FIDEURAM
INTESA SANPAOLO PRIVATE BANKING

# Interim report at 31 March 2020

Bank of INTESA SANPAOLO

# Mission

of Fideuram – Intesa Sanpaolo
Private banking

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

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

# Interim report at 31 March 2020

# Introduction

The global spread of the Covid-19 epidemic has led to the introduction of restrictive measures, the interruption of production activities, and severe consumer anxiety in nearly all countries. The combination of these factors has substantially paralysed economic activity. The epidemic has had a major impact on the global economy and, in a vertically integrated international economy, the repercussions among countries and industrial sectors further amplify the effects of the crisis. The productive organisation of the Italian economy is based on small and medium enterprises, which renders it especially fragile in this context. Important sectors like tourism, manufacturing, and restaurant services will find it very difficult to recover quickly from the shutdown of activity. The peculiar nature of the current crisis stems from the combination of a supply shock (with a consequent reduction in production and investments) and a sharp increase in uncertainty that is paralysing demand (with a consequent reduction in consumer spending and growth in precautionary saving). When the economic system is falling into paralysis, gripped by contracting supply and demand, it is vitally important to guarantee greater liquidity for banks so that they can make loans to efficient enterprises. The recovery of economic activity after the relaxation of social distancing measures depends directly on the ways in which the measures adopted by governments and other authorities determine the allocation of losses among the various participants in the economy (businesses, banks, households, governments and central banks) and on the distribution of those losses over time. National governments have implemented various measures to mitigate the impact of the economic crisis on businesses, households and banks. Several measures call for shifting private sector losses directly to the State, through transfers to households and businesses, expansion of the beneficiaries of the government lay-off benefits fund and increase in unemployment benefits. Other measures, such as the issuance of public loan guarantees and moratoria on tax and loan payments, do not alleviate the losses incurred by certain sectors but aim to facilitate the provision of liquidity on favourable terms by the financial system, thereby deferring the losses.

The Eurogroup approved several measures on 9 April 2020 in support of the eurozone and will become operational beginning 1 June. They are summarised below as follows:

- EIB loans: the European Investment Bank has proposed a new €200bn credit facility for Member States. This facility can be used to grant long-term bridge loans to companies facing liquidity crises.
- Unconditional ESM loans for medical expenses: the Eurogroup has decided to provide a PCS (Pandemic Crisis Support) credit facility totalling €240bn, guaranteed by the European Stability Mechanism, to be provided to Member States for financing the direct and indirect medical expenses connected with the Covid-19 emergency.
- SURE Program: The European Commission's SURE (Support to mitigate unemployment risks in an emergency) initiative is intended to provide loans to Member States to cover public spending increases tied to job support measures, and especially wage and salary supplement schemes, that are introduced or expanded in response to the health emergency. It will have an endowment of €100bn, financed by the issuance of debt securities guaranteed by all the Member States on a voluntary basis for a minimum of €25bn.
- Recovery Fund: the European Council has ordered the European Commission to submit a proposal by 6 May for the establishment of a Recovery Fund guaranteed by the European Union budget and financed through the issuance of bonds.

The European Central Bank has taken the following monetary policy measures:

- on 12 March it announced that temporary long-term refinancing operations (LTRO) would be carried out for the immediate injection of liquidity in support of the eurozone financial system. These operations will support bank loans to those hardest hit by the spread of the coronavirus, and especially small and medium enterprises;
- on 18 March it announced a new pandemic emergency purchase programme (PEPP) with an endowment of €750bn, complementing the existing Quantitative Easing programme for €240bn and the additional €120bn approved on 12 March;
- to prevent any rating downgrades from suddenly reducing the mass of securities that can be used as collateral in Eurosystem credit operations, on 22 April the ECB modified the criteria of acceptability for the securities offered as collateral for credit operations, by reducing the collateral margins and temporarily reducing the minimum rating level for marketable securities from BBB- to BB.

The Italian Government has taken the following measures to address the shock caused by the containment measures implemented in response to the Covid-19 epidemic:

- Decree Law no. 18 of 17 March ("Cura Italia" - "Cure Italy"), which includes €25bn to shore up the Italian National Health Service, job and household income support, and the liquidity of small and medium enterprises (with a direct cost of €5bn and €350bn in loan guarantees);
- Decree Law no. 23 of 8 April "Decreto liquidità" - ("Liquidity Decree"), which expands the pool of loans that the Government intends to guarantee by an additional €400bn (raising the total of State guarantees of business loans to about €750bn).

The recovery will then depend on financial market performance, the risks of activities, and the overall effectiveness of the adopted measures. The near future will be largely conditioned by the way in which Italy and Europe will handle the emergency, first at the medical level and then in economic and financial terms.

In this context of severe macroeconomic tension, the stability of the Group remains based on five strengths:

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

Consolidated shareholders' equity at 31 March 2020 was €3.1bn and the Common Equity Tier 1 ratio was 27.5% in the absence of any distribution of dividends. Financial resources acquired as customer deposits totalled €40.2bn, up 3% on the end of 2019. They mainly consist of current accounts and deposits that are highly stable over time. Liquidity from liabilities is mainly invested in a portfolio of securities with medium-to-long term maturities containing a substantial proportion of eligible securities. The Group's business model and the strategies adopted to put our future growth plans into effect leave us strongly placed to tackle the intense volatility of the financial markets without any impact on our business continuity.

The following operations were carried out in the first quarter of 2020, as part of the process to simplify the Group organisational structure:

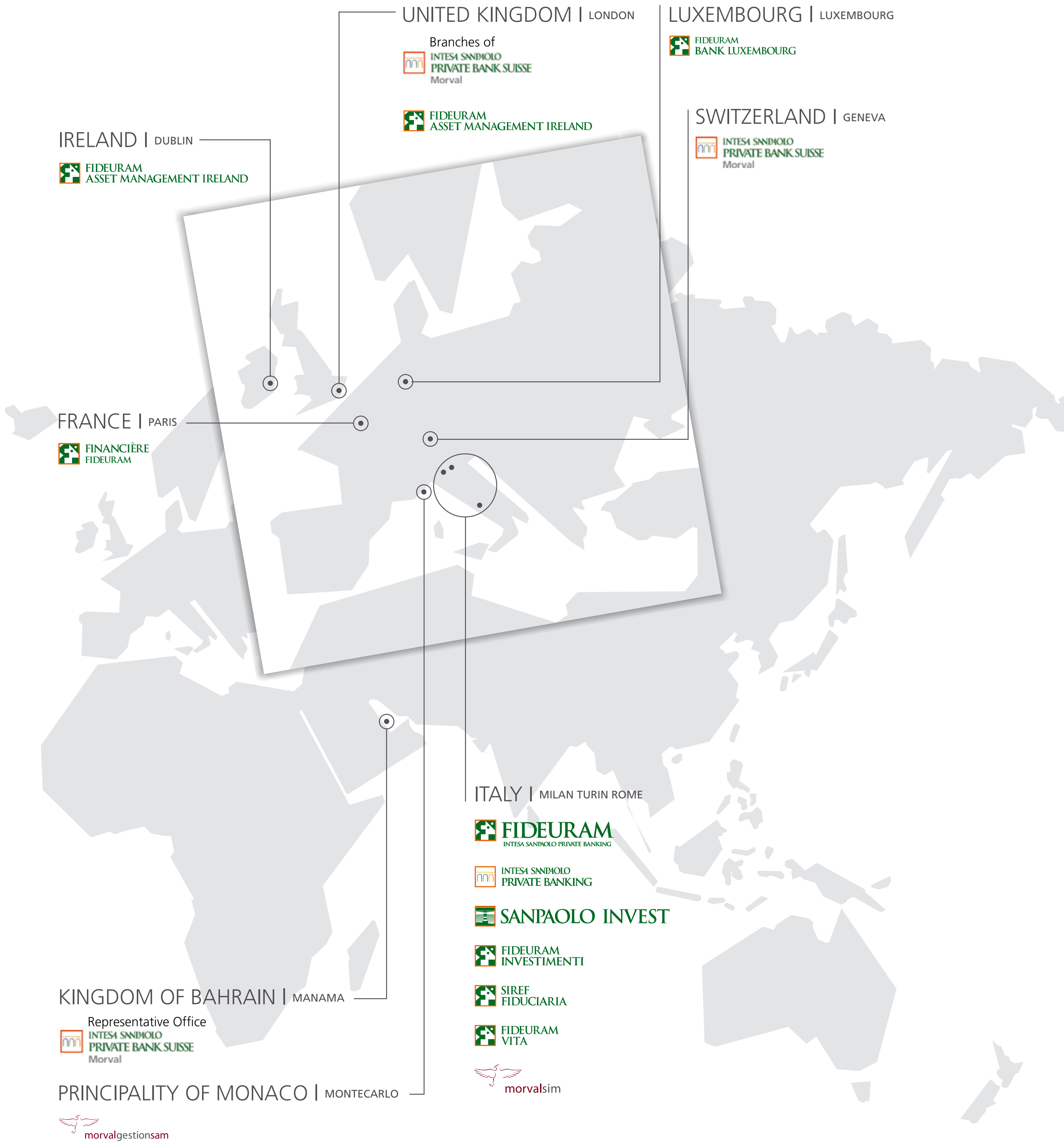
- commencement of the liquidation of Morval Vonwiller Assets Management Co. Ltd.;
- the transfer of the equity investment in Morval Vonwiller Advisors S.A. from the sub-holding Southern Group Ltd to Intesa Sanpaolo Private Bank (Suisse) Morval;
- commencement of the merger of Morval SIM into Intesa Sanpaolo Private Banking.

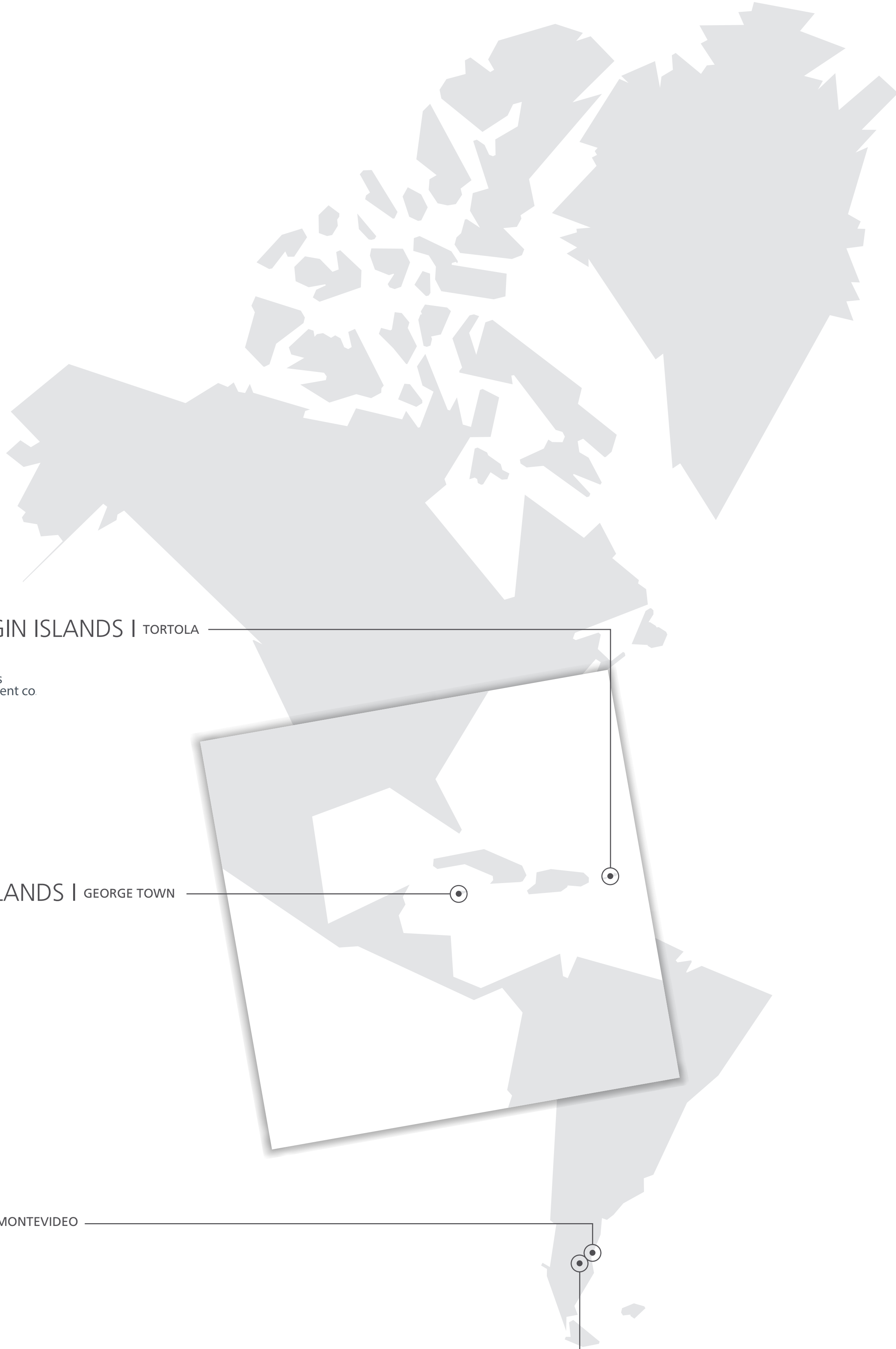
The Interim Report of the Fideuram – Intesa Sanpaolo Private Banking Group at 31 March 2020 has been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission. This Interim Report was prepared in accordance with the same accounting policies as the Consolidated Financial Statements at 31 December 2019, where they are described in greater detail.

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 2020 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. Detailed information on the reclassifications is presented in specific reconciliation statements provided in the schedules accompanying this Report.

