recurring fees	394	407	(13)	-3
Net performance fees	1	-	1	n.s.
Net front-end fees	54	51	3	6
Commission expense for incentives and others	(22)	(21)	(1)	5
Total	**427**	**437**	**(10)**	**-2**

In the first three months of 2019, **net recurring fees** totalled €394m, a decrease of €13m compared with the same period of last year (-3%). This trend was principally due to the repositioning of customer assets towards lower-income products and, to a lesser extent, to the reduction in average managed assets, which went from €152.7bn at 31 March 2018 to €151.4bn at the end of March 2019 (-1%). Analysis of the quarterly changes shows the growth tracked by recurring fees compared to the last quarter of last year (+€7m), mostly due to the increase in average managed assets, which in the first quarter of 2019 remained at higher levels than in the fourth quarter 2018.

Quarterly net recurring fees

(€m)

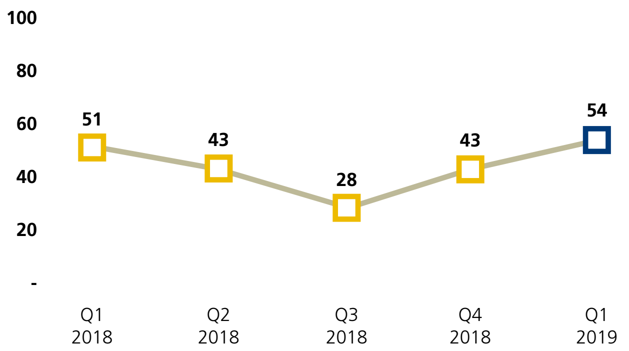


Performance fees totalled €1m in the first three months of the year, compared with zero in the corresponding period of 2018. The Fideuram Group charges the performance fees on individual discretionary accounts annually, except when the customer decides to close the account early. The Group calculates the performance fees on its internal insurance funds on a daily accrual basis in relation to the performance of the fund, applying a High Water Mark clause that means performance fees are only charged when the value of the fund rises above the highest value reached on the previous dates when performance fees were charged. The performance fees on the Group's mutual funds are charged annually, with the exception of two funds for which performance fees are charged half-yearly (applying a High Water Mark clause).

Net front-end fees came to €54m, up €3m (+6%) on the figure for the first three months of last year. The growth in front-end fee income on bonds and certificates more than offset the decrease in front-end fee income for managed asset and insurance product sales. The Group's sales networks distributed bond loans and certificates that brought in approximately €1.7bn gross inflows in the period, compared with €304m distributed in the first three months of 2018.

Quarterly net front-end fees

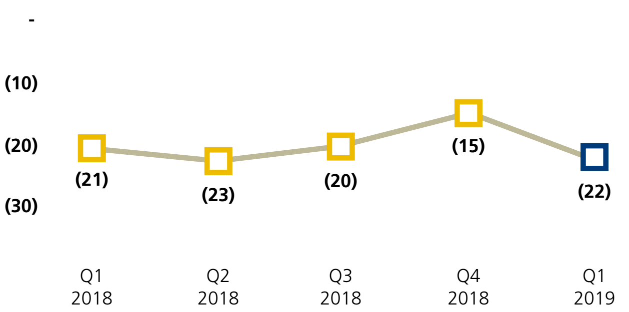
(€m)



Fee and commission expense for incentives and other totalled €22m, up €1m on the figure for the first three months of 2018 due to the higher incentives accrued in the period.

Quarterly other commission expense

(€m)



Net impairment for credit risk totalled €3m, up €2m on the first three months in 2018 mainly due to adjustments to loans to customers.

Operating expenses

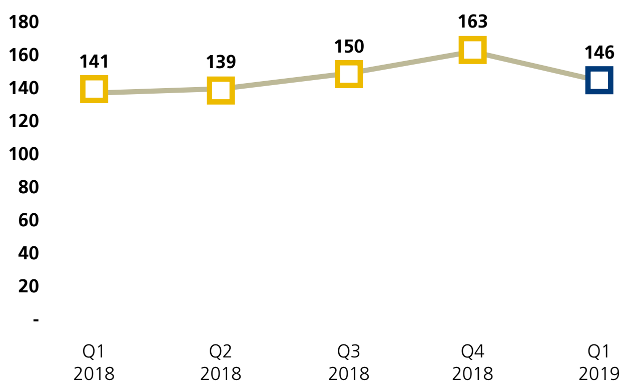
(€m)

	3 MONTHS 2019	3 MONTHS 2018	CHANGE AMOUNT	CHANGE %
Personnel expenses	88	85	3	4
Other administrative expenses	45	45	-	-
Depreciation and amortisation	13	11	2	18
Total	**146**	**141**	**5**	**4**

Operating expenses, totalling €146m, rose €5m (+4%) on the figure for the same period last year.
Analysis of the item shows that personnel expenses, which totalled €88m, were up €3m on the first three months of 2018. This is mostly attributable to the ordinary contract performance and to the qualitative improvement of the sales network. Other administrative expenses totalled €45m, in line with the figures for the same period of 2018. Depreciation and amortisation increased by €2m, mainly due to the growth in the real estate lease costs, capitalised under assets in the balance sheet and amortised for the duration of the contract pursuant to IFRS 16.

Quarterly operating expenses

(€m)



Net provisions for risks and charges

(€m)

	3 MONTHS 2019	3 MONTHS 2018	CHANGE	
			AMOUNT	%
Personal Financial Advisers' termination indemnities and incentives	11	4	7	175
Litigation and complaints	(2)	-	(2)	n.s.
Network Loyalty Schemes	1	1	-	-
Total	**10**	**5**	**5**	**100**

Net provisions for risks and charges came to €10m, up €5m on the figure for the first three months of 2018. Detailed analysis of the item shows that the provision for the termination of Personal Financial Adviser agency agreements, totalling €11m, increased by €7m. This was due to a downward shift in the interest rate curve causing the discounting of the long-term liability to have a greater impact on the expense recorded in the income statement. The provisions set aside to cover contingent liabilities from lawsuits, litigation, claims from receivers and customer complaints recorded a positive balance of €2m, due to the settlement of several cases at costs lower than what had been estimated. The provisions set aside for the Network Loyalty Schemes totalled €1m, in line with the figure of the first three months of 2018.

Profit (loss) on equity investments totalled to €1m, down by €2m on the same period of the previous year. That stemmed primarily from losses recorded in the first quarter of 2019 by Intesa Sanpaolo Private Bank (Suisse) Morval's subsidiaries consolidated with the equity method.

Other income and expense represents a residual item for miscellaneous income and expense that cannot be recognised in other items of the income statement. In the first three months of 2019, this item decreased by €1m compared to the zero balance of the same period a year earlier, mainly for higher costs incurred on compensation paid to customers.

Income taxes, for which €94m was set aside in the period, were down €9m on the figure for the first three months of 2018 as a result of decreased profit before tax in the period. The tax rate was 29%, essentially in line with the figure for the first quarter of last year.

The item **Expenses regarding the banking system, net of tax,** includes the expenses related to maintaining the stability of the banking system, recognised in the income statement in accordance with current regulations. In the first three months of 2019, this item totalled €4m, up €1m on the same period of last year, and included the amounts set aside for the contribution to the Single Resolution Fund introduced by Directive 2014/59/EU.

Non-recurring income and expenses, net of tax, include income and expenses that are not attributable to ordinary operations. The item included a net income of €5m attributable to the use in excess of risk provisions of €9m, posted to the income statement following the favourable ruling of the Court of Cassation on a tax dispute, partly offset by the expenses incurred for the non-recurring integration transactions that concerned Intesa Sanpaolo Private Banking, Siref Fiduciaria and the companies of the Intesa Sanpaolo Private Bank (Suisse) Morval Group.

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.

Segment reporting at 31 March 2019

(€m)

	MANAGED FINANCIAL ASSETS	LIFE INSURANCE ASSETS	BANKING SERVICES	TOTAL FOR FIDEURAM GROUP
Net interest income	-	-	41	41
Net profit (loss) on financial assets and liabilities	-	-	13	13
Net fee and commission income	263	120	44	427
Total net interest and trading income	**263**	**120**	**98**	**481**
Operating expenses	(77)	(20)	(49)	(146)
Other	(7)	(3)	(3)	(13)
Profit before tax from continuing operations	**179**	**97**	**46**	**322**
Average Client Assets	**99,719**	**51,662**	**68,386**	**219,767**
Client Assets	**101,473**	**53,107**	**69,139**	**223,719**
Key indicators				
Cost / Income Ratio	29%	17%	50%	30%
Annualised profit before tax / Average Client Assets	0.7%	0.8%	0.3%	0.6%
Annualised net fee and commission income / Average Client Assets	1.1%	0.9%	0.3%	0.8%

MANAGED FINANCIAL ASSETS SEGMENT

The Managed Financial Assets Segment covers the Group's discretionary account and mutual fund business, which totalled €101.5bn at 31 March 2019 (45% of total client assets), up €0.5bn on 31 March 2018. Total net inflows into the segment were negative to the tune of €0.6bn, a decrease of €1.9bn compared with the corresponding period in the previous financial year. Profit before tax totalled €179m, down €40m on the figure for the corresponding period in the previous financial year, mainly due to decreased net fee and commission income, principally attributable to the repositioning of customer assets towards lower-income products and, to a lesser extent, to the reduction in average managed assets. The ratio of net fee and commission income to client assets was 1.1%, while the ratio of profit before tax to client assets was 0.7%.

LIFE INSURANCE ASSETS SEGMENT

This segment covers the Group's life insurance and pension fund business, which totalled €53.1bn at 31 March 2019 (24% of total client assets), up €2.2bn compared to 31 March 2018, principally due to strong life insurance performance (+€1.8bn). Total net inflows were positive to the tune of €0.6bn, up €0.3bn compared with the corresponding period in the previous financial year. The contribution to profit before tax was €97m, down €9m on the same period in 2018. 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 0.8%.

Managed financial assets

(€m)

	3 MONTHS 2019	3 MONTHS 2018 (*)	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities	-	-	-
Net fee and commission income	263	297	-11
Total net interest and trading income	**263**	**297**	**-11**
Operating expenses	(77)	(75)	3
Other	(7)	(3)	133
Profit before tax from continuing operations	**179**	**219**	**-18**
Average Client Assets	**99,719**	**102,232**	**-2**
Client Assets	**101,473**	**101,023**	**-**
Key indicators			
Cost / Income Ratio	29%	25%	
Annualised profit before tax / Average Client Assets	0.7%	0.9%	
Annualised net fee and commission income / Average Client Assets	1.1%	1.2%	

(*) Restated taking the changes in the scope of consolidation and application of IFRS16 into account so that straight comparisons can be made.

Life insurance assets

(€m)

	3 MONTHS 2019	3 MONTHS 2018 (*)	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities	-	-	-
Net fee and commission income	120	126	-5
Total net interest and trading income	**120**	**126**	**-5**
Operating expenses	(20)	(18)	11
Other	(3)	(2)	50
Profit before tax from continuing operations	**97**	**106**	**-8**
Average Client Assets	**51,662**	**50,506**	**2**
Client Assets	**53,107**	**50,909**	**4**
Key indicators			
Cost / Income Ratio	17%	15%	
Annualised profit before tax / Average Client Assets	0.8%	0.8%	
Annualised net fee and commission income / Average Client Assets	0.9%	1.0%	

(*) Restated taking the changes in the scope of consolidation and application of IFRS16 into account so that straight comparisons can be made.

BANKING SERVICES SEGMENT

The Banking Services Segment covers the Group's banking and financial services, together with its central departments, holding activities and finance activities, as well as - generally speaking - the coordination and control activities for its other operating segments. This segment includes non-managed assets, mainly securities and current accounts, which totalled €69.1bn at 31 March 2019 (31% of total client assets), up €5bn compared with the figure at 31 March 2018. Total net inflows were positive at €1bn, having grown €0.2bn on the first quarter of the previous year.
The contribution of this segment to profit before tax was €46m. The €22m increase in profit before tax compared with the corresponding period in the previous financial year was mainly attributable to the increase in net fee and commission income for the placement of bonds and certificates. The ratio of net fee and commission income to client assets and of profit before tax to client assets was 0.3%.

Banking Services

(€m)

	3 MONTHS 2019	3 MONTHS 2018 (*)	% CHANGE
Net interest income	41	36	14
Net profit (loss) on financial assets and liabilities	13	20	-35
Net fee and commission income	44	14	n.s.
Total net interest and trading income	**98**	**70**	**40**
Operating expenses	(49)	(48)	2
Other	(3)	2	n.s.
Profit before tax from continuing operations	**46**	**24**	**92**
Average Client Assets	**68,386**	**64,222**	**6**
Client Assets	**69,139**	**64,090**	**8**
Key indicators			
Cost / Income Ratio	50%	65%	
Annualised profit before tax / Average Client Assets	0.3%	0.1%	
Annualised net fee and commission income / Average Client Assets	0.3%	0.1%	

(*) Restated taking the changes in the scope of consolidation and application of IFRS16 into account so that straight comparisons can be made.

n.s.: not significant

Distribution of value

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

The table showing the Wealth created by the Group was prepared using the income statement figures from the Consolidated Financial Statements for the first three months of 2019, reclassified in accordance with the instructions of the Italian Banking Association (Associazione Bancaria Italiana - ABI) following the guidelines of the Global Reporting Initiative (GRI). The Wealth created is the economic value generated in the period, which is for the most part distributed to the stakeholders with whom the Group has relations as part of its daily operations. The Value retained is the difference between the Wealth created and the Value distributed, and it is used for productive investments to enable economic growth and financial stability, as well as to ensure the creation of new wealth to the benefit of our stakeholders. The Wealth created by the global business of the Group totalled €712m (+€4m on the first quarter of 2018).

This wealth was distributed to stakeholders as follows:

- Colleagues (employees and Personal Financial Advisers) received 38.6% of the Wealth created, amounting to a total of €275m. This included the remuneration paid to employees and the amounts set aside for and paid to the Personal Financial Adviser Networks.
- Our shareholder received 31.2% of the Wealth created, in the form of the proposed dividend pay-out totalling €222m.
- The government, public authorities, institutions and the community received €146m, principally in the form of direct and indirect taxes, amounting to 20.5% of the Wealth created.
- Suppliers received 7.4% of the Wealth created, totalling €53m paid for goods and services.
- The remainder, €16m, has been retained by the Group. This amount includes the following items in particular: deferred tax assets and liabilities, amortisation and depreciation, and provisions for risks and charges.

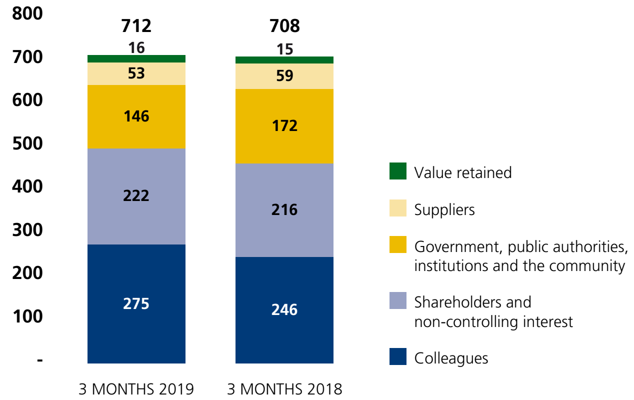
Economic value added

(€m)

	3 MONTHS 2019	3 MONTHS 2018	CHANGE AMOUNT	CHANGE %
Wealth created	**712**	**708**	**4**	**1**
Value distributed	**(696)**	**(693)**	**(3)**	**-**
Colleagues	(275)	(246)	(29)	12
Shareholders and non-controlling interest	(222)	(216)	(6)	3
Government, public authorities, institutions and the community	(146)	(172)	26	-15
Suppliers	(53)	(59)	6	-10
Value retained	**16**	**15**	**1**	**7**

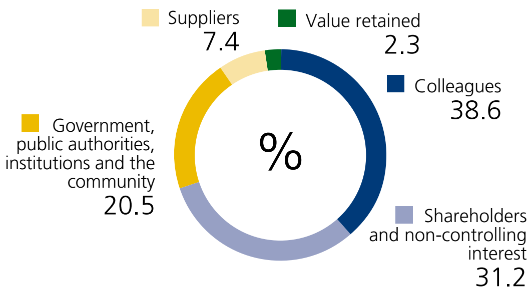
Wealth created

(€m)

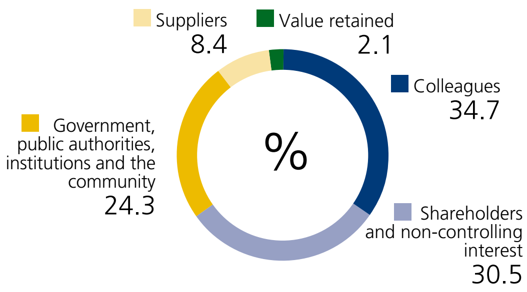


Distribution of wealth created (%)

3 MONTHS 2019



3 MONTHS 2018



Asset and liability management

The tables below show the main balance sheet items compared with the corresponding figures at 1 January 2019. The comparative amounts at 31 December 2018 on the reclassified balance sheet were restated by applying IFRS 16, entered into force on 1 January 2019.

Financial assets

(€m)

	31.3.2019	1.1.2019	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through profit or loss	310	294	16	5
Financial assets measured at fair value through other comprehensive income	3,277	3,294	(17)	-1
Debt securities measured at amortised cost	13,194	13,299	(105)	-1
Hedging derivatives	1	-	1	n.s.
Total	**16,782**	**16,887**	**(105)**	**-1**

n.s.: not significant

The Group's **financial assets**, totalling €16.8bn, are essentially in line with the figure at the beginning of the year (-1%).

Financial liabilities

(€m)

	31.3.2019	1.1.2019	CHANGE	
			AMOUNT	%
Financial liabilities held for trading	27	28	(1)	-4
Hedging derivatives	890	808	82	10
Total	**917**	**836**	**81**	**10**

Financial liabilities, consisting of derivatives, totalled €917m. This item was up €81m (+10%) compared to the figure at the beginning of the year, as a result of fair value changes on the derivatives used to hedge the interest rate risk of certain fixed-rate bonds in the portfolio.

Loans to banks

(€m)

	31.3.2019	1.1.2019	CHANGE	
			AMOUNT	%
Due from Central Banks	587	339	248	73
Current account	5,322	5,584	(262)	-5
Term deposits	8,487	6,259	2,228	36
Other	129	119	10	8
Total	**14,525**	**12,301**	**2,224**	**18**

Loans to banks totalled €14.5bn, up €2.2bn (+18%) on the figure at the beginning of the year. This change is due to the sharp rise in investments in term deposits with Intesa Sanpaolo. Current accounts included €1.4bn in cash linked to securities lending, secured entirely by cash collateral recognised in the financial statements under Loans to banks and Due to banks (Loans to Intesa Sanpaolo and Due to Banca IMI).

Due to banks

(€m)

	31.3.2019	1.1.2019	CHANGE	
			AMOUNT	%
Current accounts	675	882	(207)	-23
Term deposits	861	359	502	140
Repurchase agreements	2,102	2,101	1	-
Debts for leases	40	43	(3)	-7
Other debts	63	24	39	163
Total	**3,741**	**3,409**	**332**	**10**

Due to banks totalled €3.7bn, up €332m from the beginning of the year due to the increased term deposits (+€502m), only partly offset by the decrease in inflows to current accounts (-€207m). The Group continued to be a net lender on the interbank market, with net interbank deposits of €10.8bn (€14.5bn in deposits and €3.7bn in loans), €10.2bn of which (approximately 94% of the total) was held by companies in the Intesa Sanpaolo Group.

Loans to customers

(€m)

	31.3.2019	1.1.2019	CHANGE AMOUNT	CHANGE %
Current accounts	6,083	6,222	(139)	-2
Repurchase agreements	769	726	43	6
Loans	835	815	20	2
Other	1,560	1,756	(196)	-11
Impaired assets	16	12	4	33
Total	**9,263**	**9,531**	**(268)**	**-3**

Loans to customers totalled €9.3bn and mainly comprised short-term loans (repayable within 12 months or revocable loans without a specified term). The decrease of €268m compared to the beginning of the year is due to the drop in current accounts (-€139m) and other customer loans (-€196m). Net problem loans totalled €16m at the end of March 2019, up €4m (+33%) on the figure at the beginning of 2019. In detail: doubtful loans totalled €1m, down €1m on the figure at the beginning of 2019. Unlikely to pay loans totalled €8m, up €1m from 1 January 2019, while past due or overdue loans amounted to €7m, up €4m from the beginning of the year.

Due to customers

(€m)

	31.3.2019	1.1.2019	CHANGE AMOUNT	CHANGE %
Current accounts	31,602	30,210	1,392	5
Term deposits	2,177	1,795	382	21
Repurchase agreements	28	46	(18)	-39
Debts for leases	187	224	(37)	-17
Other debts	137	79	58	73
Total	**34,131**	**32,354**	**1,777**	**5**

Due to customers totalled €34.1bn, up €1.8bn (+5%) compared with the figure at the beginning of 2019, essentially due to the growth in customer current account deposits (+€1.4bn) and in term deposits (+€382m).

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

(€m)

	LOANS	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*)	TOTAL
Italy	2,344	365	2,709
United States	-	230	230
Spain	-	158	158
France	-	40	40
Luxembourg	-	40	40
Finland	-	37	37
Germany	-	10	10
China	-	5	5
Swiss	-	4	4
Austria	-	1	1
Total	**2,344**	**890**	**3,234**

(*) The Italian government bonds in the portfolio of financial assets measured at fair value through other comprehensive income, which had a total face value of €240m, were covered by financial-guarantee contracts.

Property and equipment and intangible assets

(€m)

	31.3.2019	1.1.2019	CHANGE AMOUNT	CHANGE %
Owned real estate	68	69	(1)	-1
Rights of use of leased assets	259	267	(8)	-3
Other property and equipment	14	14	-	-
Property and equipment	**341**	**350**	**(9)**	**-3**
Goodwill	140	140	-	-
Other intangible assets	82	86	(4)	-5
Intangible assets	**222**	**226**	**(4)**	**-2**
Total property and equipment and intangible assets	**563**	**576**	**(13)**	**-2**

Property and equipment and intangible assets, totalling €563m, recorded a decrease of €13m compared to the beginning of the year. This is mostly attributable to the amortisation of the rights to use leased assets, entered under assets in the balance sheet starting from 1 January 2019 following application of the new IFRS 16. The item also includes €140m in goodwill regarding Private Banking divisions acquired by the subsidiary Intesa Sanpaolo Private Banking between 2009 and 2013. Other intangible assets also include, for €32m, the valuation of client assets recognised after purchase price allocation of the Morval Vonwiller Group. That acquisition, which was completed in the second quarter of 2018, entailed the initial recognition in the consolidated financial statements of intangible assets for €34m, to be amortised in the income statement for 15 years based on the estimated life cycle of the acquired client assets.