# Contents

# Group Structure





BRITISH VIRGIN ISLANDS | TORTOLA

morvalvonwillers
assets management co
in liquidation

CAYMAN ISLANDS | GEORGE TOWN

southerngroup

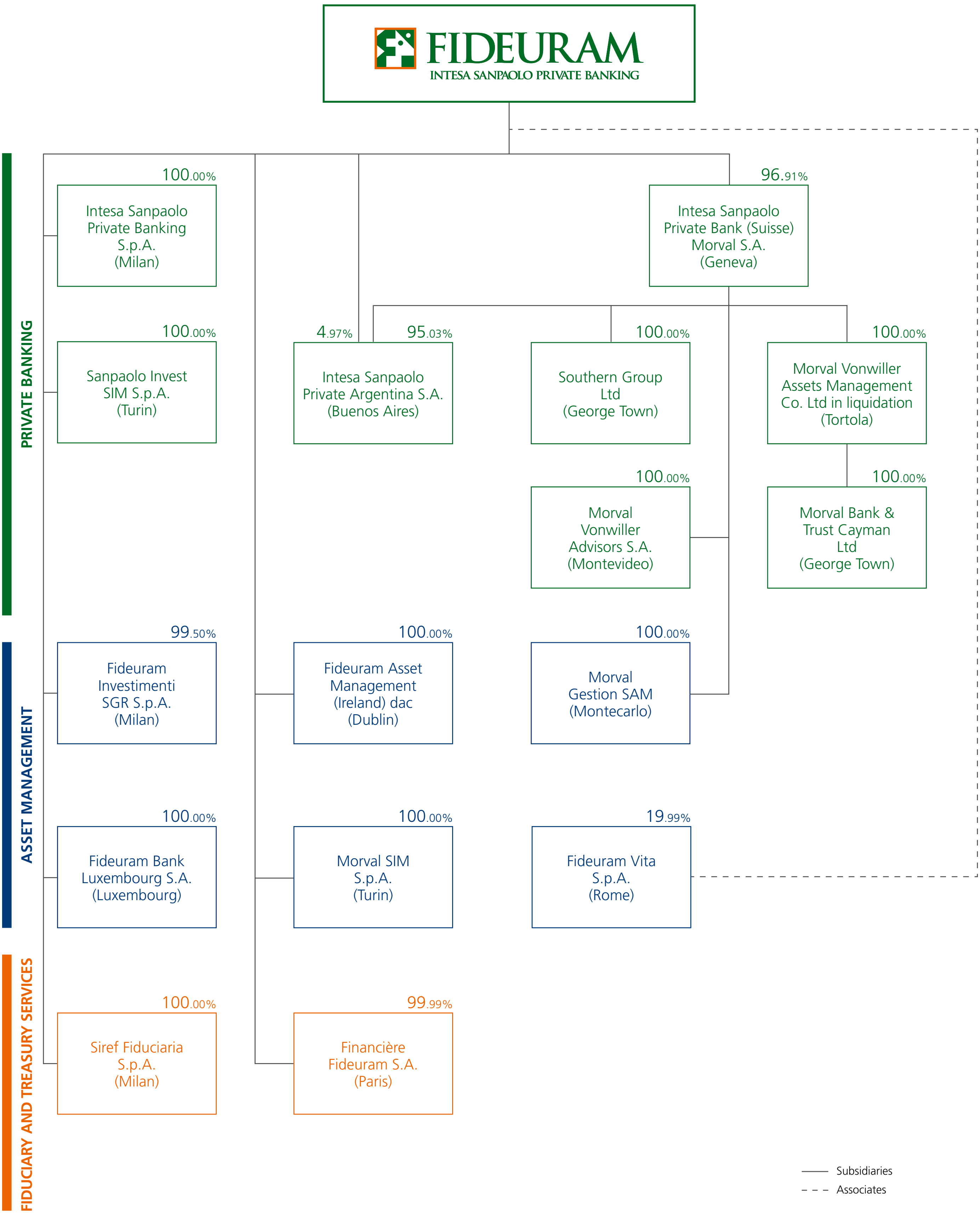
morvalbank&trust

URUGUAY | MONTEVIDEO

morvalvonwiller
advisors

ARGENTINA | BUENOS AIRES

INTESA SANPAOLO
PRIVATE
Argentina


FIDEURAM
INTESA SANPAOLO PRIVATE BANKING
PRIVATE BANKING
ASSET MANAGEMENT
FIDUCIARY AND TREASURY SERVICES
100.00%
Intesa Sanpaolo Private Banking S.p.A. (Milan)
96.91%
Intesa Sanpaolo Private Bank (Suisse) Morval S.A. (Geneva)
100.00%
Sanpaolo Invest SIM S.p.A. (Turin)
4.97%
95.03%
Intesa Sanpaolo Private Argentina S.A. (Buenos Aires)
100.00%
Southern Group Ltd (George Town)
100.00%
Morval Vonwiller Assets Management Co. Ltd in liquidation (Tortola)
100.00%
Morval Vonwiller Advisors S.A. (Montevideo)
100.00%
Morval Bank & Trust Cayman Ltd (George Town)
99.50%
Fideuram Investimenti SGR S.p.A. (Milan)
100.00%
Fideuram Asset Management (Ireland) dac (Dublin)
100.00%
Morval Gestion SAM (Montecarlo)
100.00%
Fideuram Bank Luxembourg S.A. (Luxembourg)
100.00%
Morval SIM S.p.A. (Turin)
19.99%
Fideuram Vita S.p.A. (Rome)
100.00%
Siref Fiduciaria S.p.A. (Milan)
99.99%
Financière Fideuram S.A. (Paris)
Subsidiaries
Associates

# Company Officers

**Assemblea degli Azionisti**

**Board of Directors**

**Board of Statutory Auditors**

**Related Parties Committee**

**Chairman**
GIANGIACOMO DOMENICO LUIGI NARDOZZI TONIELLI

**Members**
GIOVANNI BATTISTA BISOGNI

PIERO LUONGO

**General Management**

**General Manager**
TOMMASO CORCOS

**Joint General Managers**
FABIO CUBELLI
(Business Coordination Area)

LINO MAINOLFI
(Operational and Financial Coordination Area)

**Manager responsible for the preparation of the company accounts**
PAOLO BACCIGA

**Chairman**
PAOLO MOLESINI

**Acting Deputy Chairman**
PAOLO MARIA VITTORIO GRANDI

**Acting Deputy Chairman**
GIANGIACOMO DOMENICO LUIGI NARDOZZI TONIELLI

**Managing Director**
TOMMASO CORCOS

**Directors**
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

**Chairman**
GIULIO STEFANO LUBATTI

**Statutory Auditors**
MARCO ANTONIO MODESTO DELL'ACQUA

ELISA BAUCHIERO

**Acting Auditors**
ALESSANDRO COTTO

FRANCESCA MONTI

**Independent Auditors**
KPMG S.p.A.

# Highlights

## OPERATING RESULTS

Personal financial advisers No. 5,811

Customers

Fideuram No. 590,409

Sanpaolo Invest No. 157,065

Siref Fiduciaria No. 1,989 mandates

Intesa Sanpaolo Private Banking No. 37,258 households

Intesa Sanpaolo Private Bank (Suisse) Morval No. 1,776

Total Net Inflows

€2.7 bn

*of which Net Inflows into Managed Assets*

-€632 m

Client assets

€223 bn

*of which Managed Assets*

€148.8 bn

*of which Advanced Advisory Service*

€34.7 bn

Fideuram e Sanpaolo Invest
13 years

Intesa Sanpaolo Private Banking
13 years

Average length of Customer Relationship

## FINANCIAL RESULTS

Net Recurring Fees
€399 m

Cost / Income Ratio
29%
(30% in Q1 2019)

Consolidated Net Profit
€222 m

R.O.E.
29%
(36% in Q1 2019)

# Key Performance Indicators

| | 31.3.2020 | 31.3.2019 | % CHANGE |
|---|---|---|---|
| **CUSTOMER FINANCIAL ASSETS** | | | |
| Net inflows into managed assets (€m) | (632) | (17) | n.s. |
| Total net inflows (€m) | 2,691 | 1,023 | 163 |
| Client Assets (€m) | 222,981 | 223,719 | - |
| **OPERATING STRUCTURE** | | | |
| Personal Financial Advisers (No.) | 5,811 | 5,924 | |
| Staff (No.) | 3,171 | 3,311 | |
| - women (No.) | 1,418 | 1,479 | |
| - outside Italy (No.) | 315 | 319 | |
| Personal Financial Advisers' Offices (No.) | 322 | 322 | |
| Bank Branches (No.) | 233 | 230 | |
| **CONSOLIDATED FINANCIAL RESULTS** | | | |
| Consolidated net profit (€m) | 222 | 229 | -3 |
| Group shareholders' equity (€m) | 3,117 | 2,251 | 38 |
| Basic consolidated net earnings per share (€) | 0.148 | 0.153 | -3 |
| Consolidated pay-out ratio (%) | 92.36 | 97.07 | |
| Fideuram pay-out ratio (%) | 98.33 | 99.48 | |
| Total assets (€m) | 48,980 | 42,941 | 14 |
| Wealth created (€m) | 697 | 712 | -2 |
| Value distributed (€m) | 655 | 685 | -4 |
| **PROFITABILITY INDICATORS** | | | |
| Return on Equity (%) | 29 | 36 | |
| Return on Assets (%) | 2 | 2 | |
| Cost / Income ratio (%) | 29 | 30 | |
| Payroll costs / Operating margin (%) | 16 | 18 | |
| Annualised net profit / Average client assets (%) | 0.4 | 0.4 | |
| Economic Value Added (€m) | 191 | 200 | |

n.s.: not significant

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

**Glossary**

**Net inflows:** total subscriptions minus disinvestments.

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

**Personal Financial Advisers:** professionals registered in Italy's Unified Register of Financial Advisers, including Trainee Financial Advisers. At the foreign companies, the Personal Financial Advisers are professionals, natural and legal persons, engaged in the sales business.

**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 value distributed:** wealth created measures the economic value generated by the production and distribution of financial services using Fideuram's factors of production (capital and labour). Value distributed shows how the wealth created is distributed among the Group'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 net operating expenses to net operating income.

**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)

| | 31.3.2020 | 31.12.2019 | CHANGE | |
|---|---|---|---|---|
| | | | AMOUNT | % |
| **ASSETS** | | | | |
| Financial assets measured at fair value through profit or loss | 346 | 349 | (3) | -1 |
| Financial assets measured at fair value through other comprehensive income | 2,964 | 3,189 | (225) | -7 |
| Debt securities measured at amortised cost | 15,156 | 15,275 | (119) | -1 |
| Loans to banks | 19,226 | 17,198 | 2,028 | 12 |
| Loans to customers | 9,006 | 9,329 | (323) | -3 |
| Hedging derivatives | 10 | 20 | (10) | -50 |
| Equity investments | 172 | 170 | 2 | 1 |
| Property and equipment and intangible assets | 614 | 614 | - | - |
| Tax assets | 193 | 164 | 29 | 18 |
| Other assets | 1,293 | 1,459 | (166) | -11 |
| **TOTAL ASSETS** | **48,980** | **47,767** | **1,213** | **3** |
| **LIABILITIES** | | | | |
| Due to banks | 2,787 | 3,033 | (246) | -8 |
| Due to customers | 40,157 | 39,024 | 1,133 | 3 |
| Financial liabilities held for trading | 69 | 33 | 36 | 109 |
| Hedging derivatives | 989 | 930 | 59 | 6 |
| Tax liabilities | 99 | 94 | 5 | 5 |
| Other liabilities | 1,303 | 1,215 | 88 | 7 |
| Provisions for risks and charges | 459 | 478 | (19) | -4 |
| Share capital and reserves | 2,895 | 2,054 | 841 | 41 |
| Net profit | 222 | 906 | (684) | -75 |
| **TOTAL LIABILITIES** | **48,980** | **47,767** | **1,213** | **3** |

# Consolidated income statement
(reclassified - €m)

| | Q1 2020 | Q1 2019 | CHANGE | |
|---|---|---|---|---|
| | | | AMOUNT | % |
| Net interest income | 48 | 43 | 5 | 12 |
| Net profit (loss) on financial assets and liabilities at fair value | 3 | 13 | (10) | -77 |
| Net fee and commission income | 427 | 425 | 2 | - |
| **INTERMEDIATION MARGIN** | **478** | **481** | **(3)** | **-1** |
| Profit on equity investments and other income (expense) | - | - | - | - |
| **NET OPERATING INCOME** | **478** | **481** | **(3)** | **-1** |
| Personnel expenses | (78) | (88) | 10 | -11 |
| Other administrative expenses | (49) | (45) | (4) | 9 |
| Depreciation and amortisation | (14) | (13) | (1) | 8 |
| **NET OPERATING EXPENSES** | **(141)** | **(146)** | **5** | **-3** |
| **OPERATING MARGIN** | **337** | **335** | **2** | **1** |
| Net impairment of loans | (2) | (3) | 1 | -33 |
| Net provisions for risks and charges and net impairment of other assets | (6) | (10) | 4 | -40 |
| Net non-recurring income (expenses) | 6 | 9 | (3) | -33 |
| **GROSS INCOME (LOSS)** | **335** | **331** | **4** | **1** |
| Income taxes for the period on continuing operations | (103) | (94) | (9) | 10 |
| Integration and voluntary redundancy expenses (net of tax) | (4) | (4) | - | - |
| Expenses regarding the banking system (net of tax) | (6) | (4) | (2) | 50 |
| **NET PROFIT** | **222** | **229** | **(7)** | **-3** |

## Quarterly consolidated balance sheets

(reclassified - €m)

| | **31.3.2020** | **31.12.2019** | **30.9.2019** | **30.6.2019** | **31.3.2019** |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Financial assets measured at fair value through profit or loss | 346 | 349 | 347 | 317 | 310 |
| Financial assets measured at fair value through other comprehensive income | 2,964 | 3,189 | 3,616 | 3,529 | 3,277 |
| Debt securities measured at amortised cost | 15,156 | 15,275 | 14,641 | 13,240 | 13,194 |
| Loans to banks | 19,226 | 17,198 | 16,244 | 15,135 | 14,525 |
| Loans to customers | 9,006 | 9,329 | 9,465 | 9,620 | 9,263 |
| Hedging derivatives | 10 | 20 | 12 | 7 | 1 |
| Equity investments | 172 | 170 | 166 | 163 | 158 |
| Property and equipment and intangible assets | 614 | 614 | 613 | 609 | 563 |
| Tax assets | 193 | 164 | 170 | 175 | 178 |
| Other assets | 1,293 | 1,459 | 1,596 | 1,520 | 1,472 |
| **TOTAL ASSETS** | **48,980** | **47,767** | **46,870** | **44,315** | **42,941** |

| | | | | | |
|---|---|---|---|---|---|
| **LIABILITIES** | | | | | |
| Due to banks | 2,787 | 3,033 | 3,030 | 3,098 | 3,741 |
| Due to customers | 40,157 | 39,024 | 37,983 | 35,775 | 34,131 |
| Financial liabilities held for trading | 69 | 33 | 42 | 25 | 27 |
| Hedging derivatives | 989 | 930 | 1,094 | 979 | 890 |
| Tax liabilities | 99 | 94 | 119 | 90 | 102 |
| Other liabilities | 1,303 | 1,215 | 1,405 | 1,399 | 1,329 |
| Provisions for risks and charges | 459 | 478 | 479 | 458 | 470 |
| Share capital and reserves | 2,895 | 2,054 | 2,059 | 2,035 | 2,022 |
| Net profit | 222 | 906 | 659 | 456 | 229 |
| **TOTAL LIABILITIES** | **48,980** | **47,767** | **46,870** | **44,315** | **42,941** |

# Quarterly consolidated income statements

(reclassified - €m)

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

# Economic scenario

During the first quarter of 2020, the steady spread of the Coronavirus epidemic from its initial epicentre in China to the rest of the world and the severe restrictive measures that were gradually implemented by governments to contain it had a severe and sudden impact on global economic activity and financial market performance. An unprecedented monetary and tax policy response was launched, especially in the United States and Europe.