The **provisions for risks and charges** at 31 March 2019 were up €2m on the figure at the beginning of 2019, as shown below:

Provisions for risks and charges

(€m)

	31.3.2019	1.1.2019	CHANGE	
			AMOUNT	%
Litigation, securities in default and complaints	72	88	(16)	-18
Personnel expenses	110	103	7	7
Personal Financial Advisers' termination indemnities	239	232	7	3
Network Loyalty Schemes	44	40	4	10
Other	5	5	-	-
Total	**470**	**468**	**2**	**-**

The provisions for litigation, securities in default and complaints fell from the net amount at the beginning of the year (-€16m) largely due to use during the period. The provisions for personnel expenses rose by €7m, mainly due to the provisions set aside for variable components of remuneration. The increase in the provision for the termination of Personal Financial Adviser agency agreements (+€7m) and the Network Loyalty Schemes (+€4m) is essentially due to additional provisions set aside in the quarter.

Shareholders' equity

Group shareholders' equity including net profit for the period totalled €2.3bn at 31 March 2019, having changed as follows:

Group shareholders' equity

(€m)

Shareholders' equity at 31 December 2018	**2,804**
Dividend distribution	(810)
Change in valuation reserves	22
Other changes	6
Net profit of the period	229
Shareholders' equity at 31 March 2019	**2,251**

The €22m increase largely refers to the increase in the valuation reserve for financial assets measured at fair value through other comprehensive income after changes in the fair value of the bond portfolio during the period. At the end of March 2019, the valuation reserve for financial assets measured at fair value through other comprehensive income roughly equalled a negative €1m (-€28m at the end of 2018).
The Group did not hold any treasury shares at 31 March 2019.

Fideuram S.p.A.'s own funds and main capital ratios at 31 March 2019 are shown below.

Fideuram S.p.A. Capital Ratios

(€m)

	31.3.2019	**31.12.2018**
CET1	1,012	991
Tier 1	1,012	991
Own funds	1,012	991
Total risk-weighted assets	5,798	5,672
CET1 Ratio	**17.5%**	**17.5%**
Tier 1 Ratio	**17.5%**	**17.5%**
Total Capital Ratio	**17.5%**	**17.5%**

As a member of the Intesa Sanpaolo Banking Group, Fideuram is subject to the laws and regulations regarding capital requirements on the basis of its separate accounts, but is not required to present this information on a consolidated basis. In order to provide comprehensive information, the Group voluntarily estimates its consolidated capital requirements, taking its membership of the Intesa Sanpaolo Banking Group into account. At 31 March 2019, the Group's Common Equity Tier 1 Ratio was estimated to be 20.1% (unchanged compared to 31 December 2018).

Risk management and control

CREDIT RISK

The Fideuram Group's lending activities support its core business of providing investment services to private customers. Loans and advances to customers principally consist of repayable-upon-demand current account overdrafts to counterparties who also receive investment services. Loans are mainly granted by agreeing a current account overdraft facility and are linked directly to the bank's private banking business. Lines of credit granted are normally secured by collateral in the form of pledges on products distributed by the Group (mutual funds and discretionary accounts), or equities or bonds listed on major regulated markets, or to a marginal extent by irrevocable mandates to sell financial instruments selected from those distributed by the Group. Loans and advances to banks consist of short-term interbank loans, principally to leading banks in the eurozone.

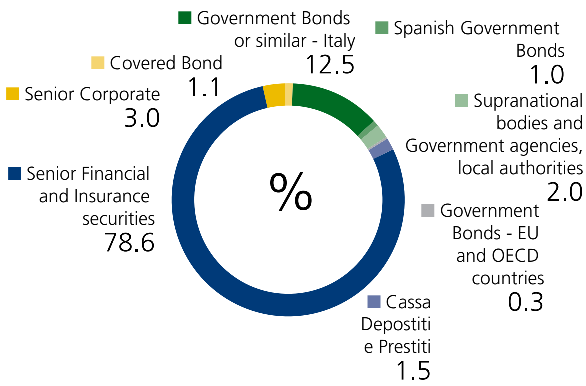
The credit risk management policy, which is integrated and consistent with the guidelines issued by Intesa Sanpaolo, is subject to approval by the Corporate Bodies of Fideuram, which have the prerogative of making strategic risk management decisions for the Fideuram Group. The Group's credit risk policies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

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

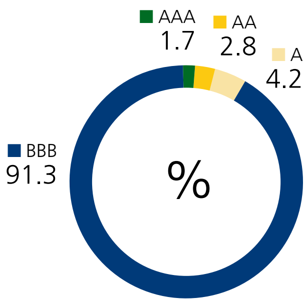
In order to mitigate the credit risk of loans and advances to customers, the Group normally obtains collateral, bank guarantees or irrevocable mandates to sell financial instruments. The types of collateral obtained are principally products distributed by the Fideuram Group (mutual funds and discretionary accounts) or financial instruments listed on major regulated markets. Bonds are only accepted as collateral if the issuer or loan has an appropriate rating (by leading rating agencies).
The value of the financial instruments obtained as collateral is discounted differentially in relation to the type of product and technical form concerned, as a precautionary measure when calculating the credit limit to be granted, with a view to protecting the Group against any fluctuations in market value. The concentration of collateral in issuers is very low, except for mutual funds and other products distributed by the Fideuram Group. There were no encumbrances capable of undermining the legal validity of any collateral, which is moreover subject to periodic verification.
The Group uses bilateral netting agreements, which offset creditor and debtor positions in the event of the default of one counterparty, to mitigate the counterparty risk in Security Financing Transactions (SFT), specifically securities lending transactions and repurchase agreements. Aside from what has already been indicated (bilateral netting), when OTC (unregulated) derivatives are subject to a Clearing House, counterparty risk is mitigated through an additional level of collateralization represented by centralised margining. ISDA and ISMA/GMRA agreements are used to this end, which also enable one to reduce the regulatory capital allocation while operating in accordance with the supervisory regulations.
As part of credit risk mitigation activities, the "Collateral Assets Portal" has been operational since September 2018. This has made proper treatment possible for the purpose of calculating the RWA of the guarantees comprised by pledges on the Group's discretionary accounts. The look-through of the underlying assets can now be managed, in compliance with a mandatory requirement for regulatory recognition of mitigation activities. This approach has made it possible to recover about €1.8bn in risk-weighted assets, corresponding to about €150m in lower regulatory capital needed to cover the credit risk.

At 31 March 2019, the Group portfolio was broken down as follows by product type and rating.

Analysis by product type



Analysis by rating



The potential impairment of assets undergoes detailed on-going monitoring, examining overdue/past due positions and carefully analysing all the other indicators available. Loans assessed as high risk, confirmed over time, are identified and allocated to other categories appropriate to their risk profile. Exposures to insolvent parties (even if insolvency has not been declared by court order) or parties in substantially equivalent situations are classified as doubtful loans, regardless of any loss estimates prepared by the intermediary.
Exposures where the borrower is assessed as being unlikely to meet their payment obligations in full (principal and/or interest) are classified as unlikely to pay loans.
Lastly, loans that are past due and/or overdue which have exceeded the objective overdue payment conditions specified by the Bank of Italy are also considered problem loans. The Group's internal lending regulations govern the procedures for transferring performing positions to non-performing assets, and specify the different types of problem loans, their management and the company bodies empowered to authorise the transfer of positions between different classes of loans. Doubtful loans, net of adjustments, accounted for a very small percentage of total loans (0.01% of loans and advances to customers). Loss forecasts are formulated analytically for each individual loan based on all the relevant valuation factors (debtor assets, employment income and estimated recovery date etc.). The valuations are examined at regular intervals and revised if any significant new elements emerge.

The impairment of performing loans and past due loans is determined based on an expected loss impairment model to obtain more timely recognition of credit losses in the income statement. IFRS 9 requires entities to recognise expected credit losses in the 12 months (Stage 1) after initial recognition of a financial instrument, resulting from the product of PD, EAD and LGD. However, the time horizon for calculating expected loss becomes the entire residual life of the asset when there has been any significant deterioration in the credit quality of the financial instrument since initial recognition (Stage 2) or if the financial instrument is impaired (Stage 3).

Loans and advances to customers: credit quality

(€m)

	31.3.2019		1.1.2019		CHANGE
	NET EXPOSURE	%	NET EXPOSURE	%	NET EXPOSURE
Doubtful loans	1	-	2	-	(1)
Unlikely to pay	8	-	7	-	1
Past due or overdue loans	7	-	3	-	4
Non-performing assets	**16**	**-**	**12**	**-**	**4**
Performing loans	9,247	78	9,519	79	(272)
Debt instruments	2,620	22	2,535	21	85
Loans and advances to customers	**11,883**	**100**	**12,066**	**100**	**(183)**

LIQUIDITY RISK

Liquidity risk is the risk that the Group will fail to satisfy its own payment commitments due to its inability both to obtain funds on the market (funding liquidity risk) and to sell its own assets (market liquidity risk).
The internal system for control and management of liquidity risk is developed within the Group Risk Appetite Framework and in compliance with the maximum limits of tolerance of liquidity risk approved in that Framework, which require that the Group has to maintain adequate liquidity so as to deal with periods of tension, including extended ones, on different funding markets, inter alia through the formation of adequate liquidity reserves represented by marketable securities that can be refinanced at central banks. Accordingly, a balanced relationship has to be maintained between inflows and outflows in both the short and medium-to-long term.
The Fideuram Group manages liquidity risk in accordance with Intesa Sanpaolo's Liquidity Risk Governance Guidelines, which ensure prompt implementation of national and supranational legal and regulatory changes. The key principles of said regulatory changes introduce prudential rules regarding both short-term liquidity risk management and long-term liquidity risk management (structural liquidity). The Group's solidity is based on balance sheet liabilities that are mainly centred on retail customer deposits. These are deposits that benefit from considerable stability over time, meaning that the Group does not need to depend on the interbank market and can thus avoid exposure to the risk of a liquidity crisis in that market. In addition to the stability of customer deposits, where interest-bearing assets are concerned, the Group has an investment portfolio that is governed by stringent liquidity limits for securities (readily-negotiable and eligible for Central Bank refinancing) in accordance with the provisions of the Financial Portfolio Policy based on highly-prudential criteria suitable for ensuring high and stable liquidity.
The introduction of said Policy also involved setting up an operational limit monitoring and reporting unit in line with the revised Group regulations. Liquidity risk exposure is monitored constantly to ensure that the operational limits and relevant regulations are respected. The methods adopted to measure the Group's exposure to liquidity risk follow the cardinal principles of the European Banking Authority (EBA) and the provisions of the Supervisory Regulations, and ensure that the asset and liability items are calculated in a wholly suitable manner for providing an appropriate representation of expected cash flows.

MARKET RISK

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

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

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

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

The trading book mainly serves Group customers. The trading book also includes a securities component resulting from market transactions and foreign exchange and exchange rate derivative transactions, which are likewise aimed at meeting the needs of the Group's customers and asset management companies.

The Fideuram Group has developed a pricing methodology for the measurement of financial instruments which rigorously implements the provisions of the IAS/IFRS. This measurement is based on the concept of Fair Value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In addition, the fair value measurement must incorporate a counterparty risk premium in the form of a Credit Value Adjustment (CVA) for assets and a Debit Value Adjustment (DVA) for liabilities.

The fair value of financial instruments is calculated directly from their market value. Wherever possible, the official prices on active markets are adopted as this market value, otherwise the value is obtained using pricing models based on the values of comparable securities and on market parameters. In situations where the market is not operating normally, which is to say when there is an insufficient number of continuous transactions and the bid/ask spread and volatility are not sufficiently narrow, it is however necessary to abandon the principle of obtaining the fair value directly from market prices and to apply models that mostly use market parameters to calculate an appropriate fair value for the financial instruments. The following are considered in assessing whether a market is operating normally:

- availability of price contributions;
- reliability of price contributions;
- size of the bid-ask spread.

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

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

The choice between these methods is not arbitrary, since they must be applied in hierarchical order and presented in the financial statements by level.
Absolute priority is given to the quoted active market prices of the assets and liabilities being measured (Level 1 - Effective market quotes) or of similar assets and liabilities (Level 2 - Comparable Approach), and the lowest priority to unobservable inputs, which are accordingly more subjective (Level 3 - Mark-to-Model Approach).

The priority of market prices is put into practice through a process based on market-maker prices. The valuation price is calculated as the average of the prices available, selected using objectively identified criteria. The number of contributions, the bid/ask spread and the reliability of the contributors are monitored regularly, enabling the Group to keep market prices as the appropriate prime parameter for the determination of fair value. The entire portfolio of financial assets measured at fair value through other comprehensive income was valued at market bid prices (mark to market) to ensure the maximum transparency of the values in the financial statements. This ensures the overall holdings meet the ready liquidity criteria for items in the financial statements.

The portfolio of Level 2 financial assets measured at fair value through profit or loss consisted of the insurance policies that the Bank took out to insure the market yields of the Personal Financial Adviser Networks' Loyalty Schemes. The fair value of Class I policies is determined using a prospective actuarial method based on the principle of the initial equivalence of the average present values of the contractual commitments of the insurer and the average present values contracted by the policyholder/contracting party. The fair value of Class III policies is calculated as the value of the units at the reporting date plus any pure premiums not yet invested at the valuation date.

The derivatives in the banking book consisted principally of Interest Rate Swaps. As a rule, the Fideuram Group uses fair value hedge derivatives to reduce its exposure to adverse fair value movements due to interest rate risk. The Chief Risk Officer is responsible for assessing hedge effectiveness, carrying out prior assessments of the conditions that make hedge accounting applicable and formally documenting each hedging relationship. These assessments use prospective tests when the hedges are taken out, followed by retrospective tests at monthly intervals.

The Group uses derivatives (mainly interest rate swaps) to hedge interest rate risk following a strategy that involves buying swaps linked to the individual fixed-coupon bonds in the portfolio. This strategy has made the Group's long-term securities holdings less sensitive to interest rate risk. Where risk concentration is concerned, the securities holdings are highly diversified as a result of the stringent limits specified by the Financial Portfolio Policy, which limits the maximum exposure to any

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

(€m)

	31.3.2019			1.1.2019		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets measured at fair value through profit or loss	19	291	-	16	278	-
Financial assets measured at fair value hrough other comprehensive income	3,255	22	-	3,269	25	-
Hedging derivatives	-	1	-	-	-	-
Property and equipment	-	-	69	-	-	70
Total	**3,274**	**314**	**69**	**3,285**	**303**	**70**
Financial liabilities held for trading	-	27	-	-	28	-
Hedging derivatives	-	890	-	-	808	-
Total	**-**	**917**	**-**	**-**	**836**	**-**

single corporate Group to 5% of the total holdings, with the sole exception of the parent company Intesa Sanpaolo.

An approach consistent with fair value measurement hierarchy Level 2 is used for the measurement of derivatives, based on commonly accepted valuation processes and fed by market data providers. Hedging and treasury derivatives taken out in ordinary investment activities (interest and exchange rate derivatives in particular) that are not traded on regulated markets, but traded bilaterally with market counterparties, are known as over-the-counter (OTC) instruments and valued using special pricing models.

In addition, starting from June 2018, macro fair value hedges of fixed rate loans were introduced. The hedges are characterised by the missing identification of the individual underlying assets that are hedged. This choice, determined by the natural fractioning (both in terms of number and amount) of the mortgage exposures, entails periodic checks that the sensitivity and fair value of the hedging derivative (or derivatives) are sufficient to cover the same measures calculated on the hedged assets. The type of hedge in question is implemented by purchasing amortizing Interest Rate Swaps with a long maturity date (usually 30 years), which require quarterly amortisation of the same amount for both the pay fixed and receive floating legs, with the latter being indexed to the 3-month Euribor benchmark. At the end of the first quarter of 2019, the overall size of the existing four hedges is about €160m in original notional value (€155m when the residual notional value is considered).

In the first nine months of valuation (starting from June 2018), all the macro fair value hedges that were (subsequently) completed were fully effective and efficient in terms of sensitivity and fair value and in situations of capital gains and losses on the derivatives.

Finally, in the second half of February 2019 a new type of hedge was adopted to mitigate the risk of exposure to changes in future cash flows attributable to movements of the interest rate curve (so-called Cash Flow Hedge). In general, the cash flows subject to this hedge may be associated to a particular asset/liability, such as payments of future interest variables on a payable/receivable or a future transaction deemed highly probable. Specifically, the hedged flows are those associated to the coupons of a floating-rate Intesa Sanpaolo bond with a residual maturity of five years. The hedge was sized with reference to a notional value of €200m. The methods of performing effectiveness tests are similar to those relating to the hedging of micro fair value hedges, with some differences linked to the fact that the subject of the hedge are the cash flows and not the value of the hedged asset.

The banking book comprises long-term investment securities and interest rate hedging derivatives, short- and medium/long-term loans, and customer demand loans, as well as deposits and current accounts at financial institutions, mainly within the Group. The banking book totalled €40.3bn at 31 March 2019.

Banking book

(€m)

	31.3.2019	1.1.2019	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through other comprehensive income	3,277	3,294	(17)	-1
Debt securities classified as loans and advances to banks	10,574	10,764	(190)	-2
Debt securities classified as loans and advances to customers	2,620	2,535	85	3
Hedging derivatives	1	-	1	n.s.
Total securities and derivatives	**16,472**	**16,593**	**(121)**	**-1**
Loans and advances to banks	9,263	9,531	(268)	-3
Loans and advances to customers	14,525	12,301	2,224	18
Total loans	**23,788**	**21,832**	**1,956**	**9**
Total banking book	**40,260**	**38,425**	**1,835**	**5**

n.s.: not significant

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

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

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

The VaR takes interest rates, credit spread and volatility into account. At the end of March 2019, the one-day VaR was €32.7m. The figure compared to December is rather stable considering an unchanged scenario/correlation breakdown between the securities held in the portfolio in the first quarter of 2019.

The Fideuram Group's total exposure to interest rate risk is monitored using Asset Liability Management (ALM) techniques to determine the shift sensitivity of fair value and net interest income.

The shift sensitivity, which measures the change in fair value of the banking book resulting from a 100bps upward parallel movement in the interest rate curve, is calculated taking into account the risk generated by customer demand deposits and other assets and liabilities of the banking book sensitive to shifts in the interest rate curve. For a parallel upward movement in the rate curve by 100bps, the sensitivity value of the fair value at 31 March 2019 was a negative -€10.1m. Likewise, even the net interest income sensitivity was a negative -€97.5m in the event of a -50bps shock. Both risk indicators fall within the management limits assigned to the Group based on internal policies.

OPERATIONAL RISK

Operational risk is defined as the risk of loss arising from inadequate or ineffective internal processes, human resources or systems, or from external events. Operational risk also includes legal and compliance risk, model risk, information technology risk and financial disclosure risk; instead, strategic and reputational risks are not included.
The Group implements an operational risk assumption and management strategy based on the principles of prudent management and aimed at guaranteeing its long-term soundness and business continuity. Moreover, the Group devotes special attention to striking an optimal balance between growth and earnings targets and the consequent risks.
To that end, the Group drew up a framework for the management of operational risks some time ago, establishing rules and organisational processes for measuring, managing and monitoring operational risk.

The Group calculates its capital requirement using the Advanced Measurement Approach (AMA) in partial use with the standardised approach (TSA) and basic indicator approach (BIA) to meet its supervisory requirements.

The Group's Operational Risk Management activities are monitored by Bodies, Committees, and units that interact with different responsibilities and roles to create an effective operational risk management system that is integrated in decision-making processes and in the management of business operations.

The internal model for calculating capital absorption of the Group has been designed to combine all the main sources of information, whether quantitative (operational loss: internal and external events) or qualitative (Self-Diagnosis: Scenario Analysis and Assessment of the Operational Context).

The capital at risk is therefore considered to be the minimum amount at Group level which would be required to meet the maximum potential loss that could be incurred. It is estimated using a Loss Distribution Approach model (an actuarial statistical model for calculating the Value at Risk of operational losses), which is applied both to the quantitative data and to the results of the scenario analysis over a one-year time horizon, with a confidence interval of 99.90%. This method also involves applying a correction factor obtained from qualitative risk assessments of the operating context (AOC), in order to take the effectiveness of the internal controls in the various different Organisational Units into account.

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

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

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

During the first quarter of 2019, there were no emerging phenomena of note.
At Division level, costs for compensation and provisions of €3.4m were recorded, while releases of surplus provisions on previous positions amount to about €12.6m. The releases refer, for about €9m, to the favourable outcome of a judgement before the Court of Cassation on tax disputes regarding the deductibility of the Fideuram loyalty schemes. The remaining €3.6m refer to releases of provisions for litigation and disputes.

The Private Banking Division continued its work on improving the processes and controls in place to mitigate risk and contain losses, and participated fully in every initiative launched by Intesa Sanpaolo.

LEGAL AND TAX RISK

The Group is involved in civil and tax lawsuits as well as in criminal proceedings against third parties as part of its normal business operations.

The Group monitors pending cases constantly in consultation with external legal advisers, examining them in the light of the relevant contractual documents, the conduct concerned, internal investigations and any critical aspects highlighted by the aforesaid legal advisers during lawsuits. The Group has set aside provisions for legal disputes to cover, among other things, the liabilities that could, according to internal and external legal advice, be incurred as a result of pending legal and other disputes.

At 31 March 2019, these provisions totalled €72m. The total provisions and the amount of the individual provisions set aside are calculated based on external and internal legal advisers' estimations of the proceedings having negative outcomes. As a consequence of said process, certain pending proceedings in which the Group is involved and for which a negative outcome is considered either remote or not quantifiable are not included in the risk provision. At 31 March 2019, the number and value of pending proceedings were not sufficient to have any potential significant impact on the business, assets or financial position of the Group.

The situation regarding legal and tax risk at 31 March 2019 had changed as follows with respect to the situation described in the consolidated financial statements at 31 December 2018.

Tax disputes

The Lazio Regional Tax Police sent Fideuram a report concerning the 2003 and 2004 tax years, questioning the tax period adopted by the bank for the tax deduction of the Personal Financial Adviser Network Loyalty Schemes, together with a number of other lesser matters. After receiving assessment notices for direct taxes and VAT for the two years, the company appealed to the Tax Courts and subsequently to the Court of Cassation. The judgment of the Court of Cassation positively concluded the long dispute, beginning in 2007, deciding on the merits, therefore without referral to the Regional Tax Courts. As a consequence, the income statement of the first quarter of 2019 includes the use in excess of about €9m of the provision for risks and charges which had been set aside to face a possible negative outcome of the dispute.

On 31 January 2019, the Tax Police completed the audit with reference to the direct taxes due for the years 2014, 2015 and 2016, serving a Formal Notice of Assessment regarding the same objections raised for 2013 and already settled with an assessment process with acceptance during 2018. In particular, the claims concerned the recalculation of prices applied in transactions executed with the French subsidiary Financière Fideuram and the deductibility of costs incurred for the organisation of conventions for Personal Financial Advisers, with one part due to failure to meet the standard for tax materiality and another part due to failure to meet the accrual principle.

In April 2019 the process of settlement with acceptance for tax years 2014 and 2015 was finalised with the Italian Revenue Agency with the payment of taxes, penalties and interest totalling €4.6m for 2014 and €3.4m for 2015 completely settling the claim. Please note that, following the outcome relating to 2013, the possible charges deriving from the settlement of the disputes referring to the subsequent years had already been set aside in the 2018 financial statements.