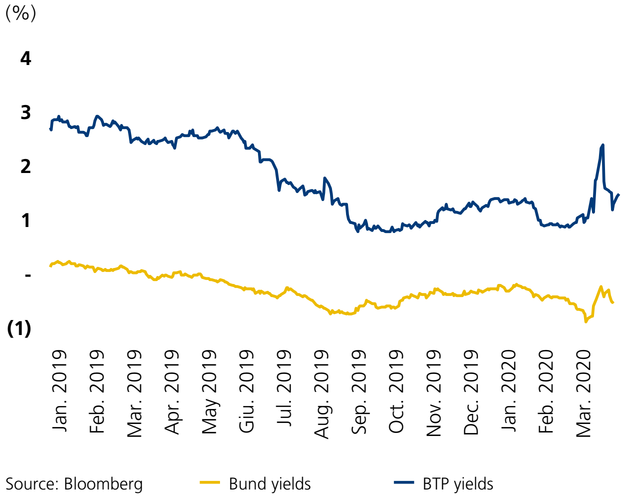
Growth prospects had improved at the beginning of the year after the relaxation of the trade tensions between the United States and China that had dominated most of 2019, and particularly after an agreement between the two countries was signed in mid-January. Business confidence in the manufacturing sector continued the recovery that began in late 2019. The services sector also reported an improvement at the global level.

However, this moderate recovery in economic activity was completely upended by the implications of the Covid-19 epidemic, whose first epicentre was in the Chinese city of Wuhan. To contain the epidemic, the Chinese authorities decided on 23 January, just before the Chinese New Year, to impose severe restrictions on mobility and social interaction (a "lockdown") in Hubei Province and, albeit with varying degrees of severity, also in the rest of China. The measures implemented by the Chinese proved to be gradually effective in limiting the spread of infections, especially outside Hubei Province, but at an extremely high cost in terms of reduced economic activity. In January and the first half of February, the number of Coronavirus infections outside China and the Far East was very low, and the impact of the epidemic on economic activity in advanced countries was quite limited. However, the scenario changed radically towards the end of February, and particularly with the spread of the virus in Italy, where the authorities had to intervene with increasingly severe restrictive measures over the course of the following weeks. These measures were then gradually implemented in all of the major, advanced economies and even in emerging economies during the month of March, heavily impacting economic activity.

The economic policy response to the rapid deterioration in growth prospects and the beginning of a global recession was swift and massive. On the monetary policy side, the U.S. Federal Reserve Bank cut its interest rates by 150 basis points during the first two weeks of March (reducing them to zero) and launched a substantially unlimited asset-purchase programme. This programme was implemented at an unprecedented pace, and was partly intended to address the liquidity problems that arose on the monetary and bond markets. The Fed also intervened with absolutely unprecedented measures, such as the direct purchase of commercial securities and direct financing of companies, and also the reintroduction of many of the tools already used during the 2008-2009 crisis.

After an initial, unconvincing response, the European Central Bank launched an extraordinary plan in mid-March to purchase €750bn by the end of the year (the Pandemic Emergency Purchase Programme). This programme can be managed flexibly and comes on top of previously decided purchase programmes. The fiscal response has also been unprecedented, especially in the United States, where Congress voted to approve a spending package worth about $2,200bn (10% of GDP) at the end of March. Its main objective is to guarantee the income flows of households and businesses during the phase when economic activity is frozen by the measures implemented to fight the epidemic. The fiscal measures taken in Europe reflect the same logic, being largely based on the provision of state guarantees for bank business loans and maintaining employment levels. The response at the European Union level has been less massive and convincing, although some progress was made in that area during the month of April.

## 10-year Bund and BTP yields




Source: Bloomberg

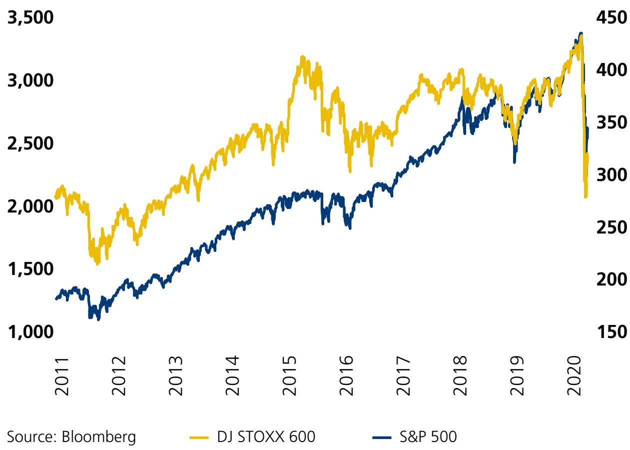
Economic activity in the **United States** during the first two months of the year was relatively robust, with business confidence recovering in the manufacturing sector in response to the reduction in trade tensions with China. Labour market conditions were also absolutely solid at the beginning of the year. The scenario rapidly changed in March, once restrictive measures were introduced to fight the Covid-19 epidemic. Economic activity declined precipitously, as reflected in the unprecedented deterioration in labour market conditions: over 16 million applications for unemployment benefits were made over three weeks between the end of March and the beginning of April. The monetary policy and fiscal policy response was swift and incisive.

The first part of the quarter brought an improvement in growth prospects to the **eurozone** too, reflecting the positive impact of ebbing international trade tensions on business confidence, especially in the manufacturing sector. However, Europe, and first Italy, started to become the new epicentre of the health emergency at the end of February. The restrictive measures implemented by governments in response to the epidemic triggered a severe, generalised contraction in economic activity over a short period of time. In March, business confidence indicators touched levels without precedent in other recessionary phases, especially in the sector of services most directly affected by the lockdown. Governments took action to approve fiscal packages focused on providing support for jobs and businesses (especially with broad state guarantees for bank loans). On the other hand, the fiscal response at the eurozone level was slowed down and rendered less effective by political conflicts over the choice of tools to be implemented.

In **Asia**, economic performance was impacted by the implications of the spreading epidemic before it affected Europe and the United States. In China, the restrictive measures adopted in the second half of January caused an unprecedent collapse in demand and productive activity in February. Once the health emergency was brought under control, activity was able to start recovering gradually during March, but at levels that were still far from normal. Economic policy became more expansionary, but quite cautiously, to confront the impact of the epidemic. The spread of the epidemic was limited in Japan, but it exacerbated the recessionary effect of the VAT increase in October 2019.

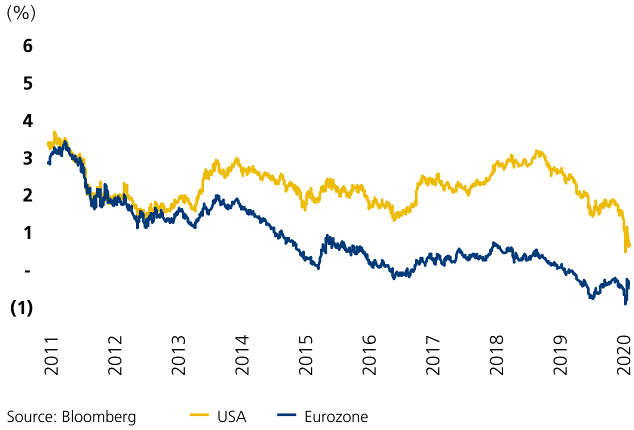
The rapid deterioration in growth prospects beginning at the end of February was reflected in a sharp correction in stock prices. Notwithstanding a recovery from the minimum levels reached in the second half of March, losses were high for the quarter (-20% for the S&P500 index in the United States, -23% for the Stoxx-600 index in Europe, with sub-par performance by the Italian index, -18.5% for the Topix in Japan, and -23.9% for the MSCI dollar index of Emerging Countries). Yields on the bond market, where stress arose over dollar liquidity, fell from their levels at the beginning of the period in the United States (about 125 bps lower on a 10-year treasury bonds) and for the Bund in Europe (about 30 bps lower), while the volatility of the spread between Italian government bonds and the Bund increased.

## Stock market performance




## Bond market performance

(10-year government bond yields)



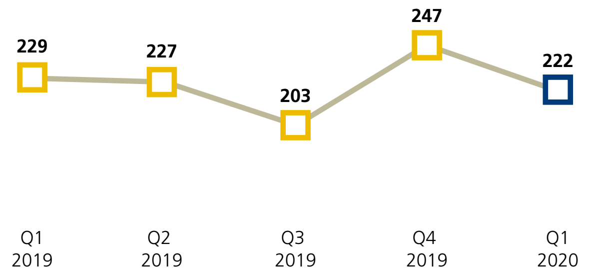
# Overview of consolidated results

In a market context that has deteriorated significantly due to the global spread of the Covid-19 virus, the Fideuram – Intesa Sanpaolo Private Banking Group ended the first quarter of 2020 with **consolidated net profit** of **€222m**, down €7m (-3%) on the first quarter of 2019. The Wealth created by the Group's business totalled €697m in the first quarter of 2020, down €15m on the figure for the same period last year. The return on equity (R.O.E.) was 29%, down compared to 36% at 31 March 2019, due to the significant increase in consolidated shareholders' equity. By resolution on 30 March 2020, the Shareholders' Meeting of Fideuram decided not to distribute dividends in accordance with the request made to banks with the ECB Recommendation of 27 March 2020 in response to the emergency triggered by the Covid-19 epidemic.

The analysis of the main income statement items shows that net operating income fell by €3m (-1%), due to the reduction in the profit on financial assets measured at fair value (-€10m), only partly offset by growth in net fee and commission income (+€2m) and net interest income (+€5m). Non-recurring income fell by €3m. Conversely, net operating expenses were down by €5m, provisions for risks and charges were down by €4m and net impairment of loans was down by €1m. Gross income (loss) from continuing operations rose €4m from the figure for the first quarter of 2019. The Group's Cost/Income Ratio improved to 29% from 30% in the same period a year earlier.

## Consolidated net profit

(€m)




At 31 March 2020, there were a total of 5,811 Personal Financial Advisers in the Group's networks compared with 5,834 at 31 December 2019 and 5,924 at 31 March 2019. Client assets per Personal Financial Adviser were approximately €38m at 31 March 2020. Total Group staff came to 3,171, down from 3,179 at 31 December 2019. Bank branches totalled 233 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 €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 client assets through the constant development of our product range and service delivery solutions. The Fideuram Group specialises in particular in the provision of financial advisory services and the development, management and distribution of financial, insurance and banking products and services.

The Group's positioning is principally focused on the Private Banking customers and High Net Worth Individuals. Our products and services are provided by over 5,800 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..

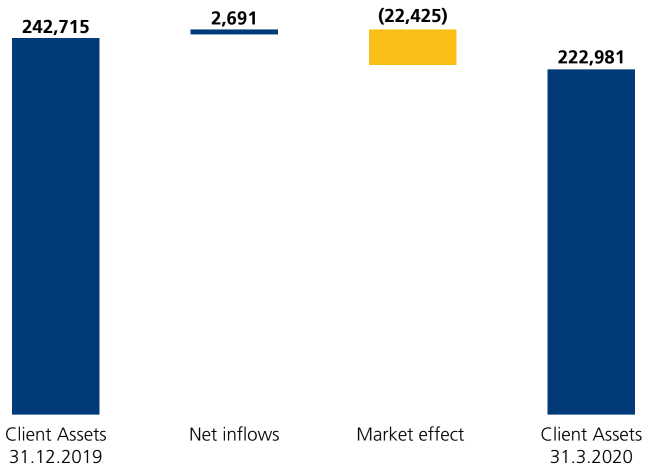
# Client financial assets

**Client Assets** totalled **€223bn** at 31 March 2020, down €19.7bn from 31 December 2019 (-8%). This result is attributable to market performance, which was severely impacted by the global spread of the Covid-19 epidemic, reducing assets by €22.4bn (-€15.9bn in managed assets and -€6.5bn in non-managed assets). Total net inflows were positive at €2.7bn, having grown strongly (+€1.7bn) on the first quarter of the previous year.

Analysis of the aggregated items shows that **managed assets** (about 67% of total client assets, compared with 68% at the end of 2019) totalled **€148.8bn**, down €16.6bn from the amount at the end of 2019 (€165.4bn). The decrease affected all components of managed assets: mutual funds (-€8.3bn), life insurance (-€4.1bn) and discretionary accounts (-€4bn). **Non-managed assets** totalled **€74.1bn**, down €3.2bn on the figure at the end of 2019.

## Client Assets

(€m)




## Client Assets

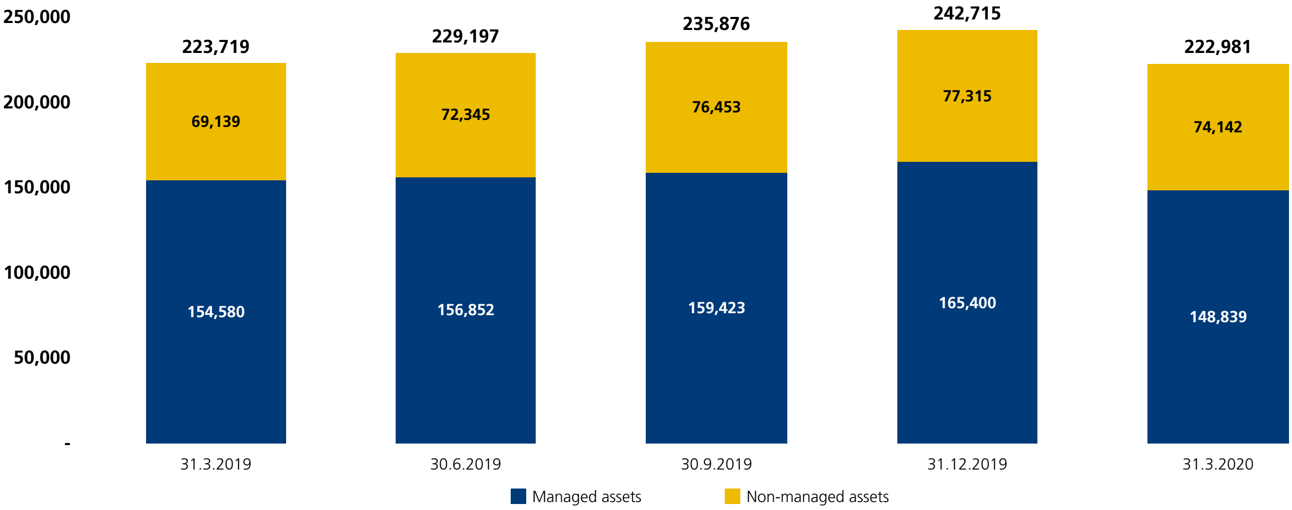
(€m)

| | 31.3.2020 | 31.12.2019 | CHANGE | |
|---|---|---|---|---|
| | | | AMOUNT | % |
| Mutual funds | 52,759 | 61,093 | (8,334) | -14 |
| Discretionary accounts | 41,037 | 45,038 | (4,001) | -9 |
| Life insurance | 52,800 | 56,905 | (4,105) | -7 |
| *including: Fideuram Vita / Intesa Sanpaolo Vita unit linked* | *32,731* | *36,457* | *(3,726)* | *-10* |
| Pension funds | 2,243 | 2,364 | (121) | -5 |
| **Total managed assets** | **148,839** | **165,400** | **(16,561)** | **-10** |
| **Total non-managed assets** | **74,142** | **77,315** | **(3,173)** | **-4** |
| *including: Securities* | *38,920* | *44,814* | *(5,894)* | *-13* |
| **Total Client Assets** | **222,981** | **242,715** | **(19,734)** | **-8** |

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

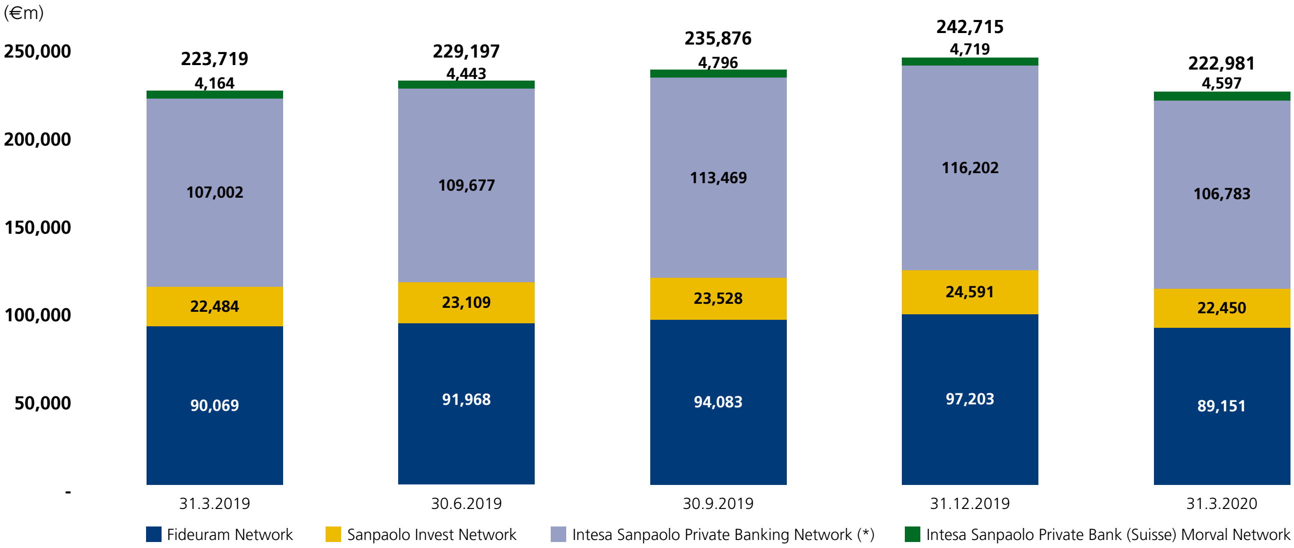
## Client Assets - by type of inflows

(€m)




## Client Assets - by sales Network

(€m)




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

# Inflows into managed and non-managed assets

The Group's distribution networks brought in **€2.7bn net inflows** in the first three months of 2020, up €1.7bn (+163%) on the total for the first quarter of 2019. The analysis of aggregated figures shows that the **inflows into managed assets** fell by €615m from the corresponding period of the previous year. This was mainly attributable to the Group personal financial advisers directing a portion of inflows from customers towards liquid instruments and to the bond and money markets. The **non-managed assets component** was a positive **€3.3bn**, having grown €2.3bn from the first quarter of 2019.

## Net inflows

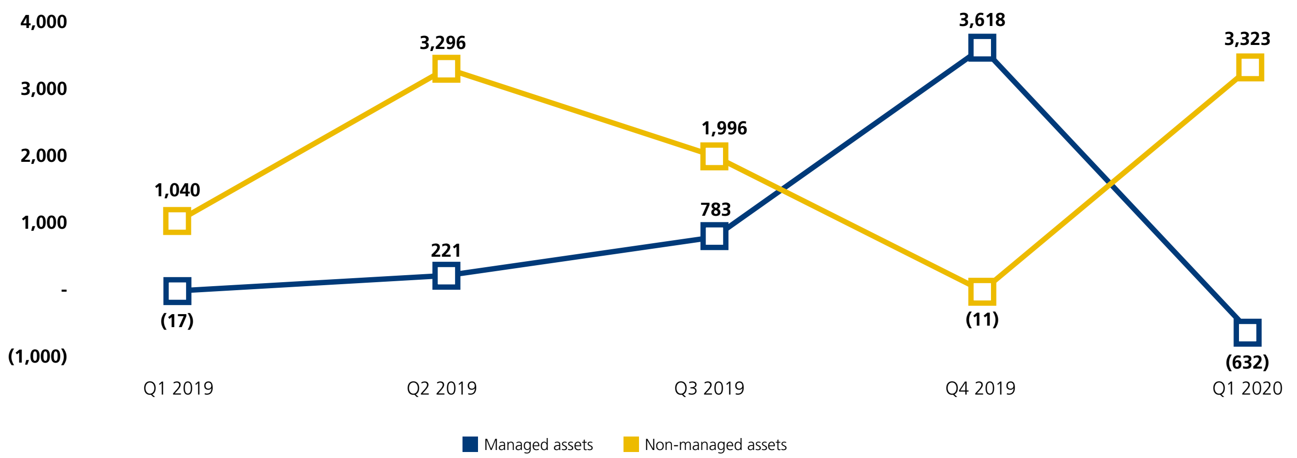
(€m)

| | 3 MONTHS 2020 | 3 MONTHS 2019 | CHANGE | |
|---|---|---|---|---|
| | | | AMOUNT | % |
| Mutual funds | (1,262) | (736) | (526) | 71 |
| Discretionary accounts | 572 | 90 | 482 | n.s. |
| Life insurance | 18 | 596 | (578) | -97 |
| *including: Fideuram Vita / Intesa Sanpaolo Vita unit linked* | *50* | *(247)* | *297* | *n.s.* |
| Pension funds | 40 | 33 | 7 | 21 |
| **Total managed assets** | **(632)** | **(17)** | **(615)** | **n.s.** |
| **Total non-managed assets** | **3,323** | **1,040** | **2,283** | **n.s.** |
| *including: Securities* | *610* | *985* | *(375)* | *-38* |
| **Total Net inflows** | **2,691** | **1,023** | **1,668** | **163** |

n.s.: not significant

## Net inflows

(€m)



# Customer segmentation

## CLIENT ASSETS at 31 march 2020

- Fideuram: €89.2bn
- Sanpaolo Invest: €22.4bn
- Intesa Sanpaolo Private Banking: €102.4bn
- Siref Fiduciaria: €4.4bn (*)
- Intesa Sanpaolo Private Bank (Suisse) Morval: €4.6bn

(*) The figure does not include the fiduciary mandates regarding Group Client Assets. The total number of fiduciary mandates is 61,232, with total client assets of €11.6bn.

## CUSTOMERS at 31 March 2020

- Fideuram: no. 590,409
- Sanpaolo Invest: no. 157,065
- Intesa Sanpaolo Private Banking: no. 37,258 (**)
- Siref Fiduciaria: no. 1,989 mandates (*)
- Intesa Sanpaolo Private Bank (Suisse) Morval: no. 1,776

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

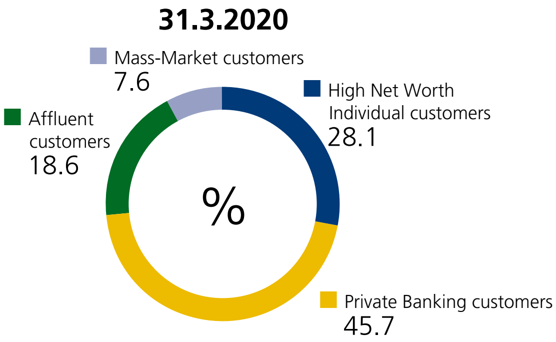
Analysis of the Group's customer base shows that it is concentrated in the Private Banking and High Net Worth Individual (HNWI) segments.
This focus on high-end customers (about 74% of client assets, corresponding to about 14% of customers, come from Private Banking and HNWI customers) enables our Personal Financial Advisers to target a segment with high growth prospects in the Italian Market. The Group supports its customers with a dedicated service model using ad hoc organisational management (Private Banking and HNWI branches) and customised products and services. The table and graphs below analyse client assets by type of customer.

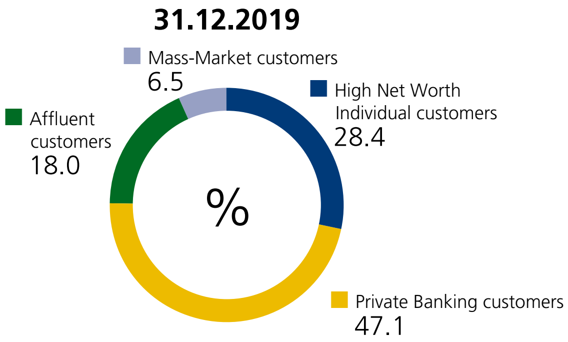
## Client assets by type of customer (***)

(€m)

| | 31.3.2020 | 31.12.2019 | CHANGE | |
|---|---|---|---|---|
| | | | AMOUNT | % |
| High Net Worth Individual customers | 62,681 | 68,819 | (6,138) | -9 |
| Private Banking customers | 101,887 | 114,401 | (12,514) | -11 |
| Affluent customers | 41,468 | 43,752 | (2,284) | -5 |
| Mass-Market customers | 16,945 | 15,743 | 1,202 | 8 |
| **Total** | **222,981** | **242,715** | **(19,734)** | **-8** |

## Percentage analysis of client assets by type of customer




(***) The Fideuram Group's customers are segmented as follows:
**High Net Worth Individual customers:** customers with financial assets potentially totalling in excess of €10,000,000.
**Private Banking customers:** customers with financial assets totalling between €500,000 and €10,000,000.
**Affluent customers:** customers with financial assets totalling between €100,000 and €500,000.
**Mass-market customers:** customers with financial assets 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 banking group with renowned brands – Fideuram, Intesa Sanpaolo Private Banking and Sanpaolo Invest – and a network of 233 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 customer's assets into consideration and supports the Personal Financial Advisers in their work of identifying each customer's specific requirements, categorised by area of need, including with the assistance of guideline customer "archetype" profiles. VIEW provides a complete advisory service, which, in addition, benefits from incorporating the Bank's Active Advisory Service, 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 65,000 customers were subscribed to our Advanced Advisory Services at the end of March 2020, accounting for approximately €34.7bn in client assets.

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

## Customers subscribed to Advanced Advisory Services

(number)

| | 31.3.2020 | 31.12.2019 | CHANGE AMOUNT | CHANGE % |
|---|---|---|---|---|
| High Net Worth Individual customers | 965 | 972 | (7) | -1 |
| Private Banking customers | 15,562 | 17,620 | (2,058) | -12 |
| Affluent customers | 31,047 | 31,485 | (438) | -1 |
| Mass-Market customers | 18,166 | 16,074 | 2,092 | 13 |
| **Total** | **65,740** | **66,151** | **(411)** | **-1** |

## Advanced Advisory Service client assets

(€m)

| | 31.3.2020 | 31.12.2019 | CHANGE AMOUNT | CHANGE % |
|---|---|---|---|---|
| High Net Worth Individual customers | 5,961 | 6,475 | (514) | -8 |
| Private Banking customers | 19,735 | 23,307 | (3,572) | -15 |
| Affluent customers | 7,867 | 8,069 | (202) | -3 |
| Mass-Market customers | 1,123 | 933 | 190 | 20 |
| **Total** | **34,686** | **38,784** | **(4,098)** | **-11** |

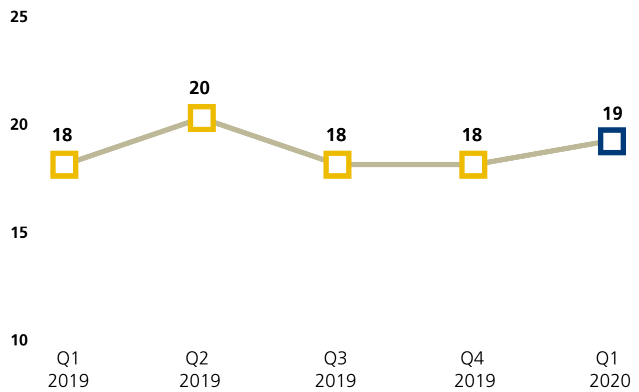
## Advanced Advisory Service fee and commission income

(€m)

| | 3 MONTHS 2020 | 3 MONTHS 2019 | CHANGE AMOUNT | CHANGE % |
|---|---|---|---|---|
| Fee and commission income | 30 | 29 | 1 | 3 |
| Fee and commission expense | (11) | (11) | - | - |
| **Net fee and commission income** | **19** | **18** | **1** | **6** |

## 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 2020 with consolidated net profit of €222m, down €7m on the same period last year.

**Net operating income** totalled €478m, down €3m (-1%) compared with the first quarter of 2019. This result is attributable to:

- increased net interest income (+€5m);
- reduced net profit on financial assets measured at fair value (-€10m);
- growth in net fee and commission income (+€2m).

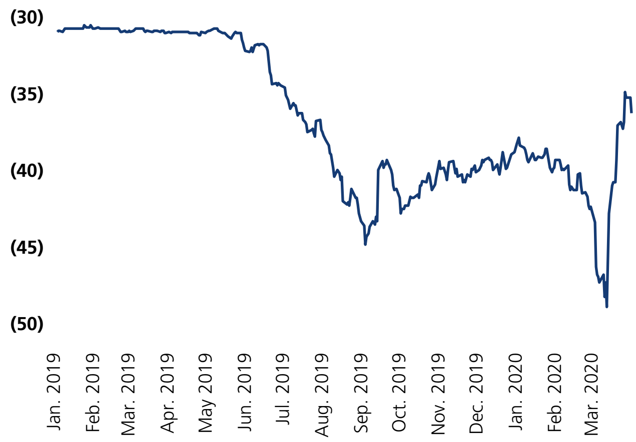
## Net interest income

(€m)

| | 3 MONTHS 2020 | 3 MONTHS 2019 | CHANGE | |
|---|---|---|---|---|
| | | | AMOUNT | % |
| Interest expense on due to customers | (8) | (8) | - | - |
| Interest expense on due to banks | (4) | (5) | 1 | -20 |
| Interest income on debt securities | 56 | 57 | (1) | -2 |
| Interest income on loans | 31 | 28 | 3 | 11 |
| Net interest on hedging derivatives | (23) | (24) | 1 | -4 |
| Other net interest income | (4) | (5) | 1 | -20 |
| **Total** | **48** | **43** | **5** | **12** |

## 3-month Euribor rate

(bps)

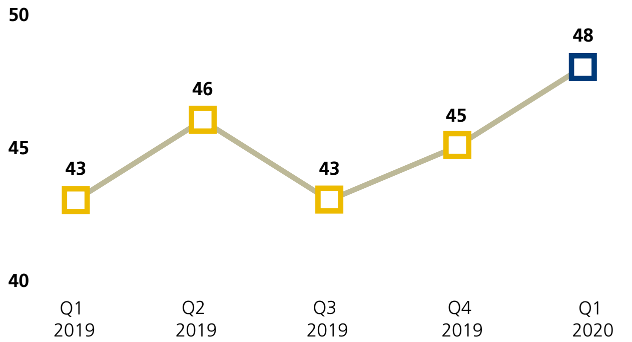



Source: Bloomberg

**Net interest income** totalled €48m, up €5m compared to the first quarter of last year (+12%), due to the greater average volumes invested in the owned portfolios, especially in treasury deposits. Analysis of the quarterly changes shows growth in net interest income from the quarters of last year, which was realised partly through containment of the average cost of inflows during the period.