2016 will probably be settled within the first half 2019, using the same criteria applied for the previous years.

Regarding Intesa Sanpaolo Private Banking, in April the Lombardy Regional Office of the Italian Revenue Agency - Large Taxpayers Office, followed the already ongoing disputes for 2011 and 2013 by serving several notices of assessment of direct taxes, challenging the deductibility of the amortisation charge for goodwill resulting from the deeds of transfer of the business unit, also for 2014 and 2015, to request taxes totalling €7.9m, in addition to penalties and interest. Since the tax office's claim is groundless, also supported by the outcome of the dispute for the previous years, no amount has been set aside in the provision for tax disputes.

Human capital

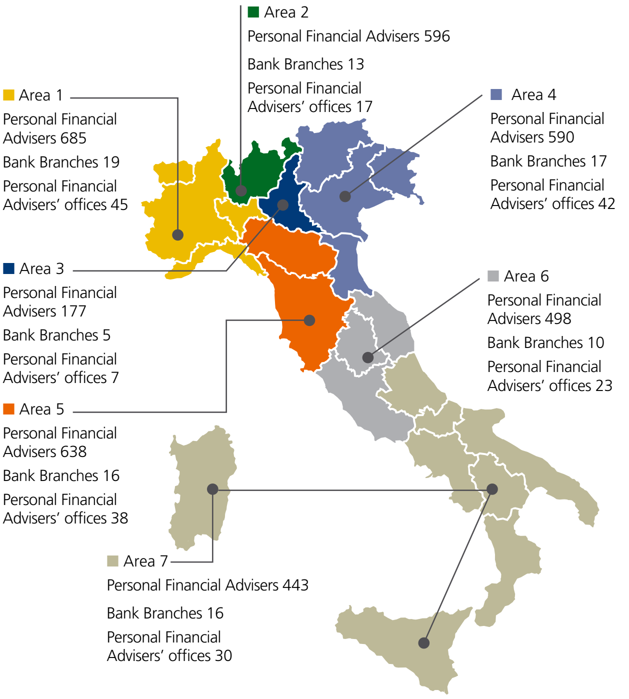
DISTRIBUTION NETWORKS

At 31 March 2019, the Group's distribution networks (Fideuram, Sanpaolo Invest, Intesa Sanpaolo Private Banking and Intesa Sanpaolo Private Bank (Suisse) Morval Networks) totalled 5,924 Personal Financial Advisers compared with 5,995 at the beginning of 2019.

	BEGINNING OF PERIOD 1.1.2019	IN	OUT	NET	END OF PERIOD 31.3.2019
Fideuram Network	3,662	40	75	(35)	3,627
Sanpaolo Invest Network	1,344	13	40	(27)	1,317
Intesa Sanpaolo Private Banking Network	927	14	24	(10)	917
Intesa Sanpaolo Private Bank (Suisse) Morval Network (*)	62	1	-	1	63
Total	**5,995**	**68**	**139**	**(71)**	**5,924**

(*) The Intesa Sanpaolo Private Bank (Suisse) Morval Network also includes the financial advisers of the London Branch of Intesa Sanpaolo Private Banking.

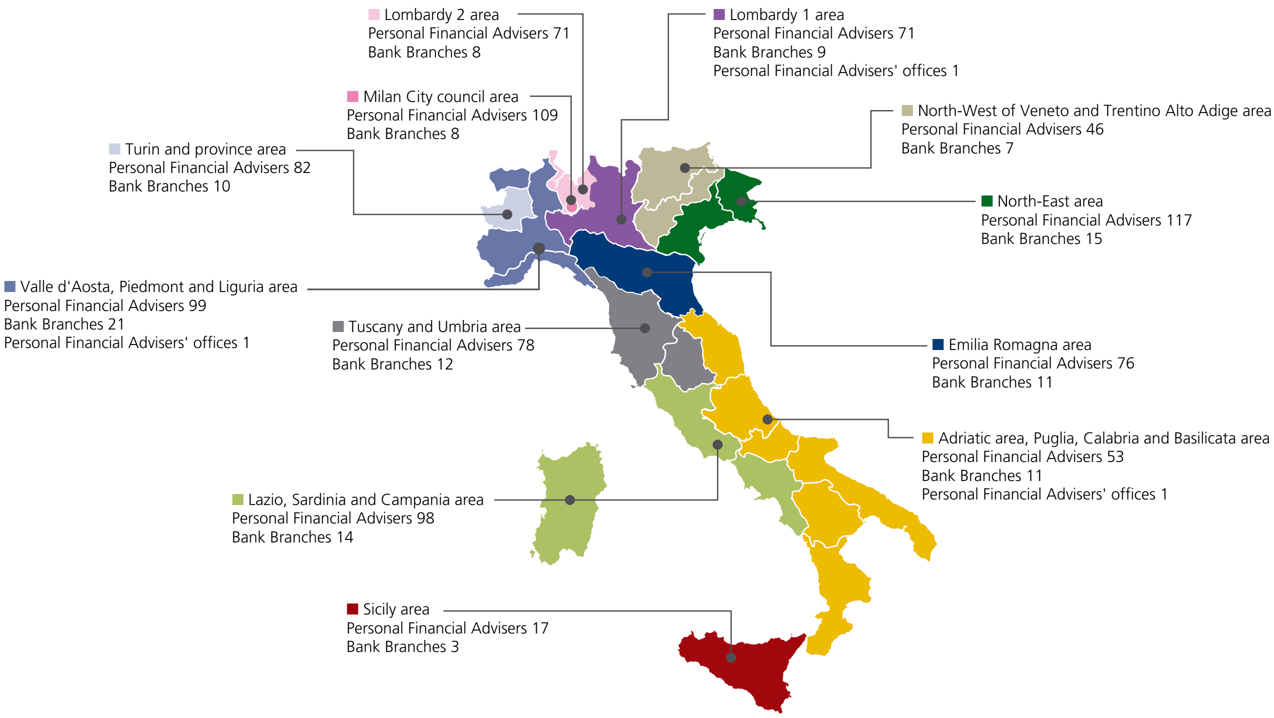
Fideuram Network: 7 Areas



Sanpaolo Invest Network: 6 Areas

(*) In January 2019 Personal Financial Advisers and Offices of Sardinia have been assigned to Fideuram Network Area 7.

Intesa Sanpaolo Private Banking Network: 12 Areas



The Fideuram and Sanpaolo Invest Networks' recruitment programmes brought in 53 new professionals in the first quarter of 2019, compared with 61 new Personal Financial Advisers recruited in the corresponding period of 2018, and 210 over the past 12 months, compared with 285 in the previous 12-month period. 115 Personal Financial Advisers left the Group in the first quarter of the year, only 21% of whom, however, moved to competitor networks.

Fideuram Personal Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
3 months					
1.1.2019 - 31.3.2019	3,662	40	75	(35)	3,627
1.1.2018 - 31.3.2018	3,635	43	41	2	3,637
Twelve-month period					
1.4.2018 - 31.3.2019	3,637	162	172	(10)	3,627
1.4.2017 - 31.3.2018	3,581	199	143	56	3,637

Sanpaolo Invest Personal Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
3 months					
1.1.2019 - 31.3.2019	1,344	13	40	(27)	1,317
1.1.2018 - 31.3.2018	1,428	18	12	6	1,434
Twelve-month period					
1.4.2018 - 31.3.2019	1,434	48	165	(117)	1,317
1.4.2017 - 31.3.2018	1,433	86	85	1	1,434

The Intesa Sanpaolo Private Banking Network currently numbers 875 Personal Financial Advisers who are salaried employees registered in Italy's Unified Register of Financial Advisers and 42 freelance professionals on agency contracts.

Intesa Sanpaolo Private Banking Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
3 months					
1.1.2019 - 31.3.2019	927	14	24	(10)	917
1.1.2018 - 31.3.2018	880	57	11	46	926
Twelve-month period					
1.4.2018 - 31.3.2019	926	45	54	(9)	917
1.4.2017 - 31.3.2018	858	105	37	68	926

The Intesa Sanpaolo Private Bank (Suisse) Morval Network is composed of 63 Personal Financial Advisers and includes 2 personal financial advisers at Intesa Sanpaolo Private Banking located in London.

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

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
3 months					
1.1.2019 - 31.3.2019	62	1	-	1	63
1.1.2018 - 31.3.2018	47	13	-	13	60
Twelve-month period					
1.4.2018 - 31.3.2019	60	13	10	3	63
1.4.2017 - 31.3.2018	46	15	1	14	60

(*) Restated where necessary to take the changes in the scope of consolidation into account so that straight comparisons can be made.

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

Moreover, we continued to see steady growth in the Personal Financial Advisers who have joined our Team Fideuram project, conceived to promote collaboration between Personal Financial Advisers with a view to developing and providing enhanced support for their customers. At the end of March 2019, 1,127 Personal Financial Advisers had joined together in teams, collectively managing a total of around €10.3bn client assets for over 91,000 customers.

EMPLOYEES

Total Group staff, including secondments to and from other companies in the Intesa Sanpaolo Group not included in the scope of consolidation of the Fideuram Group and atypical staff, came to 3,311 at 31 March 2019, compared with 3,335 at 31 December 2018.
Direct employees totalled 3,244.

Employees

(number)

	31.3.2019	31.12.2018	31.3.2018 (*)
Private Banking	**2,959**	**2,982**	**2,962**
Fideuram - Intesa Sanpaolo Private Banking	1,338	1,356	1,369
Intesa Sanpaolo Private Banking	1,419	1,426	1,417
Sanpaolo Invest SIM	45	46	48
Intesa Sanpaolo Private Bank (Suisse) Morval (**)	142	139	119
Morval Bank & Trust Cayman	10	10	9
DJ Inversiones	5	5	-
Asset Management	**267**	**264**	**259**
Fideuram Asset Management (Ireland)	66	63	67
Fideuram Bank (Luxembourg)	66	66	66
Fideuram Investimenti SGR	104	103	102
Morval Vonwiller Advisors	15	15	7
Morval Gestion SAM	2	3	3
Morval SIM	14	14	14
Fiduciary and treasury services	**85**	**89**	**92**
Financière Fideuram	4	4	4
Siref Fiduciaria (***)	81	85	88
Total	**3,311**	**3,335**	**3,313**

(*) Restated taking the changes in the scope of consolidation into account so that straight comparisons can be made.

(**) Restated to consider the merger of the three Swiss companies of the Group.

(***) Restated to consider the merger of FI.GE. Fiduciaria into Siref Fiduciaria effective starting from 1.1.2019.

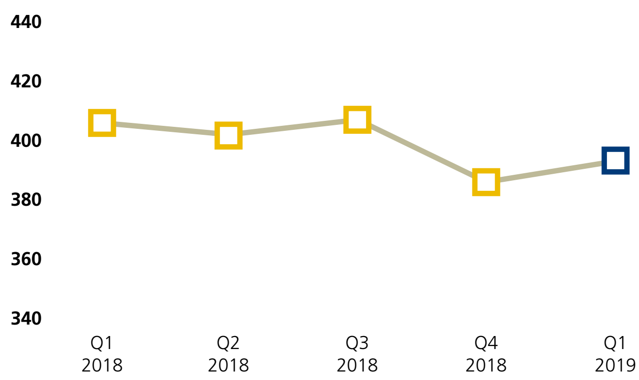
Events after the reporting period and outlook

There were no significant events after the reporting period requiring any changes to be made to the consolidated financial statements at 31 March 2019.

Managed assets, totalling €154.2bn at the end of March 2019, were higher than the average figure for last year (€152.3bn) and ensure stability to net recurring fees. Furthermore, the investments continue to develop the Private Banking Division abroad.
In the absence of significant increases in the premiums paid for Italian debt risk and its consequent impact on financial markets, the current account deposit growth policies, cost control, and constant risk monitoring may allow our Group to end the current year with an increase compared to 2018.