## Quarterly net interest income

(€m)



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

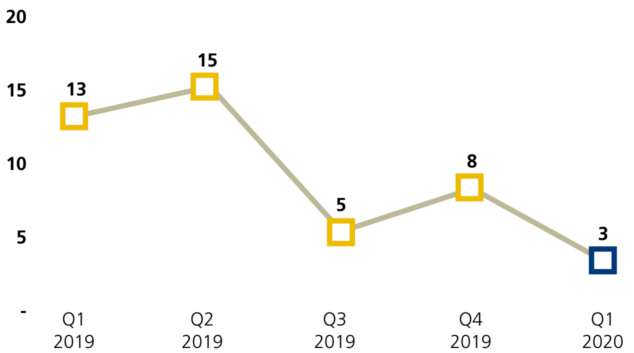
(€m)

| | 3 MONTHS 2020 | 3 MONTHS 2019 | CHANGE AMOUNT | CHANGE % |
|---|---|---|---|---|
| Net profit (loss) on sale of financial assets measured at fair value through other comprehensive income | 4 | 9 | (5) | -56 |
| Net profit (loss) of financial assets measured at fair value through profit or loss | 1 | 5 | (4) | -80 |
| Net profit (loss) on hedging derivatives | (2) | (1) | (1) | 100 |
| **Total** | **3** | **13** | **(10)** | **-77** |

**Net profit on financial assets and liabilities at fair value** came to €3m, down €10m compared to the figure for the first three months of 2019. This was mainly due to the lower gains realised from the sale of debt instruments in the portfolio of securities measured at fair value through other comprehensive income (-€5m) and the losses on financial instruments held to service the incentive plans of risk takers and sales networks (-€4m). Net profit on hedging activities decreased by about €1m.

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

(€m)




## Net fee and commission income

(€m)

| | 3 MONTHS 2020 | 3 MONTHS 2019 | CHANGE AMOUNT | CHANGE % |
|---|---|---|---|---|
| Fee and commission income | 625 | 612 | 13 | 2 |
| Fee and commission expense | (198) | (187) | (11) | 6 |
| **Net fee and commission income** | **427** | **425** | **2** | **-** |

**Net fee and commission income** totalled €427m, up €2m compared with the first three months of 2019.

## Net fee and commission income

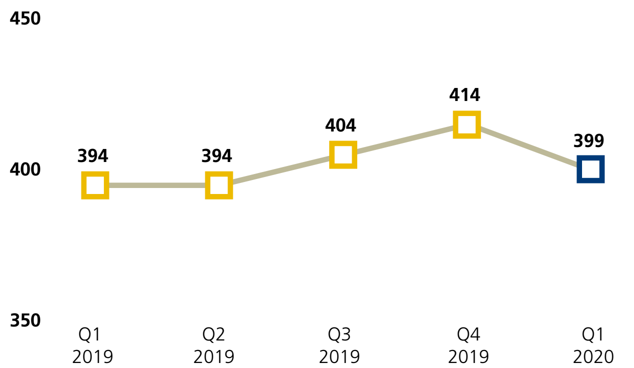
(€m)

| | 3 MONTHS 2020 | 3 MONTHS 2019 | CHANGE AMOUNT | CHANGE % |
|---|---|---|---|---|
| Net recurring fees | 399 | 394 | 5 | 1 |
| Net performance fees | - | 1 | (1) | -100 |
| Net front-end fees | 50 | 52 | (2) | -4 |
| Commission expense for incentives and others | (22) | (22) | - | - |
| **Total** | **427** | **425** | **2** | **-** |

**Net recurring fees** totalled €399m, up €5m from the same period of last year. This result is mainly attributable to the strong growth in average managed assets, which rose from €151.4bn at 31 March 2019 to €161bn at 31 March 2020 (+€9.6bn, +6.3%). The analysis of quarterly changes shows that in the first quarter of 2020, net recurring fees decreased by 4% from the fourth quarter of 2019, determined by the sharp correction on the financial markets due to the global spread of the Covid-19 epidemic which, beginning in March 2020, significantly impacted average managed assets.

## Quarterly net recurring fees

(€m)

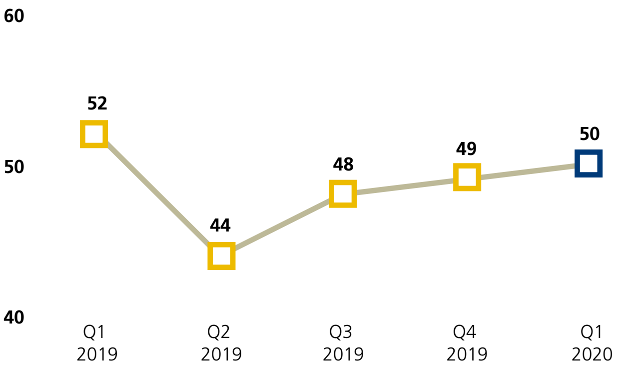



**Performance fees** totalled zero, compared with €1m in the first quarter of 2019. The Fideuram Group charges the performance fees on individual discretionary accounts annually, except when the customer decides to close the account early. The Group calculates the performance fees on its internal insurance 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 €50m, down €2m (-4%) on the figure for the first three months of the previous year, attributable to the decrease in the front-end fee income on bonds and certificates, which was only partly offset by the growth in the front-end fee income on mutual funds. The Group's sales networks distributed bond loans and certificates, largely issued by Intesa Sanpaolo Group companies, that brought in approximately €595m gross inflows in the period, compared with €1.7bn in the first three months of 2019.

## Quarterly net front-end fees

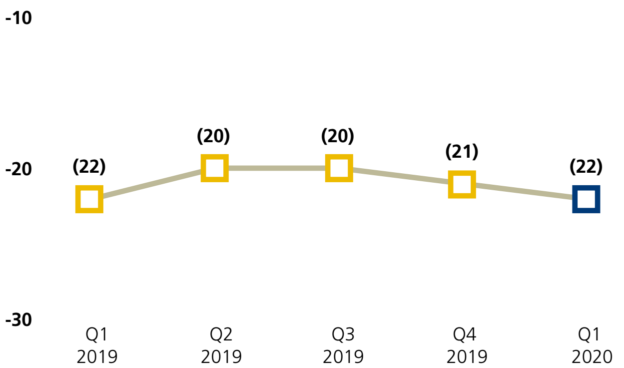
(€m)




**Other fee and commission** expense totalled €22m, in line with the figure for the first three months of 2019.

## Quarterly other fee and commission expense

(€m)




## Net operating expenses

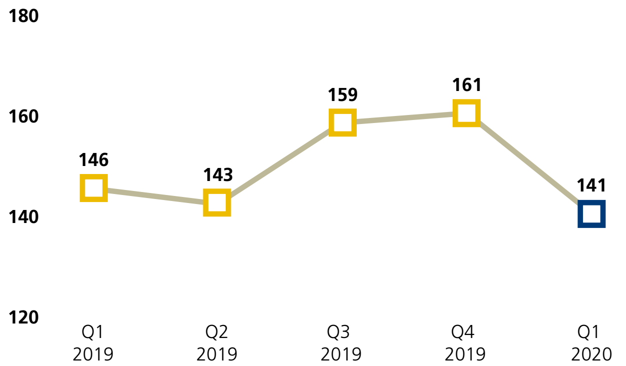
(€m)

| | 3 MONTHS 2020 | 3 MONTHS 2019 | CHANGE AMOUNT | CHANGE % |
|---|---|---|---|---|
| Personnel expenses | 78 | 88 | (10) | -11 |
| Other administrative expenses | 49 | 45 | 4 | 9 |
| Depreciation and amortisation | 14 | 13 | 1 | 8 |
| **Total** | **141** | **146** | **(5)** | **-3** |

**Net operating expenses** totalled €141m, down €5m (-3%) from the same period last year. The detailed analysis shows how personnel expenses, which totalled €78m, fell by €10m due to the centralisation of certain control functions (Audit and Compliance) at Intesa Sanpaolo beginning 1 September 2019 and due to the different dynamics of the variable component of compensation. Other administrative expenses totalled €49m, up €4m, due to the increase in the service agreement with Intesa Sanpaolo resulting from the previously mentioned centralisation of Audit and Compliance functions and, to a lesser extent, higher third-party service costs. Depreciation and amortisation increased by €1m, mainly due to higher amortisation of software.

## Quarterly net operating expenses

(€m)




**Net impairment of loans**, totalling €2m, was mainly ascribable to net adjustments on customer loans. It showed a decrease of €1m from the net amount for the first quarter of 2019.

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

(€m)

| | 3 MONTHS 2020 | 3 MONTHS 2019 | CHANGE | |
|---|---|---|---|---|
| | | | AMOUNT | % |
| Personal Financial Advisers' termination indemnities and incentives | 4 | 11 | (7) | -64 |
| Litigation and complaints | 4 | (2) | 6 | n.s. |
| Network Loyalty Schemes | - | 1 | (1) | -100 |
| Net impairment of (recoveries on) debt securities | (2) | - | (2) | n.s. |
| **Total** | **6** | **10** | **(4)** | **-40** |

n.s.: not significant

**Net provisions for risks and charges and net impairment of other assets** totalled €6m, down €4m from the same period of 2019. Detailed analysis of the item shows that the provision for the termination of Personal Financial Adviser agency agreements decreased by €7m. This was due to the discounting component of the fund. The provisions set aside to cover contingent liabilities from lawsuits, litigation, claims from receivers and customer complaints totalled €4m, attributable to new provisions for lawsuits. The provisions set aside for the Network Loyalty Schemes were down by €1m, due to the previously mentioned discounting component of long-term liabilities. Net impairment of (recoveries on) debt securities showed a positive net amount of €2m, mainly attributable to the net recoveries on bonds in the portfolio at amortised cost.

**Net non-recurring income (expenses)** include income and expenses that are not attributable to ordinary operations. In the first three months of 2020, this item recorded income of €6m, mainly ascribable to gains on debt securities in the portfolio at amortised cost. In the first quarter of 2019, the balance of €9m was related to the release of a risk provision for tax dispute, set aside in previous financial years, following a favourable judgement issued by the Court of Cassation.

**Income taxes**, totalling €103m, were up €9m as a result of increased profit before tax in the period and the release of excess tax provisions in the first quarter of 2019. The tax rate was 31%, in line with last year and excluding the non-recurring components recognised in the first quarter of 2019.

**Integration and voluntary redundancy expenses (net of tax)** recorded a balance of €4m, in line with the amount reported in the first quarter of 2019. They mainly refer to 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.

**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 quarter of 2020, this item totalled €6m, up €2m on the same period of last year, and includes the amounts set aside for the contribution to the Single Resolution Fund introduced by Directive 2014/59/EU.

# Distribution of value

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

The table showing the Wealth created by the Group was prepared using the income statement figures from the Consolidated income statement for the first quarter 2020, reclassified in accordance with the instructions of the Italian Banking Association (Associazione Bancaria Italiana – ABI), updated on 24 October 2019, 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 with the aim of enabling economic growth and financial stability, as well as to ensure the creation of new wealth to the benefit of our stakeholders. The Wealth created by the global business of the Group totalled €697bn (-€15m on the first quarter 2019).

This wealth was distributed to stakeholders as follows:

- Colleagues (employees and Personal Financial Advisers) received 33.7% of the Wealth created, amounting to a total of €235m. This included the remuneration paid to employees and the amounts set aside for and paid to the Personal Financial Adviser Networks.
- Our shareholder received 29.4% of the Wealth created, in the form of the proposed dividend pay-out totalling €205m.
- The government, public authorities, institutions and the community received €165m, principally in the form of direct and indirect taxes, amounting to 23.7% of the Wealth created.
- Suppliers received 7.2% of the Wealth created, totalling €50m paid for goods and services.
- The remainder, €42m, 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.

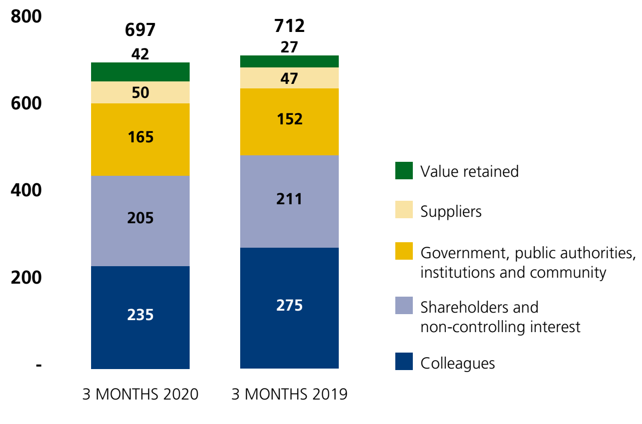
## Economic value added

(€m)

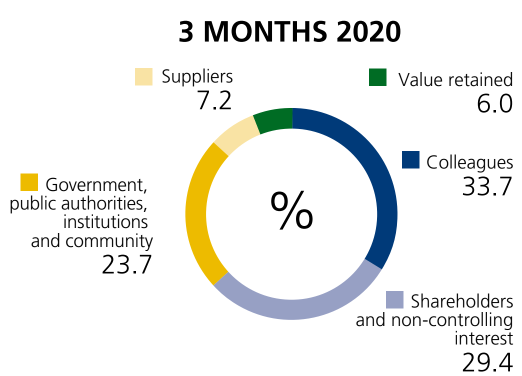
| | 3 MONTHS 2020 | 3 MONTHS 2019 | CHANGE AMOUNT | CHANGE % |
|---|---|---|---|---|
| **Wealth created** | **697** | **712** | **(15)** | **-2** |
| **Value distributed** | **(655)** | **(685)** | **30** | **-4** |
| Colleagues | (235) | (275) | 40 | -15 |
| Shareholders and non-controlling interest | (205) | (211) | 6 | -3 |
| Government, public authorities, institutions and community | (165) | (152) | (13) | 9 |
| Suppliers | (50) | (47) | (3) | 6 |
| **Value retained** | **42** | **27** | **15** | **56** |

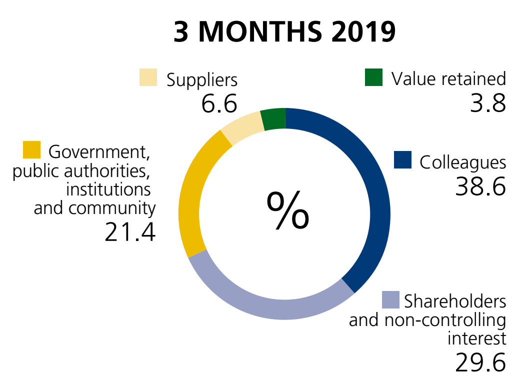
## Wealth created

(€m)




## Distribution of wealth created (%)



# 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.

Our segment reporting presents the Group's financial results, transaction data and key profitability indicators by Business Segment. These Segments are analysed using data that show their contribution to Group income after consolidation adjustments.

## Segment reporting at 31 March 2020

(€m)

| | MANAGED FINANCIAL ASSETS | LIFE INSURANCE ASSETS | BANKING SERVICES | TOTAL FOR FIDEURAM GROUP |
|---|---|---|---|---|
| Net interest income | - | - | 48 | 48 |
| Net profit (loss) on financial assets and liabilities at fair value | - | - | 3 | 3 |
| Net fee and commission income | 283 | 126 | 18 | 427 |
| **Intermediation margin** | **283** | **126** | **69** | **478** |
| Net operating expenses | (71) | (20) | (50) | (141) |
| Other | - | - | (2) | (2) |
| **Gross income (loss)** | **212** | **106** | **17** | **335** |
| | | | | |
| **Average Client Assets** | **102,907** | **58,083** | **77,572** | **238,562** |
| **Client Assets** | **93,796** | **55,043** | **74,142** | **222,981** |
| | | | | |
| **Key indicators** | | | | |
| Cost / Income Ratio | 25% | 16% | 72% | 29% |
| Annualised gross income (loss) / Average Client Assets | 0.8% | 0.7% | 0.1% | 0.6% |
| Annualised net fee and commission income / Average Client Assets | 1.1% | 0.9% | 0.1% | 0.7% |

## MANAGED FINANCIAL ASSETS SEGMENT

The Managed Financial Assets Segment covers the Group's discretionary account and mutual fund business, which totalled €93.8bn at 31 March 2020 (42% of total client assets), down €7.7bn from 31 March 2019. Net outflows, totalling €0.7m, were in line with the figure for the corresponding period last year. The segment's contribution to gross income (loss) totalled €212m, up €27m on the first quarter of 2019, principally due to the increase in net fee and commission income. The ratio of net fee and commission income to client assets was 1.1%, while the ratio of gross income (loss) to client assets was 0.8%.

### Managed financial assets

(€m)

| | 3 MONTHS 2020 | 3 MONTHS 2019 | % CHANGE |
|---|---|---|---|
| Net interest income | - | - | - |
| Net profit (loss) on financial assets and liabilities at fair value | - | - | - |
| Net fee and commission income | 283 | 263 | 8 |
| **Intermediation margin** | **283** | **263** | **8** |
| Net operating expenses | (71) | (77) | -8 |
| Other | - | (1) | -100 |
| **Gross income (loss)** | **212** | **185** | **15** |
| **Average Client Assets** | **102,907** | **99,719** | **3** |
| **Client Assets** | **93,796** | **101,473** | **-8** |
| **Key indicators** | | | |
| Cost / Income Ratio | 25% | 29% | |
| Annualised gross income (loss) / Average Client Assets | 0.8% | 0.7% | |
| Annualised net fee and commission income / Average Client Assets | 1.1% | 1.1% | |

## LIFE INSURANCE ASSETS SEGMENT

This segment covers the Group's life insurance and pension fund business, which totalled €55bn at 31 March 2020 (25% of total client assets), up €1.9bn compared to 31 March 2019, principally due to strong life insurance performance (+€1.8bn). Total net inflows came to €0.1m, down €0.6m from the first quarter of 2019. The contribution to gross income (loss) was €106m, up by €6m on the same period in 2019. The ratio of net fee and commission income to client assets was 0.9%, while the ratio of gross income (loss) to client assets was 0.7%.

### Life insurance assets

(€m)

| | 3 MONTHS 2020 | 3 MONTHS 2019 | % CHANGE |
|---|---|---|---|
| Net interest income | - | - | - |
| Net profit (loss) on financial assets and liabilities at fair value | - | - | - |
| Net fee and commission income | 126 | 120 | 5 |
| **Intermediation margin** | **126** | **120** | **5** |
| Net operating expenses | (20) | (20) | - |
| Other | - | - | - |
| **Gross income (loss)** | **106** | **100** | **6** |
| **Average Client Assets** | **58,083** | **51,662** | **12** |
| **Client Assets** | **55,043** | **53,107** | **4** |
| **Key indicators** | | | |
| Cost / Income Ratio | 16% | 16% | |
| Annualised gross income (loss) / Average Client Assets | 0.7% | 0.8% | |
| Annualised net fee and commission income / Average Client Assets | 0.9% | 0.9% | |

## 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 €74.1bn at 31 March 2020 (33% of total client assets), up €5bn compared with the figure at 31 March 2019. Total net inflows were positive at €3.3bn, having grown €2.3bn on the same period of the previous year.

The contribution of this segment to gross income (loss) was €17m. The €29m decrease in gross income (loss) compared with the corresponding period in the previous financial year was mainly attributable to the decrease in net fee and commission income, consequent to the reduced placement of bonds and certificates. The ratios of net fee and commission income to client assets and of gross income (loss) to client assets was 0.1%.

### Banking Services

(€m)

| | 3 MONTHS 2020 | 3 MONTHS 2019 | % CHANGE |
|---|---|---|---|
| Net interest income | 48 | 43 | 12 |
| Net profit (loss) on financial assets and liabilities at fair value | 3 | 13 | -77 |
| Net fee and commission income | 18 | 42 | -57 |
| **Intermediation margin** | **69** | **98** | **-30** |
| Net operating expenses | (50) | (49) | 2 |
| Other | (2) | (3) | -33 |
| **Gross income (loss)** | **17** | **46** | **-63** |
| | | | |
| **Average Client Assets** | **77,572** | **68,386** | **13** |
| **Client Assets** | **74,142** | **69,139** | **7** |
| | | | |
| **Key indicators** | | | |
| Cost / Income Ratio | 72% | 50% | |
| Annualised gross income (loss) / Average Client Assets | 0.1% | 0.3% | |
| Annualised net fee and commission income / Average Client Assets | 0.1% | 0.2% | |

# Asset and liability management

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

The **Group's financial assets** totalled €18.5bn, down €357m (-2%) compared to the figure at the end of 2019.

## Financial assets

(€m)

| | 31.3.2020 | 31.12.2019 | CHANGE | |
|---|---|---|---|---|
| | | | AMOUNT | % |
| Financial assets measured at fair value through profit or loss | 346 | 349 | (3) | -1 |
| Financial assets measured at fair value through other comprehensive income | 2,964 | 3,189 | (225) | -7 |
| Debt securities measured at amortised cost | 15,156 | 15,275 | (119) | -1 |
| Hedging derivatives | 10 | 20 | (10) | -50 |
| **Total** | **18,476** | **18,833** | **(357)** | **-2** |

This performance was mainly ascribable to the reduction in the fair value of the bond portfolio through other comprehensive income (-€225m), and repayments and sales of debt securities measured at amortised cost (-€119m).

## Financial liabilities

(€m)

| | 31.3.2020 | 31.12.2019 | CHANGE | |
|---|---|---|---|---|
| | | | AMOUNT | % |
| Financial liabilities held for trading | 69 | 33 | 36 | 109 |
| Hedging derivatives | 989 | 930 | 59 | 6 |
| **Total** | **1,058** | **963** | **95** | **10** |

**Financial liabilities** totalled €1.1bn, consisting entirely of derivatives. This item was up €95m (+10%) compared to the figure at 31 December 2019, mainly due to 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)

| | 31.3.2020 | 31.12.2019 | CHANGE | |
|---|---|---|---|---|
| | | | AMOUNT | % |
| Due from Central Banks | 146 | 163 | (17) | -10 |
| Current account | 4,520 | 3,547 | 973 | 27 |
| Term deposits | 13,730 | 12,868 | 862 | 7 |
| Repurchase agreements | 699 | 500 | 199 | 40 |
| Other | 131 | 120 | 11 | 9 |
| **Total** | **19,226** | **17,198** | **2,028** | **12** |

**Loans to banks** totalled €19.2bn, up €2bn (+12%) on the figure at 31 December 2019. This change is mainly due to the growth in current account balances (+€973m) and term deposits with Intesa Sanpaolo (+€862m). Current accounts included €1.1bn 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)

| | 31.3.2020 | 31.12.2019 | CHANGE | |
|---|---|---|---|---|
| | | | AMOUNT | % |
| Current accounts | 158 | 408 | (250) | -61 |
| Term deposits | 691 | 578 | 113 | 20 |
| Repurchase agreements | 1,844 | 1,944 | (100) | -5 |
| Debts for leases | 22 | 22 | - | - |
| Other | 72 | 81 | (9) | -11 |
| **Total** | **2,787** | **3,033** | **(246)** | **-8** |

**Due to banks** totalled €2.8bn, down €246m from the end of 2019, largely due to the decrease in inflows to current accounts (-€250m) and repurchase agreements (-€100m), only partly offset by the increase in term deposits (+€113m).

The Group continued to be a **net lender on the interbank market**, with net interbank deposits of €16.4bn (€19.2bn in deposits and €2.8bn in loans), €15.7bn of which (approximately 96% of the total) was held by companies in the Intesa Sanpaolo Group.

## Loans to customers

(€m)

| | 31.3.2020 | 31.12.2019 | CHANGE | |
|---|---|---|---|---|
| | | | AMOUNT | % |
| Current accounts | 6,597 | 6,663 | (66) | -1 |
| Repurchase agreements | - | 214 | (214) | -100 |
| Loans | 874 | 862 | 12 | 1 |
| Other | 1,504 | 1,555 | (51) | -3 |
| Non-performing assets | 31 | 35 | (4) | -11 |
| **Total** | **9,006** | **9,329** | **(323)** | **-3** |

**Loans to customers** totalled €9bn and mainly comprised short-term loans (repayable within 12 months or revocable loans without a specified term). This was €323m less than the figure at 31 December 2019, principally due to decreased loans under repurchase agreements with institutional customers (-€214m), current accounts (-€66m) and other loans (-€51m).
Net problem loans, representing a minimal amount in the portfolio, totalled €31m, down €4m on the figure at the end of 2019. In detail: doubtful loans totalled €1m, in line with the figure at the end of 2019. Unlikely to pay loans totalled €20m, up €1m on 31 December 2019, while past due or overdue loans amounted to €10m, down €5m from the end of 2019, largely due to the return of several loans to performing status.

## Due to customers

(€m)

| | 31.3.2020 | 31.12.2019 | CHANGE | |
|---|---|---|---|---|
| | | | AMOUNT | % |
| Current accounts | 36,678 | 35,193 | 1,485 | 4 |
| Term deposits | 2,975 | 3,411 | (436) | -13 |
| Repurchase agreements | 110 | 32 | 78 | n.s. |
| Debts for leases | 281 | 280 | 1 | - |
| Other | 113 | 108 | 5 | 5 |
| **Total** | **40,157** | **39,024** | **1,133** | **3** |

n.s.: not significant

**Due to customers** totalled €40.2bn, up €1.1bn compared with the figure at the end of 2019 (+3%), due to the growth in customer current account deposits (+€1.5bn), which was partly offset by the reduction in term deposits (-€436m).

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 | 2.258 | 181 | 2,439 |
| Spain | - | 326 | 326 |
| United States | - | 237 | 237 |
| Ireland | - | 66 | 66 |
| Belgium | - | 54 | 54 |
| Finland | - | 30 | 30 |
| Luxembourg | - | 20 | 20 |
| France | - | 11 | 11 |
| United Kingdom | - | 9 | 9 |
| Switzerland | - | 4 | 4 |
| **Total** | **2,258** | **938** | **3,196** |

(*) The Italian government bonds in the portfolio of financial assets measured at fair value through other comprehensive income, which had a total face value of €200m, were covered by financial-guarantee contracts.

## Property and equipment and intangible assets

(€m)

| | 31.3.2020 | 31.12.2019 | CHANGE | |
|---|---|---|---|---|
| | | | AMOUNT | % |
| Owned real estate | 62 | 62 | - | - |
| Rights of use of leased assets | 305 | 304 | 1 | - |
| Other property and equipment | 14 | 14 | - | - |
| **Property and equipment** | **381** | **380** | **1** | **-** |
| Goodwill | 140 | 140 | - | - |
| Other intangible assets | 93 | 94 | (1) | -1 |
| **Intangible assets** | **233** | **234** | **(1)** | **-** |
| **Total property and equipment and intangible assets** | **614** | **614** | **-** | **-** |

**Property and equipment and intangible assets**, totalling €614m, were unchanged from 31 December 2019. The item includes €140m in goodwill regarding Private Banking divisions acquired by the subsidiary Intesa Sanpaolo Private Banking between 2009 and 2013. Other intangible assets also include, for €30m, the valuation of Client Assets recognised after purchase price allocation of the Morval Vonwiller Group. That acquisition, which was completed in the second quarter of 2018, entailed the initial recognition in the consolidated financial statements of an intangible asset with a finite useful life for €34m, to be amortised in the income statement for 15 years based on the estimated life cycle of the acquired client assets.

The **provisions for risks and charges** at 31 March 2020 were down €19m from the figure at the end of 2019, illustrated as follows:

## Provisions for risks and charges

(€m)

| | 31.3.2020 | 31.12.2019 | CHANGE | |
|---|---|---|---|---|
| | | | AMOUNT | % |
| Litigation, securities in default and complaints | 77 | 79 | (2) | -3 |
| Personnel expenses | 104 | 106 | (2) | -2 |
| Personal Financial Advisers' termination indemnities | 235 | 235 | - | - |
| Network Loyalty Schemes | 40 | 55 | (15) | -27 |
| Other | 3 | 3 | - | - |
| **Total** | **459** | **478** | **(19)** | **-4** |

The provision for litigation, disputes, securities in default and complaints was down €2m from the figure at the end of the 2019, as a result of utilisation in the first quarter of the year.
The provisions for personnel costs fell by €2m, due to use of the provisions for redundancies. The provisions for the termination of Personal Financial Adviser agency agreements remained unchanged from 31 December 2019. The provisions for Network Loyalty Schemes decreased by €15m due to the reduction in the fair value of insurance policies made to cover the Personal Financial Advisers.

# Shareholders' equity

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

## Group shareholders' equity

(€m)

| | |
|---|---|
| **Shareholders' equity at 31 December 2019** | **2,960** |
| Change in valuation reserves | (75) |
| Other changes | 10 |
| Net profit | 222 |
| **Shareholders' equity at 31 March 2020** | **3,117** |

By resolution on 30 March 2020, the Shareholders' Meeting of Fideuram decided not to distribute dividends in accordance with the request made to banks with the ECB Recommendation of 27 March 2020, which was issued in response to the emergency triggered by the Covid-19 epidemic. Therefore, the entire €851m profit for the year of Fideuram at 31 December 2019 was entirely allocated to reserves.

The €75m decrease largely refers to the reduction 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 at the end of March 2020. At the end of the quarter, that reserve showed a negative net amount of €60m, as opposed to a positive net amount of €20m at 31 December 2019.

The Group did not hold any treasury shares at 31 March 2020.

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

## Fideuram S.p.A. Capital Ratios

(€m)

| | **31.3.2020** | **31.12.2019** |
|---|---|---|
| CET1 | 1,823 | 1,033 |
| Tier 1 | 1,823 | 1,033 |
| Own funds | 1,823 | 1,033 |
| Total risk-weighted assets | 6,184 | 6,218 |
| **CET1 Ratio** | **29.5%** | **16.6%** |
| **Tier 1 Ratio** | **29.5%** | **16.6%** |
| **Total Capital Ratio** | **29.5%** | **16.6%** |

As a member of the Intesa Sanpaolo Banking Group, Fideuram is subject to the laws and regulations regarding capital requirements on the basis of its separate accounts, but is not required to present this information on a consolidated basis. In order to provide comprehensive information, the Group voluntarily estimates its consolidated capital requirements, taking its membership of the Intesa Sanpaolo Banking Group into account. At 31 March 2020, this calculation showed our Common Equity Tier 1 ratio to be 27.5%, up sharply from 19.2% at the end of December 2019. This was due to the increase in own funds following the previously mentioned decision to allocate to reserves the €851m profit for the year realised by Fideuram in 2019.