Quarterly net recurring fees

(€m)



The Board of Directors
Milan, 6 May 2019

Accounting policies

DECLARATION OF COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Consolidated Interim Report at 31 March 2019 has been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission.

BASIS OF PREPARATION

The accounting and financial reporting standards adopted to prepare the Interim Report comply with those adopted for the Consolidated Financial Statements as at 31 December 2018 (to which consequently reference is made for more details) except for the standard that governs accounting for leases, which was changed due to the mandatory application, starting on 1 January 2019, of the new IFRS 16, replacing IAS 17 - Leases, IFRIC 4 - "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating Leases - Incentives" and SIC 27 - "Evaluating the Substance of Transactions in the Legal Form of a Lease". The new standard requires determining whether a contract is or contains a finance lease, based on the concept of control of use of an identified asset for a specific period of time. Consequently, even lease, charter, rental, or gratuitous loan agreements, which previously were not associated with finance lease, fall within the scope of the new standard. The new accounting model introduced by IFRS 16 requires that the right to use the leased asset be recognised as an asset on the balance sheet, while the payables for lease payments still due to the lessor must be recognised as liabilities in the balance sheet. The procedure for recognition of the income statement components is also modified. While the lease payments were recognised as administrative expenses under IAS 17, the new IFRS 16 requires that these expenses be recognised as amortisation of the "right of use" and as the interest expenses on the payable. Pursuant to the requirements of IFRS 16 and the clarifications of IFRIC, software is excluded from the scope of application of IFRS 16, and is thus recognised, in continuation with the past, in accordance with IAS 38 and its requirements. For the lessee, the application of IFRS 16 from 1 January 2019 causes – when final profit and final cash flow are considered – an increase in the assets carried on the balance sheet (the leased assets), an increase in liabilities (the payable on the leased assets), a reduction in administrative expenses (the lease payments), and a simultaneous increase in financial costs (the remuneration on the recognised payable) and amortisation (for the right to use recognised as an asset). The types of lease falling in the scope of application of the new standard particularly concern arrangements related to real estate, cars and hardware. Real estate lease contracts represent the most important area to be affected.

The main general choices made concerning the procedures used to recognise the effects of first-time application of the standard and certain rules applied upon full implementation for the accounting of lease contracts are illustrated as follows:

- The Group has decided to recognise the effects of first-time application of IFRS 16 according to the modified retrospective approach, which grants the option of recognising the entire cumulative effect of application of the new standard at the date of first-time application, without restating the comparative data. As a result, the figures for 2019 will not be comparable as regards the valuation of the rights of use and the corresponding lease payable.
- In regard to the lease duration, the Group has decided to consider, at the first-time application date (and for new contracts upon full implementation), only the first reasonably certain contractual renewal period, unless there are any special clauses, facts, or circumstances that lead one to consider additional renewals or find that the lease contract has terminated.
- The Group has decided not to apply the new standard to contracts having a total duration of less than or equal to 12 months and to contracts where the unit value of the underlying asset when new is less than or equal to €5k.
- The Group has decided not to separate the service components from the lease components, and consequently to recognise the entire contract as a lease contract since the service components are deemed insignificant.

The adjustment to the opening financial statements after first-time application of IFRS 16 by using the modified retrospective approach caused an approximately €267m increase in assets after recognition of the right of use and an increase by the same amount in financial liabilities (payable to the lessor). Therefore, no impact is recorded on shareholders' equity since the values of the new assets and liabilities recognised in the financial statements coincide with each other.

The Consolidated Interim Report comprises the balance sheet, income statement, statement of comprehensive income and statement of changes in shareholders' equity, accompanied by explanatory notes on the Group's performance. The financial statements are published in the format mandated in the 6th update to Bank of Italy Circular 262/2005, in force from 1 January 2019. This Interim Report uses the euro as its presentation currency, and all the figures herein are stated in millions of euro unless specified otherwise.

The income statement for the first quarter of 2019 is compared with the income statement for the corresponding period of 2018, while the balance sheet at 31 March 2019 is compared with the balance sheet at 31 December 2018. The balance sheet and income statement as at and for the period ended 31 March 2019 referred to in the explanatory notes have been reclassified to facilitate comparison of the figures

for different periods and to enable a clearer and more immediate understanding of the Group's financial position and results. These statements were prepared using appropriate groupings of the items in the official financial statements. An analysis comparing the financial and transaction data for the first three months of 2019 with the corresponding data for 2018 is affected by the impacts of first-time application of IFRS 16 and the acquisition of the Morval Vonwiller Group (taking place in second quarter of 2018). Therefore, the transaction and financial data presented in the balance sheet and income statement have been restated, where necessary, in the notes to the financial statements so that comparisons may be made on a like-for-like basis. These restated statements were prepared making the adjustments to the historical data required to reflect retrospectively the changes in the accounting standards and scope of consolidation, as if the company transactions and the first-time application of IFRS 16 had become effective as of 1 January 2018, without however changing the net profit and shareholders' equity stated in the official financial statements published in previous periods. Detailed information on the restatements and reclassifications is presented in specific reconciliation statements provided in the schedules accompanying this Report.
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 2019 are listed below.

The Consolidated Interim Report includes Fideuram and its direct and indirect subsidiaries and the companies over which it exercises significant influence.
The subsidiaries were consolidated line-by-line, except for Morval SIM S.p.A., Southern Group Ltd, Morval Vonwiller Advisors S.A., Morval Gestion SAM and DJ Inversiones S.A. which, due to their limited significance (less than €10m in total assets carried on the books), are consolidated with the equity method, in accordance with Group accounting policies. Fideuram Vita S.p.A., in which Fideuram holds a 19.99% equity interest, is consolidated using the equity method.
The financial statements used for the consolidation were those at 31 March 2019, as approved by the competent bodies of the subsidiaries, adjusted where necessary to align them with Group accounting policies. The financial statement data of companies operating outside the European Monetary Union are translated to euro applying the period-end exchange rates to balance sheet items and the average exchange rates for the period to income statement items. Any exchange rate differences arising from translations at said exchange rates are recognised in the valuation reserve.

Compared with the situation at 31 December 2018, the scope of consolidation of the Fideuram Group recorded the following changes effective from 1 January 2019:

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

Equity investments at 31.3.2019

NAME	REGISTERED OFFICE	ASSOCIATE COMPANY	% SHARE OF INTEREST
Sanpaolo Invest SIM S.p.A.	Turin	Fideuram	100.000
Intesa Sanpaolo Private Banking S.p.A.	Milan	Fideuram	100.000
Fideuram Investimenti SGR S.p.A.	Milan	Fideuram	99.500
Siref Fiduciaria S.p.A.	Milan	Fideuram	100.000
Fideuram Asset Management (Ireland) dac	Dublin	Fideuram	100.000
Fideuram Bank (Luxembourg) S.A.	Luxembourg	Fideuram	100.000
Financière Fideuram S.A.	Paris	Fideuram	99.999
Intesa Sanpaolo Private Bank (Suisse) Morval S.A.	Geneva	Fideuram	95.792
DJ Inversiones S.A.	Buenos Aires	Intesa Sanpaolo Private Bank (Suisse) Morval	95.003
		Fideuram	4.997
Morval SIM S.p.A.	Turin	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000
Morval Gestion SAM	Montecarlo	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000
Morval Vonwiller Assets Management Co. Ltd	Tortola	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000
Southern Group Ltd	George Town	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000
Morval Vonwiller Advisors S.A.	Montevideo	Southern Group	100.000
Morval Bank & Trust Cayman Ltd	George Town	Morval Vonwiller Assets Management	100.000

Consolidated financial statements

Consolidated balance sheet

(€m)

ASSETS	**31.3.2019**	**31.12.2018**
10. Cash and cash equivalents	252	310
20. Financial assets measured at fair value through profit or loss	310	294
a) financial assets held for trading	28	27
b) financial assets measured at fair value	-	-
c) other financial assets mandatorily measured at fair value	282	267
30. Financial assets measured at fair value through other comprehensive income	3,277	3,294
40. Financial assets measured at amortised cost	36,982	35,131
a) loans and advances to banks	25,099	23,065
b) loans and advances to customers	11,883	12,066
50. Hedging derivatives	1	-
60. Adjustments to financial assets subject to macro-hedging (+/-)	6	1
70. Equity investments	158	151
80. Reinsurers' share of technical reserves	-	-
90. Property and equipment	341	83
100. Intangible assets	222	226
of which: goodwill	140	140
110. Tax assets	178	198
a) current	34	42
b) deferred	144	156
120. Non-current assets held for sale and discontinued operations	-	12
130. Other assets	1,214	1,065
TOTAL ASSETS	**42,941**	**40,765**

Chairman of the
Board of Directors
Paolo Maria Vittorio Grandi

Managing Director
Paolo Molesini

Manager responsible for the accounts
preparation of the company
Paolo Bacciga

Consolidated balance sheet

(€m)

LIABILITIES AND SHAREHOLDERS' EQUITY	31.3.2019	31.12.2018
10. Financial liabilities measured at amortised cost	37,872	35,496
a) due to banks	3,741	3,366
b) due to customers	34,131	32,130
c) debt on issue	-	-
20. Financial liabilities held for trading	27	28
30. Financial liabilities measured at fair value	-	-
40. Hedging derivatives	890	808
50. Adjustments to financial liabilities subject to macro-hedging (+/-)	-	-
60. Tax liabilities	102	82
a) current	50	10
b) deferred	52	72
70. Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80. Other liabilities	1,279	1,031
90. Provision for employment termination indemnities	50	48
100. Provisions for risks and charges:	470	468
a) commitments and guarantees	1	1
b) pensions and other commitments	14	14
c) other provisions for risks and charges	455	453
110. Technical reserves	-	-
120. Valuation reserves	10	(12)
130. Redeemable shares	-	-
140. Equity instruments	-	-
150. Reserves	1,506	1,476
160. Share premium reserve	206	206
170. Share capital	300	300
180. Treasury shares (-)	-	-
190. Equity attributable to non-controlling interests (+/-)	-	-
200. Net profit (loss) for the period (+/-)	229	834
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**42,941**	**40,765**

Chairman of the
Board of Directors
Paolo Maria Vittorio Grandi

Managing Director
Paolo Molesini

Manager responsible for the accounts
preparation of the company
Paolo Bacciga

Consolidated income statement

(€m)

	Q1 2019	Q1 2018
10. Interest income and similar income	63	58
of which: interest income calculated with the effective interest method	*84*	*80*
20. Interest expense and similar expense	(19)	(19)
30. Net interest income	**44**	**39**
40. Fee and commission income	612	618
50. Fee and commission expense	(190)	(187)
60. Net fee and commission income	**422**	**431**
70. Dividends and similar income	-	-
80. Net profit (loss) on trading activities	4	-
90. Net profit (loss) on hedging derivatives	(1)	(1)
100. Net profit (loss) on sale or repurchase of:	9	20
a) financial assets measured at amortised cost	-	8
b) financial assets measured at fair value through other comprehensive income	9	12
c) financial liabilities	-	-
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	11	(5)
a) financial assets and liabilities measured at fair value	-	-
b) other financial assets mandatorily measured at fair value	11	(5)
120. Total net interest and trading income	**489**	**484**
130. Net impairment for credit risk related to:	(3)	(1)
a) financial assets measured at amortised cost	(3)	(1)
b) financial assets measured at fair value through other comprehensive income	-	-
140. Gains/losses on contractual changes without cancellation	-	-
150. Operating income	**486**	**483**
160. Net insurance premiums	-	-
170. Other income/expense from insurance activities	-	-
180. Operating income from financing and insurance activities	**486**	**483**
190. Administrative expenses:	(205)	(205)
a) personnel expenses	(90)	(84)
b) other administrative expenses	(115)	(121)
200. Net provisions for risks and charges	(7)	(1)
a) commitments and guarantees	-	-
b) other net provisions	(7)	(1)
210. Depreciation of property and equipment	(12)	(1)
220. Amortisation of intangible assets	(5)	(3)
230. Other income/expense	61	63
240. Operating expenses	**(168)**	**(147)**
250. Profit (loss) on equity investments	1	3
260. Net fair value gains (losses) on property and equipment and intangible assets	-	-
270. Goodwill impairment	-	-
280. Gain (loss) on disposal of investments	-	-
290. Profit (loss) before tax from continuing operations	**319**	**339**
300. Income taxes for the year on continuing operations	(90)	(100)
310. Profit (loss) after tax from continuing operations	**229**	**239**
320. Profit (loss) after tax from discontinued operations	-	-
330. Net profit (Loss) for the period	**229**	**239**
340. Net profit (loss) for the period attributable to non-controlling interests	-	-
350. Parent company interest in net profit (loss) for the period	**229**	**239**

Chairman of the
Board of Directors
Paolo Maria Vittorio Grandi

Managing Director
Paolo Molesini

Manager responsible for the accounts
preparation of the company
Paolo Bacciga

Consolidated statement of comprehensive income

(€m)

	Q1 2019	Q1 2018
10. Net profit (Loss) for the period	**229**	**239**
Other comprehensive income after tax not transferred to the income statement	**(1)**	**1**
20. Equity instruments measured at fair value through other comprehensive income	-	-
30. Financial liabilities measured at fair value through profit or loss (changes in own credit rating)	-	-
40. Hedging of equity instruments measured at fair value through other comprehensive income	-	-
50. Property and equipment	-	-
60. Intangible assets	-	-
70. Defined-benefit plans	(1)	1
80. Non-current assets held for sale and discontinued operations	-	-
90. Valuation reserves related to investments carried at equity	-	-
Other comprehensive income after tax that may be transferred to the income statement	**23**	**(16)**
100. Hedging of net investments in foreign operations	-	-
110. Exchange rate differences	(6)	-
120. Cash flow hedges	1	(1)
130. Hedging instruments (undesignated elements)	-	-
140. Financial assets (other than equity instruments) measured at fair value through other comprehensive income	27	(15)
150. Non-current assets held for sale and discontinued operations	-	-
160. Valuation reserves related to investments carried at equity	1	-
170. Total other comprehensive income after tax	**22**	**(15)**
180. Total comprehensive income	**251**	**224**
190. Total comprehensive income attributable to non-controlling interests	-	-
200. Total comprehensive income attributable to parent company	251	224

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Statement of changes in consolidated shareholders' equity

(€m)

	BALANCE AT 31.12.2018	CHANGE IN OPENING BALANCES	BALANCE AT 1.1.2019	ALLOCATION OF INCOME FOR THE PREVIOUS YEAR		CHANGES IN THE PERIOD									SHAREHOLDERS' EQUITY AT 31.3.2019	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY AT 31.3.2019	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS AT 31.3.2019
							TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY										
				RESERVES	DIVIDENDS AND OTHER	CHANGES IN RESERVES	ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	DERIVATIVES BASED ON TREASURY SHARES	STOCK OPTIONS	CHANGES IN EQUITY INVESTMENTS	TOTAL COMPREHENSIVE INCOME Q1 2019			
Share capital:	**300**	**-**	**300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**300**	**300**	**-**
- ordinary shares	300	-	300	-	-	-	-	-	-	-	-	-	-	-	300	300	-
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**206**	**-**	**206**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**206**	**206**	**-**
Reserves:	**1,476**	**-**	**1,476**	**24**	**-**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,506**	**1,506**	**-**
- From net income	1,402	-	1,402	24	-	6	-	-	-	-	-	-	-	-	1,432	1,432	-
- Other	74	-	74	-	-	-	-	-	-	-	-	-	-	-	74	74	-
Valuation reserves	**(12)**	**-**	**(12)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**22**	**10**	**10**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the period	**834**	**-**	**834**	**(24)**	**(810)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**229**	**229**	**229**	**-**
Shareholders' equity	**2,804**	**-**	**2,804**	**-**	**(810)**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**251**	**2,251**	**2,251**	**-**
Equity attributable to owners of the parent company	**2,804**	**-**	**2,804**	**-**	**(810)**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**251**	**2,251**		
Equity attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		

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Paolo Bacciga

Statement of changes in consolidated shareholders' equity

(€m)

				ALLOCATION OF INCOME FOR THE PREVIOUS YEAR		CHANGES IN THE PERIOD											
							TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY										
	BALANCE AT 31.12.2017	CHANGE IN OPENING BALANCES	BALANCE AT 1.1.2018	RESERVES	DIVIDENDS AND OTHER	CHANGES IN RESERVES	ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	DERIVATIVES BASED ON TREASURY SHARES	STOCK OPTIONS	CHANGES IN EQUITY INVESTMENTS	TOTAL COMPREHENSIVE INCOME Q1 2018	SHAREHOLDERS' EQUITY AT 31.3.2018	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY AT 31.3.2018	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS AT 31.3.2018
Share capital:	**300**	**-**	**300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**300**	**300**	**-**
- ordinary shares	300	-	300	-	-	-	-	-	-	-	-	-	-	-	300	300	-
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**206**	**-**	**206**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**206**	**206**	**-**
Reserves:	**1,470**	**(81)**	**1,389**	**871**	**-**	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,273**	**2,273**	**-**
- From net income	1,396	(81)	1,315	871	-	13	-	-	-	-	-	-	-	-	2,199	2,199	-
- Other	74	-	74	-	-	-	-	-	-	-	-	-	-	-	74	74	-
Valuation reserves	**(69)**	**119**	**50**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(15)**	**35**	**35**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the period	**871**	**-**	**871**	**(871)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**239**	**239**	**239**	**-**
Shareholders' equity	**2,778**	**38**	**2,816**	**-**	**-**	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**224**	**3,053**	**3,053**	**-**
Equity attributable to owners of the parent company	**2,778**	**38**	**2,816**	**-**	**-**	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**224**	**3,053**		
Equity attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		

Chairman of the
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Paolo Maria Vittorio Grandi

Managing Director
Paolo Molesini

Manager responsible for the accounts
preparation of the company
Paolo Bacciga

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

The Manager responsible for the preparation of the company accounts, Paolo Bacciga, hereby certifies in accordance with article 154 bis, sub-paragraph 2, of the Italian Finance Consolidation Act that the accounting information contained in this Consolidated Interim Report at 31 March 2019 corresponds to the accounting documents, records and books.

Milan, 6 May 2019

Paolo Bacciga
Manager responsible for the preparation
of the Company Accounts

Schedules

Basis of preparation of the restated financial statements

The comparative analysis of the balance sheet and income statement data for the first three months of 2019 compared with the corresponding figures for 2018 reflects:

- with reference to the balance sheet and income statement, the impact of first-time adoption of IFRS 16 that, beginning on 1 January 2019, governs accounting for leases. The introduction of IFRS 16 has caused the Bank of Italy to revise its financial statement layouts, which have been published as new mandatory financial statements for banks in the 6th update to Bank of Italy Circular 262/2005;
- with reference to the income statement, the acquisition by Fideuram on 10 April 2018 of Morval Vonwiller Holding, a financial company that controls the Swiss group by the same name which operates in the private banking and wealth management sector.

Reconciliation statements of the official balance sheet and income statement and the corresponding restated balance sheet and restated income statement are provided below, so that comparisons may be made on a like-for-like basis and the effects of first-time adoption of IFRS 16 and the acquisition of the Morval Vonwiller Group can be adequately represented. They were prepared by making the adjustments to the historical data required to reflect retrospectively the changes which occurred in 2018. Specifically:

- the balance sheet at 31 December 2018 has been restated to include the impact of first-time adoption of IFRS 16 for comparative purposes;
- the income statement of the first quarter 2018 has been restated to include both the impact of first-time adoption of IFRS 16 and the contribution of the Morval Vonwiller Group for comparative purposes.

Reconciliation statements of the official and restated financial statements

Reconciliation of published consolidated balance sheet at 31 December 2018 and restated consolidated balance sheet at 1 January 2019

(€m)

ASSETS	PUBLISHED BALANCE SHEET AT 31 DECEMBER 2018	EFFECT OF TRANSITION TO IFRS16	RESTATED BALANCE SHEET AT 1 JANUARY 2019
10. Cash and cash equivalents	310	-	310
20. Financial assets measured at fair value through profit or loss	294	-	294
a) financial assets held for trading	27	-	27
b) financial assets measured at fair value	-	-	-
c) other financial assets mandatorily measured at fair value	267	-	267
30. Financial assets measured at fair value through other comprehensive income	3,294	-	3,294
40. Financial assets measured at amortised cost	35,131	-	35,131
a) loans and advances to banks	23,065	-	23,065
b) loans and advances to customers	12,066	-	12,066
50. Hedging derivatives	-	-	-
60. Adjustments to financial assets subject to macro-hedging (+/-)	1	-	1
70. Equity investments	151	-	151
80. Reinsurers' share of technical reserves	-	-	-
90. Property and equipment	83	267	350
100. Intangible assets	226	-	226
of which: goodwill	140	-	140
110. Tax assets	198	-	198
a) current	42	-	42
b) deferred	156	-	156
120. Non-current assets held for sale and discontinued operations	12	-	12
130. Other assets	1,065	-	1,065
TOTAL ASSETS	**40,765**	**267**	**41,032**

(€m)

LIABILITIES AND SHAREHOLDERS' EQUITY	PUBLISHED BALANCE SHEET AT 31 DECEMBER 2018	EFFECT OF TRANSITION TO IFRS16	RESTATED BALANCE SHEET AT 1 JANUARY 2019
10. Financial liabilities measured at amortised cost	35,496	267	35,763
a) due to banks	3,366	43	3,409
b) due to customers	32,130	224	32,354
c) debt on issue	-	-	-
20. Financial liabilities held for trading	28	-	28
30. Financial liabilities measured at fair value	-	-	-
40. Hedging derivatives	808	-	808
50. Adjustments to financial liabilities subject to macro-hedging (+/-)	-	-	-
60. Tax liabilities	82	-	82
a) current	10	-	10
b) deferred	72	-	72
70. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-
80. Other liabilities	1,031	-	1,031
90. Provision for employment termination indemnities	48	-	48
100. Provisions for risks and charges:	468	-	468
a) commitments and guarantees	1	-	1
b) pensions and other commitments	14	-	14
c) other provisions for risks and charges	453	-	453
110. Technical reserves	-	-	-
120. Valuation reserves	(12)	-	(12)
130. Redeemable shares	-	-	-
140. Equity instruments	-	-	-
150. Reserves	1,476	-	1,476
160. Share premium reserve	206	-	206
170. Share capital	300	-	300
180. Treasury shares (-)	-	-	-
190. Equity attributable to non-controlling interests (+/-)	-	-	-
200. Net profit (loss) for the period (+/-)	834	-	834
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**40,765**	**267**	**41,032**

Reconciliation of published consolidated income statement for the period ended 31 March 2018 and restated consolidated income statement for the period ended 31 March 2018

(€m)