# 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.

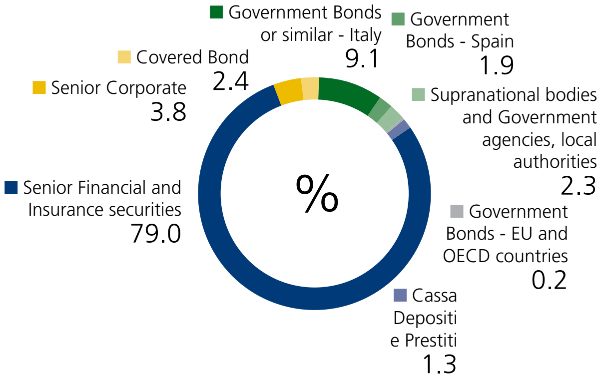
In the Fideuram Group, the authorisation levels for granting and managing loans are determined according to the face value of the granted loans (except for the subsidiary Intesa Sanpaolo Private Banking). A project is underway for alignment with the decision-making RWA analogously to what has been adopted in the Intesa Sanpaolo Group, where the components that contribute to determination of the Risk Weighted Assets (RWA) constitute the key elements for determining the Authority to Grant and Manage Loans, within the limits of the Credit Risk Appetite (CRA) and the credit limit, pricing of the loan, calculation of the impairment on performing and non-performing exposures, and calculation of the economic and regulatory capital. The authority levels limit the decision-making authority at the time the loan is granted, by specifying the delegated professionals and the decision-making procedures for the loans made to individual counterparties. If the granted loan exceeds specific limits, a "Compliance Opinion" must be requested from the delegated bodies of Intesa Sanpaolo.

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.

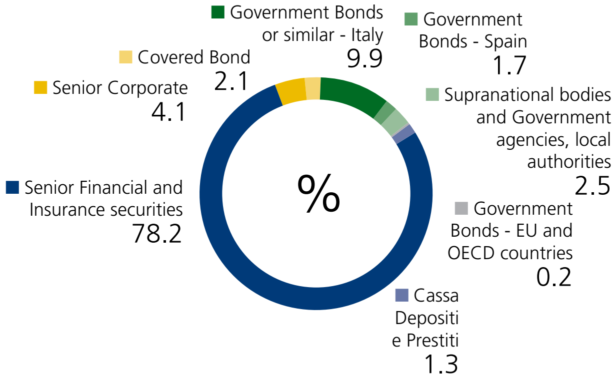
At 31 March 2020, the Group portfolio was broken down as follows by product type and rating.

## Analysis by product type

**31.3.2020**

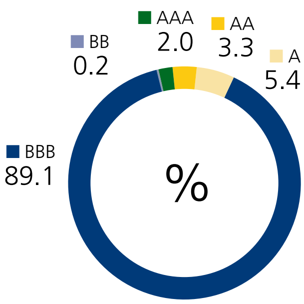



**31.12.2019**

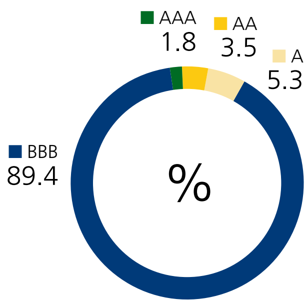



## Analysis by rating

**31.3.2020**




**31.12.2019**




The potential impairment of assets undergoes detailed ongoing monitoring, examining overdue/past due positions and carefully analysing all the other indicators available. Loans assessed as high risk, confirmed over time, are identified and allocated to 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 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).

Forbearance measures represent the forbearance offered to a debtor who is facing, or is about to face difficulties in satisfying his own payment obligations (troubled debt). The term "forbearance" means the contractual amendments that are accorded to the debtor in financial difficulty (modification), and the disbursement of a new loan so that the pre-existing obligation can be satisfied (refinancing). Forbearance also refers the contractual modifications which the debtor may freely request in the ambit of a contract that has already been signed, but only if the creditor believes that that debtor is in financial difficulty (embedded forbearance clauses). Therefore, the notion of "forborne" has to exclude renegotiation of contracts for commercial reasons/practice that are made irrespective of the debtor's financial difficulties. The exposures subject to forbearance measures ("forborne assets" or "forborne exposures") are necessarily identified on the basis of a "by transaction" approach, in accordance with the provisions of EBA regulations. In this context, "exposure" refers to the renegotiated contract and not to all of the exposures to the same debtor. Unlike the forbearance measures, which concern the outstanding loans to counterparties in financial difficulty, renegotiations for commercial reasons involve debtors who are not in financial difficulty and include all the transactions aimed at adjusting the cost of the debt to market conditions. These commercial renegotiations of loans involve a change in the original conditions of the contract, usually requested by the borrower and generally relating to aspects concerning the cost of the debt (or its duration), with a consequent economic benefit for the borrower. In general, whenever the bank carries out a renegotiation to avoid losing its customer, that renegotiation should be considered as substantial because, if it were not carried out, the customer would borrow from another intermediary and the bank would incur a decrease in expected future revenues. Under specific conditions, these transactions are similar in accounting terms to the premature repayment of the original debt and the opening of a new loan.

## Loans and advances to customers: credit quality

(€m)

| | 31.3.2020 | | 31.12.2019 | | CHANGE |
|---|---|---|---|---|---|
| | NET EXPOSURE | % | NET EXPOSURE | % | NET EXPOSURE |
| Doubtful loans | 1 | - | 1 | - | - |
| Unlikely to pay | 20 | - | 19 | - | 1 |
| Past due or overdue loans | 10 | - | 15 | - | (5) |
| **Non-performing assets** | **31** | **-** | **35** | **-** | **(4)** |
| Performing loans | 8,975 | 78 | 9,294 | 79 | (319) |
| Debt instruments | 2,490 | 22 | 2,509 | 21 | (19) |
| **Loans to customers** | **11,496** | **100** | **11,838** | **100** | **(342)** |

# MARKET RISK

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.

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, a stable investment portfolio and a service portfolio.
The liquidity portfolio is defined as a portfolio containing financial assets and liabilities held for the purpose of:

- providing a liquidity reserve through securities deemed eligible with central banks or readily liquidated;
- comply with/optimise regulatory liquidity ratios;
- invest any excess liquidity in anticipation of future investments with a short-term investment horizon or with a moderate risk profile;
- optimise the risk profile through the use of derivative trading and/or hedging instruments.

This portfolio has a prudent minimum limit of assets deemed eligible with the Central Bank, as determined on a prudent basis. The size of the stable investment portfolio depends on the structure of the Group's inflows, investments and shareholders' equity. It is defined as the portfolio containing positions in financial assets with a minimum mandatory holding period of 30 days, save for exceptional market events that require their disposal. In particular, it consists of financial investments acquired when there is excess structural liquidity and contains low risk positions acquired for the purpose of benefiting from the corresponding coupon flow, whose expected holding period is for the medium-long term at the time of purchase. Derivative trading and/or hedging instruments may be used to optimise the risk profile of that portfolio. Given the characteristics of the portfolio in question, the Hold to Collect business model is associated with the relevant securities.

The service book mainly serves customers and includes:

- positions connected with the offer of products/services to customers, such as bonds to be offered as repurchase agreements, foreign currency and foreign exchange derivative trading, for intermediation purposes;
- a component resulting from market transactions aimed at meeting the needs of the Group's asset management companies.

The 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 have to be applied in hierarchical order and presented in the financial statements by level.
Absolute priority is given to the quoted active market prices of the assets and liabilities being measured (Level 1 - Effective market quotes) or of similar assets and liabilities (Level 2 - Comparable Approach), and the lowest priority to unobservable inputs, which are accordingly more subjective (Level 3 - Mark-to-Model Approach).

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

(€m)

| | 31.3.2020 | | | 31.12.2019 | | |
|---|---|---|---|---|---|---|
| | LEVEL 1 | LEVEL 2 | LEVEL 3 | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| Financial assets measured at fair value through profit or loss | 20 | 326 | - | 21 | 328 | - |
| Financial assets measured at fair value through other comprehensive income | 2,957 | 7 | - | 3,172 | 17 | - |
| Hedging derivatives | - | 10 | - | - | 20 | - |
| Property and equipment | - | - | 63 | - | - | 63 |
| **Total** | **2,977** | **343** | **63** | **3,193** | **365** | **63** |
| Financial liabilities held for trading | - | 69 | - | - | 33 | - |
| Hedging derivatives | - | 989 | - | - | 930 | - |
| **Total** | **-** | **1,058** | **-** | **-** | **963** | **-** |

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

The portfolio of Level 2 financial assets measured at fair value through profit or loss consisted of the insurance policies taken out to 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 single corporate Group to 5% of the total holdings, with the sole exception of Intesa Sanpaolo.

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

The banking book comprises long-term investment securities, interest rate hedging derivatives, and short and medium-long term loans.

The banking book totalled €46.4bn at 31 March 2020.

## Banking book

(€m)

| | 31.3.2020 | 31.12.2019 | CHANGE | |
|---|---|---|---|---|
| | | | AMOUNT | % |
| Financial assets measured at fair value through other comprehensive income | 2,964 | 3,189 | (225) | -7 |
| Debt securities classified as loans to banks | 12,666 | 12,766 | (100) | -1 |
| Debt securities classified as loans to customers | 2,490 | 2,509 | (19) | -1 |
| Hedging derivatives | 10 | 20 | (10) | -50 |
| **Total securities and derivatives** | **18,130** | **18,484** | **(354)** | **-2** |
| Loans to banks | 19,226 | 17,198 | 2,028 | 12 |
| Loans to customers | 9,006 | 9,329 | (323) | -3 |
| **Total loans** | **28,232** | **26,527** | **1,705** | **6** |
| **Total banking book** | **46,362** | **45,011** | **1,351** | **3** |

The internal system used to measure interest rate risk evaluates and describes the effect of changes in interest rates on the economic value and interest income and identifies all significant sources of risk that influence the banking book:

- repricing risk: risk originating from mismatches in due dates (for fixed rate positions) and the rate revision date (for variable rate positions) of the financial items due to parallel movements in the yield curve;
- yield curve risk: risk originating from mismatches in due dates and the rate revision date due to changes in the inclination and shape of the yield curve;
- basis risk: risk originating from the imperfect correlation in the adjustment of the interest income and interest expense rates of variable rate instruments, which may differ due to their indexing parameter, rate revision procedure, indexing algorithm, etc. This risk arises after non-parallel changes in market rates.

The interest rate risk of the banking book is measured using the following methods:

- shift sensitivity of the economic value (ΔEVE);
- net interest income: - shift sensitivity of net interest income (ΔNII); - dynamic simulation of net interest income (NII);
- Value at Risk (VaR).

The shift sensitivity of the economic value (or shift sensitivity of the fair value) measures the change in the economic value of the banking book and is calculated at the level of individual cash flow for each financial instrument, on the basis of different instantaneous rate shocks and reflects the changes in the discounted value of the cash flows of positions already carried on the balance sheet for the entire remaining duration until maturity (run-off balance sheet). In the measurements, the balance sheet items are represented according to their

contractual profile, with the exception of those categories of instruments that feature risk profiles different from the contractually envisaged ones.
For these transactions, it was consequently decided to use a behavioural representation in order to calculate the risk measurements. In particular:

- for loans, prepayments are taken into account so as to reduce the exposure to rate risk (overhedge) and liquidity risk (overfunding);
- for those items that are contractually payable on demand, a financial representation model is implemented to reflect the behavioural characteristics of stability of the assets and partial and delayed reaction to the changes in market rates, in order to stabilise net interest income both in absolute and variable terms over time;
- for the cash flows used both for the contractual and the behavioural type, they are developed at the contractual rate or at the FTP.

The changes in net interest income and economic value are subject to monthly monitoring in accordance with the limits and sub-limits approved by the Group Financial Risk Committee (GFRC).
Accordingly, the measurements are shown according to the details used to run the test, in terms of credit limit and sub-credit limit, time buckets (short, medium, and long-term), company, and currency.
The scenarios used to check the limits are:

- to check exposure in terms of ΔEVE: instantaneous and parallel shock of +/-100 bps;
- to check exposure in terms of ΔNII: instantaneous and parallel shock of +/- 50 bps.

For a parallel upward movement in the rate curve by 100 bps, the sensitivity value at 31 March 2020 was a negative -€23.1m; likewise, even the interest margin sensitivity was negative -€118.5m in the event of a -50 bps shock.

The Value at Risk is calculated as the maximum potential loss of the market value of the portfolio that might occur during the following ten business days with a statistical confidence level of 99% (parametric VaR). The VaR is also used to consolidate the exposure to financial risks assumed after banking book activities, and thus also considering the benefits generated by the diversification effect. The VaR calculation models feature several limits, since they are based on the statistical assumption of a normal distribution of yields and on the observation of historic data, which might not be followed in future. Therefore, the results of the VaR do not guarantee that any possible future losses cannot exceed the calculated statistical estimates.

At 31 March 2020, the VaR totalled €16m, as calculated on a one-day time horizon and considering the rate, credit spread and volatility components. After the intense volatility experienced by the financial markets in connection with the Covid-19 emergency, a significant increase in the market risk of a proprietary portfolio was found beginning 9 March, with the assigned limit being exceeded (€16m, in contrast with a limit of €9m), and whose inertial recovery would not occur before January 2021. Therefore, a request to expand the current limit in combination with tactical measures to mitigate volatility is being analysed.
Meanwhile, the breach of the VaR limit imposed in the RAF was authorised in the form of a waiver issued by the GFRC of Intesa Sanpaolo on recommendation by the CEO.

The Fideuram Group engages in hedging to immunise its banking book from changes in the fair value of investments caused by movements in the interest rate curve (interest rate risk). The Group adopts both specific hedges (micro fair value hedge) and generic hedges (macro fair value hedge). The micro fair value hedges mainly hedge bonds that are purchased. Macro fair value hedges of fixed rate loans were introduced. The hedges are characterised by the missing identification of the individual underlying assets that are hedged. This choice, determined by the natural fractioning (both in terms of number and amount) of the mortgage exposures, entails periodic checks that the sensitivity and fair value of the hedging derivative (or derivatives) are sufficient to cover the same measures calculated on the hedged assets. The type of hedge in question is implemented by purchasing amortizing Interest Rate Swaps with a long maturity date (usually 30 years), which require quarterly amortisation of the same amount for both the pay fixed and receive floating legs, with the latter being indexed to the 3-month Euribor benchmark.

At the end of March 2020, the overall size of the existing eight hedges was about €258m in original notional value. All the macro fair value hedges that were (subsequently) completed are fully effective and efficient in terms of both sensitivity and fair value and in situations of capital gains and losses on the derivatives. The principal types of derivatives used are represented by interest rate swaps (IRS) that are plain bullet or have an accreting notional, inflation linked, overnight index swap (OIS), cross currency swap (CCS) realised with independent counterparties or with other Group companies which, in turn, hedge the risk on the market. The derivatives are not listed on regulated markets, but traded on OTC circuits. The OTC contracts also include those that are intermediated through clearing houses.