	Q1 2018 PUBLISHED	CHANGE IN SCOPE OF CONSOLIDATION (*)	EFFECT OF TRANSITION TO IFRS16	Q1 2018 RESTATED
10. Interest income and similar income	58	-	-	58
of which: interest income calculated with the effective interest method	*80*	-	-	*80*
20. Interest expense and similar expense	(19)	-	(1)	(20)
30. Net interest income	**39**	**-**	**(1)**	**38**
40. Fee and commission income	618	6	-	624
50. Fee and commission expense	(187)	(1)	-	(188)
60. Net fee and commission income	**431**	**5**	**-**	**436**
70. Dividends and similar income	-	-	-	-
80. Net profit (loss) on trading activities	-	1	-	1
90. Net profit (loss) on hedging derivatives	(1)	-	-	(1)
100. Net profit (loss) on sale or repurchase of:	20	-	-	20
a) financial assets measured at amortised cost	8	-	-	8
b) financial assets measured at fair value through other comprehensive income	12	-	-	12
c) financial liabilities	-	-	-	-
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	(5)	-	-	(5)
a) financial assets and liabilities measured at fair value	-	-	-	-
b) other financial assets mandatorily measured at fair value	(5)	-	-	(5)
120. Total net interest and trading income	**484**	**6**	**(1)**	**489**
130. Net impairment for credit risk related to:	(1)	-	-	(1)
a) financial assets measured at amortised cost	(1)	-	-	(1)
b) financial assets measured at fair value through other comprehensive income	-	-	-	-
140. Gains/losses on contractual changes without cancellation	-	-	-	-
150. Operating income	**483**	**6**	**(1)**	**488**
160. Net insurance premiums	-	-	-	-
170. Other income/expense from insurance activities	-	-	-	-
180. Operating income from financing and insurance activities	**483**	**6**	**(1)**	**488**
190. Administrative expenses:	(205)	(6)	10	(201)
a) personnel expenses	(84)	(4)	-	(88)
b) other administrative expenses	(121)	(2)	10	(113)
200. Net provisions for risks and charges	(1)	-	-	(1)
a) commitments and guarantees	-	-	-	-
b) other net provisions	(1)	-	-	(1)
210. Depreciation of property and equipment	(1)	-	(9)	(10)
220. Amortisation of intangible assets	(3)	-	-	(3)
230. Other income/expense	63	-	-	63
240. Operating expenses	**(147)**	**(6)**	**1**	**(152)**
250. Profit (loss) on equity investments	3	-	-	3
260. Net fair value gains (losses) on property and equipment and intangible assets	-	-	-	-
270. Goodwill impairment	-	-	-	-
280. Gain (loss) on disposal of investments	-	-	-	-
290. Profit (loss) before tax from continuing operations	**339**	**-**	**-**	**339**
300. Income taxes for the year on continuing operations	(100)	-	-	(100)
310. Profit (loss) after tax from continuing operations	**239**	**-**	**-**	**239**
320. Profit (loss) after tax from discontinued operations	-	-	-	-
330. Net profit (Loss) for the period	**239**	**-**	**-**	**239**
340. Net profit (loss) for the period attributable to non-controlling interests	-	-	-	-
350. Parent company interest in net profit (loss) for the period	**239**	**-**	**-**	**239**

(*) Net amounts for contribution by the Morval Vonwiller Group in the first quarter of 2018.

Basis of preparation of the reclassified financial statements

The balance sheet and income statement as at and for the period ended 31 March 2019 have been reclassified to facilitate comparison of the figures for different periods and to enable a clearer and more immediate understanding of the financial position and results. These statements were prepared using appropriate groupings of the items in the official financial statements.
Moreover, the reclassified consolidated income statement has been changed as follows to provide a clearer presentation of the Group's operating performance:

- Net profit (loss) on financial assets, fee and commission income and expense, and the provisions have been stated net of the returns on the insurance policies taken out as part of the Personal Financial Adviser Networks' Loyalty Schemes, recognised in the official Bank of Italy schedule as net profit (loss) on financial assets mandatorily measured at fair value, which – as pertaining to the Personal Financial Advisers – have been recognised as commission expense and provisions.
- Net profit on financial assets, fee and commission expense and personnel expenses have been stated net of the change in fair value of the Intesa Sanpaolo shares purchased under the bonus schemes for risk takers.
- 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.
- The soft commissions have been reallocated to the administrative expenses that generated them.
- 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) have been reclassified in a separate item, net of tax, designated "Expenses regarding the banking system (net of tax)".
- The effects of purchase price allocation have been recognised in a specific item, net of the tax effect.

Reconciliation statements of the restated and reclassified financial statements

Reconciliation of restated consolidated balance sheet and reclassified consolidated balance sheet

(€m)

RECLASSIFIED BALANCE SHEET ITEMS – ASSETS	CONSOLIDATED BALANCE SHEET ITEMS – ASSETS	31.3.2019	1.1.2019
Financial assets measured at fair value through profit or loss		310	294
	Item 20. Financial assets measured at fair value through profit or loss	*310*	*294*
Financial assets measured at fair value through other comprehensive income		3,277	3,294
	Item 30. Financial assets measured at fair value through other comprehensive income	*3,277*	*3,294*
Debt securities measured at amortised cost		13,194	13,299
	Item 40. a) (partial) Financial assets measured at amortised cost – Loans and advances to banks	*10,574*	*10,764*
	Item 40. b) (partial) Financial assets measured at amortised cost – Loans and advances to customers	*2,620*	*2,535*
Loans to banks		14,525	12,301
	Item 40. a) (partial) Financial assets measured at amortised cost – Loans and advances to banks	*14,525*	*12,301*
Loans to customers		9,263	9,531
	Item 40. b) (partial) Financial assets measured at amortised cost – Loans and advances to customers	*9,263*	*9,531*
Hedging derivatives		1	-
	Item 50. Hedging derivatives	*1*	*-*
Equity investments		158	151
	Item 70. Equity investments	*158*	*151*
Property and equipment and intangible assets		563	576
	Item 90. Property and equipment	*341*	*350*
	Item 100. Intangible assets	*222*	*226*
Tax assets		178	198
	Item 110. Tax assets	*178*	*198*
Other assets		1,472	1,388
	Item 10. Cash and cash equivalents	*252*	*310*
	Item 60. Adjustments to financial assets subject to macro-hedging (+/-)	*6*	*1*
	Item 120. Non-current assets held for sale and discontinued operations	*-*	*12*
	Item 130. Other assets	*1,214*	*1,065*
Total assets	**Total assets**	**42,941**	**41,032**

RECLASSIFIED BALANCE SHEET ITEMS – LIABILITIES	CONSOLIDATED BALANCE SHEET ITEMS – LIABILITIES	31.3.2019	1.1.2019
Due to banks		3,741	3,409
	Item 10. a) Financial liabilities measured at amortised cost – due to banks	*3,741*	*3,409*
Due to customers		34,131	32,354
	Item 10. b) Financial liabilities measured at amortised cost – due to customers	*34,131*	*32,354*
Financial liabilities held for trading		27	28
	Item 20. Financial liabilities held for trading	*27*	*28*
Hedging derivatives		890	808
	Item 40. Hedging derivatives	*890*	*808*
Tax liabilities		102	82
	Item 60. Tax liabilities	*102*	*82*
Other liabilities		1,329	1,079
	Item 80. Other liabilities	*1,279*	*1,031*
	Item 90. Provision for employment termination indemnities	*50*	*48*
Provisions for risks and charges		470	468
	Item 100. Provisions for risks and charges	*470*	*468*
Share capital and reserves		2.022	1.970
Equity attributable to non-controlling interests		-	-
	190. Equity attributable to non-controlling interests (+/-)	-	-
Net Profit		229	834
	Item 200. Net profit (loss) for the period	*229*	*834*
Total liabilities	**Total liabilities and shareholders' equity**	**42.941**	**41.032**

Reconciliation of restated consolidated income statement and reclassified consolidated income statement

(€m)

RECLASSIFIED CONSOLIDATED INCOME STATEMENT ITEMS	CONSOLIDATED RESTATED INCOME STATEMENT ITEMS	Q1 2019	Q1 2018
Net interest income		41	36
	Item 30. Net interest income	*43*	*38*
	- Item 60. (partial) Components of net fee and commission income related to net interest income	*(2)*	*(2)*
Net profit (loss) on financial assets and liabilities		13	20
	Item 80. Net profit (loss) on trading activities	*4*	*1*
	Item 90. Net profit (loss) on hedging derivatives	*(1)*	*(1)*
	Item 100. Profit (loss) on sale or repurchase of	*9*	*20*
	Item 110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	*11*	*(5)*
	- Item 60. (partial) Components of the returns on insurance policies for the Networks	*(3)*	*1*
	- Item 110. (partial) Return on Intesa Sanpaolo stock for remuneration and incentive plans	*(1)*	*-*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*(6)*	*4*
Net fee and commission income		427	437
	Item 60. Net fee and commission income	*423*	*436*
	- Item 60. (partial) Components of net fee and commission income related to net interest income	*2*	*2*
	- Item 60. (partial) Components of the returns on insurance policies for the Networks	*3*	*(1)*
	- Item 60. (partial) Soft commission	*(1)*	*-*
Total net interest and trading income		**481**	**493**
Net impairment for credit risk		(3)	(1)
	Item 130. Net impairment for credit risk	*(3)*	*(1)*
Operating income		**478**	**492**
Personnel expenses		(88)	(85)
	Item 190. a) Personnel expenses	*(90)*	*(88)*
	- Item 110. (partial) Return on Intesa Sanpaolo stock for remuneration and incentive plans	*1*	*-*
	- Item 190. a) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*1*	*3*
Other administrative expenses		(45)	(45)
	Item 190. b) Other administrative expenses	*(115)*	*(113)*
	- Item 60. (partial) Soft commission	*1*	*-*
	- Item 230. (partial) Recovery of indirect taxes	*61*	*63*
	- Item 190. b) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*2*	*1*
	- Item 190. b) (partial) Costs related to banking system	*6*	*4*
Depreciation and amortisation		(13)	(11)
	Item 210. Depreciation of property and equipment	*(12)*	*(10)*
	Item 220. Amortisation of intangible assets	*(5)*	*(3)*
	- Item 220. (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*4*	*2*
Operating expenses		**(146)**	**(141)**
Net provisions for risks and charges		(10)	(5)
	Item 200. Net provisions for risks and charges	*(7)*	*(1)*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*6*	*(4)*
	- Item 200. (partial) Use in excess of Risk provision for tax dispute	*(9)*	*-*
Profit (loss) on equity investments		1	3
	Item 250. Profit (loss) on equity investments	*1*	*3*
Other income (expense)		(1)	-
	Item 230. Other income/expense	*60*	*63*
	- Item 230. (partial) Recovery of indirect taxes	*(61)*	*(63)*
Profit (loss) before tax from continuing operations		**322**	**349**
Income taxes for the period on continuing operations		(94)	(103)
	Item 300. Income taxes for the period on continuing operations	*(89)*	*(100)*
	- Item 300. (partial) Tax impact on costs related to integration of Intesa Sanpaolo Private Banking	*(3)*	*(2)*
	- Item 300. (partial) Tax impact on costs related to the banking system	*(2)*	*(1)*
Expenses regarding the banking system (net of tax)		(4)	(3)
	- Item 190. b) (partial) Costs related to banking system	*(6)*	*(4)*
	- Item 300. (partial) Tax impact on costs related to the banking system	*2*	*1*
Non-recurring income (expenses) (net of tax)		5	(4)
	- Item 190. a) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*(1)*	*(3)*
	- Item 190. b) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*(2)*	*(1)*
	- Item 200. (partial) Use in excess of Risk provision for tax dispute	*9*	*-*
	- Item 220. (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*(4)*	*(2)*
	- Item 300. (partial) Tax impact on costs related to integration of Intesa Sanpaolo Private Banking	*3*	*2*
Net profit	**Item 350. Parent company interest in net profit (loss) for the period**	**229**	**239**

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

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

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

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

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

Cover photo:

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

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

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

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

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