The Group also adopted a type of hedge to mitigate the risk of exposure to changes in future cash flows attributable to movements of the interest rate curve (s.c. Cash Flow Hedge). 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 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.

## EXCHANGE RATE RISK

Exchange rate risk is defined as the possibility of fluctuations in market exchange rates generating either positive or negative changes in the value of the Group's net assets.
The principle sources of exchange rate risk are:

- Purchases of securities and other financial instruments in foreign currencies;
- Buying and selling of foreign currencies;
- Collection and/or payment of interest, commission, dividends or administrative expenses in foreign currencies.

Spot and forward transactions on foreign exchange markets were mainly entered into with the aim of optimising proprietary risk arising in relation to the buying and selling of foreign currencies to and from customers. Exchange rate risk is mitigated by the practice of funding in the same currency as the assets, while the residual exposures are included in the trading book.

## 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.

This objective is developed by the "Group Guidelines for Governance of Liquidity Risk" approved by the Corporate Bodies of Intesa Sanpaolo. These guidelines incorporate the latest regulatory provisions covering liquidity risk and illustrate the duties of the various corporate functions, the rules and set of control and management processes designed to assure prudent monitoring of that risk, by preventing crisis situations from arising. In particular, from the organisational point of view, the duties assigned to the Board of Directors have been defined in detail, and top management is delegated with several important compliance measures, such as approval of the measurement methods, definition of the principal assumptions underlying the stress scenarios, and the composition of the attention indicators used to activate emergency plans.

In regard to measurement metrics and tools to attenuate liquidity risk, aside from defining the methodological framework used to measure the short-term and structural liquidity indicators, the maximum tolerance limit for liquidity risk (risk appetite), the methods used to define the Liquidity Reserves, and the rules and parameters for performing the stress tests are formalised. The short-term liquidity indicators aim to assure an adequate and balanced level between negative and positive cash flows having a certain or estimated due date falling within a 12-month time horizon, with the aim of confronting periods of tension, including extended ones, on the different funding markets, inter alia inter through the formation of adequate liquidity reserves represented by liquid assets on private markets or which can be refinanced at central banks. Accordingly and consistently with the maximum limit on tolerance for liquidity risk, the system of limits is defined by envisaging two short-term indicators over a one-week time horizon (estimated accumulated imbalance of wholesale operations) and a one-month time horizon (Liquidity Coverage Ratio – LCR), respectively.
The indicator of the estimated accumulated imbalances of wholesale operations measures independence from unsecured wholesale funding if the monetary market is blocked and aims to assure financial independence by assuming use of only higher quality liquidity reserves on the market.
The LCR indicator, whose minimum limit has been 100%, has the purpose of reinforcing the short-term liquidity risk profile, assuring that it holds sufficient, unrestricted high-quality liquid assets (HQLA) that may be easily and immediately converted into cash on private markets to satisfy liquidity requirements at 30 days in a liquidity stress scenario as defined in the Delegated Regulation (EU) No. 2015/61.

The structural Liquidity Policy requires adoption of the structural requirement mandated by the Basel III Net Stable Funding Ratio (NSFR) regulation. That indicator aims to promote greater use of stable inflows, preventing medium and long-term operations from causing excessive imbalances to be financed on a short-term basis. Accordingly, it sets a minimum "acceptable" amount of funding for more than one year according to the needs originating from the liquidity and residual duration characteristics of off-balance sheet assets and exposures.
The Group Guidelines for Governing Liquidity Risk also envisage extending the time of the stress scenario envisaged by the regulatory framework for the purposes of the LCR indicator, by measuring for up to three months the effect of specific acute liquidity tensions combined with an extended and generalised market crisis. Accordingly, the internal governance guidelines also require a warning threshold ("Stressed soft ratio") on the LCR of up to three months, aimed at requiring a total level of reserves capable of handling the greater cash outflows over an adequate time interval so as to take the necessary operational measures to restore balanced conditions for the Group.

In that context, the Contingency Funding Plan (CFP) has been implemented. This contains different lines of action that can be activated to deal with potential stress situations, indicating the dimension of the mitigating effects that could be pursued over a short-term time horizon. Moreover, it is required that governance procedures be in place to govern a possible liquidity crisis, defined as a situation of difficulty or incapacity to meet one's own cash commitments as they fall due, unless procedures are activated and/or tools are used in a way that cannot be associated with ordinary administration in terms of their intensity or procedures.

The 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.

## 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 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.

Fideuram calculates its capital requirement using the Advanced Measurement Approaches (AMA) authorised by the Supervisory Authority.

At the Division level, losses for €5.3m were incurred, including €3.2m attributable to provisions, indemnities, legal expenses and the use of provisions for unlawful acts committed by the Personal Financial Advisers, €1m attributable to computer fraud involving unrecognised amounts charged to customers' current accounts due to phishing and social engineering attacks, and the remainder to the losses related to customer complaints and disputes over the sales relationship, the costs generated by illegal use of payment cards, anomalies in computer flows and errors in the performance and management of processes.

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 2020, these provisions totalled €77m. 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. At 31 March 2020, 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 2020 had changed as follows with respect to the situation described in the consolidated financial statements at 31 December 2019.

**Cases regarding alleged unlawful and/or improper conduct by former Personal Financial Advisers authorised to offer products and services outside Group premises**
In regard to the serious irregularities committed by a Personal Financial Adviser at Sanpaolo Invest, the subsidiary received 60 claims of misappropriation by the end of March, with claims totalling €24m. About €17m of that amount related to the misappropriation alone, and the remainder to additional types of losses. The audits performed by the Internal Audit Department and the Legal Affairs Department confirmed that the misappropriated amounts totalled €13m. The Company has also received another 208 claims for about €20m (up from 195 claims and €18m as at December) concerning the false account statements and unauthorised transactions, and claims for reimbursement of the fees and commissions for the Advanced Advisory Service.
During the quarter, the subsidiary accepted and reimbursed over €3m in claims, which is on top of the approximately €1m already paid in 2019. At the same time, the Company continued its out-of-court and judicial activities against the illegitimate beneficiaries to recover the expropriated funds.
The risk of additional expenditure stemming from the unlawful acts committed by the Personal Financial Adviser is covered by a provision for €10m (of which €2.4m were accrued in the first quarter of 2020), determined according to the assessment of confirmed claims of misappropriation and claims for incorrect account statements and unauthorised transactions, without considering the recovery actions that have already been undertaken, the orders issued for the seizure of evidence, and the coverage provided by the special insurance policy, which the Company promptly activated in accordance with the policy conditions.

**Tax disputes**
The judgements in the proceedings of first instance issued by the Milan Provincial Tax Court were filed in February. Those judgements accepted the appeals by Intesa Sanpaolo Private Banking against the tax assessments for the 2014 and 2015 tax years. With those assessments, the Tax Authorities disallowed the deductibility of the amortisation of the goodwill arising from the transfer of a company division. That dispute followed other proceedings on the same issue and which had been undertaken for the 2011, 2012 and 2013 tax years, with conflicting outcomes for the company at the next level of jurisdiction. Since the tax office's claim is groundless, no amount has been set aside in the provision for risks and charges.

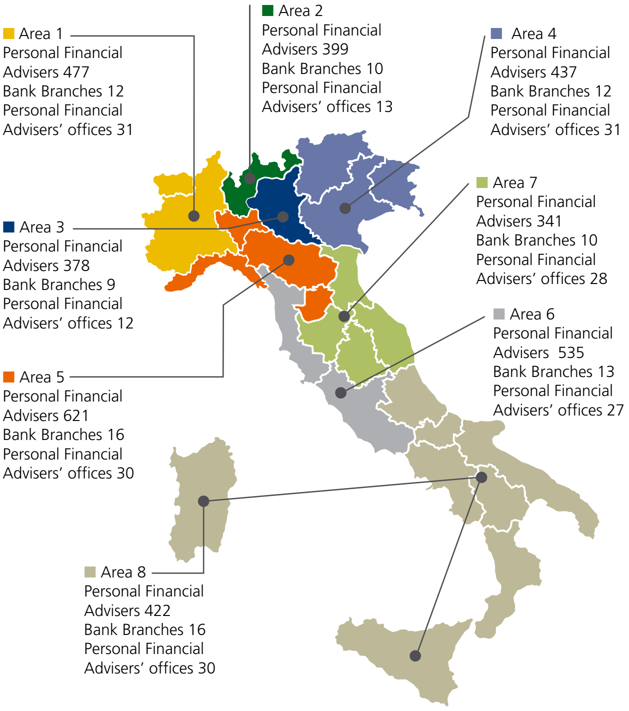
# Human capital

## DISTRIBUTION NETWORKS

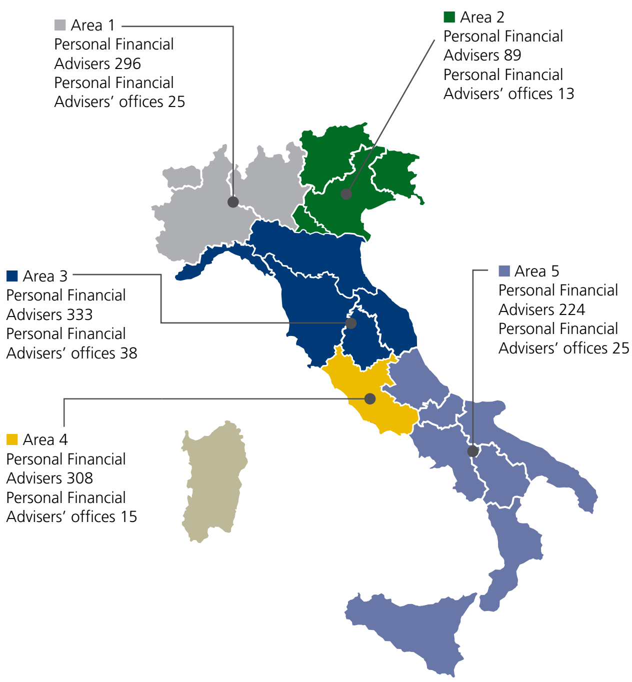
At 31 March 2020, the Group's distribution networks (Fideuram, Sanpaolo Invest, Intesa Sanpaolo Private Banking and Intesa Sanpaolo Private Bank (Suisse) Morval Networks) totalled 5,811 Personal Financial Advisers compared with 5,834 at the beginning of 2020.

| | BEGINNING OF PERIOD 1.1.2020 | IN | OUT | NET | END OF PERIOD 31.3.2020 |
|---|---|---|---|---|---|
| Fideuram Network | 3,614 | 36 | 40 | (4) | 3,610 |
| Sanpaolo Invest Network | 1,254 | 12 | 16 | (4) | 1,250 |
| Intesa Sanpaolo Private Banking Network | 912 | 14 | 28 | (14) | 898 |
| Intesa Sanpaolo Private Bank (Suisse) Morval Network | 54 | - | 1 | (1) | 53 |
| **Total** | **5,834** | **62** | **85** | **(23)** | **5,811** |

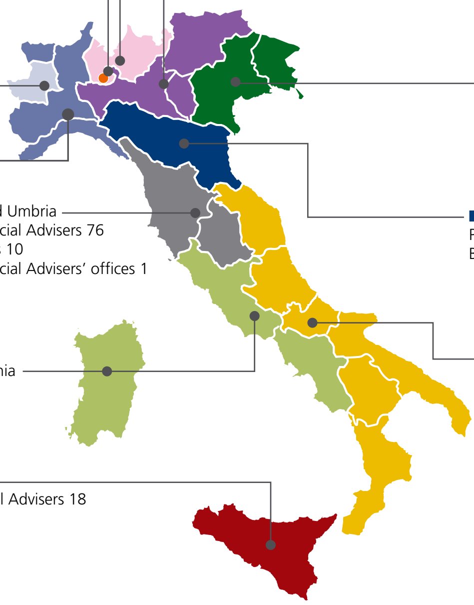
Fideuram Network: 8 Areas




Sanpaolo Invest Network: 5 Areas



## Intesa Sanpaolo Private Banking Network: 11 Areas




The Fideuram and Sanpaolo Invest Networks' recruitment programmes brought in 48 new professionals in the first quarter of 2020, compared with 53 new Personal Financial Advisers recruited in the corresponding period of 2019, and 220 over the past 12 months, compared with 210 in the previous 12-month period. Fifty-six 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** | | | | | |
| 1.1.2020 - 31.3.2020 | 3,614 | 36 | 40 | (4) | 3,610 |
| 1.1.2019 - 31.3.2019 | 3,662 | 40 | 75 | (35) | 3,627 |
| **Twelve-month period** | | | | | |
| 1.4.2019 - 31.3.2020 | 3,627 | 173 | 190 | (17) | 3,610 |
| 1.4.2018 - 31.3.2019 | 3,637 | 162 | 172 | (10) | 3,627 |

## Sanpaolo Invest Personal Financial Advisers

| | BEGINNING OF PERIOD | IN | OUT | NET | END OF PERIOD |
|---|---|---|---|---|---|
| **3 months** | | | | | |
| 1.1.2020 - 31.3.2020 | 1,254 | 12 | 16 | (4) | 1,250 |
| 1.1.2019 - 31.3.2019 | 1,344 | 13 | 40 | (27) | 1,317 |
| **Twelve-month period** | | | | | |
| 1.4.2019 - 31.3.2020 | 1,317 | 47 | 114 | (67) | 1,250 |
| 1.4.2018 - 31.3.2019 | 1,434 | 48 | 165 | (117) | 1,317 |

The Intesa Sanpaolo Private Banking Network currently numbers 841 Personal Financial Advisers who are salaried employees registered in Italy's Unified Register of Financial Advisers and 57 freelance professionals on agency contracts.

## Intesa Sanpaolo Private Banking Personal Financial Advisers

| | BEGINNING OF PERIOD | IN | OUT | NET | END OF PERIOD |
|---|---|---|---|---|---|
| **3 months** | | | | | |
| 1.1.2020 - 31.3.2020 | 912 | 14 | 28 | (14) | 898 |
| 1.1.2019 - 31.3.2019 | 927 | 14 | 24 | (10) | 917 |
| **Twelve-month period** | | | | | |
| 1.4.2019 - 31.3.2020 | 917 | 45 | 64 | (19) | 898 |
| 1.4.2018 - 31.3.2019 | 926 | 45 | 54 | (9) | 917 |

The Intesa Sanpaolo Private Bank (Suisse) Morval Network is composed of 53 Personal Financial Advisers.

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

| | BEGINNING OF PERIOD | IN | OUT | NET | END OF PERIOD |
|---|---|---|---|---|---|
| **3 months** | | | | | |
| 1.1.2020 - 31.3.2020 | 54 | - | 1 | (1) | 53 |
| 1.1.2019 - 31.3.2019 | 62 | 1 | - | 1 | 63 |
| **Twelve-month period** | | | | | |
| 1.4.2019 - 31.3.2020 | 63 | 5 | 15 | (10) | 53 |
| 1.4.2018 - 31.3.2019 | 60 | 13 | 10 | 3 | 63 |

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 2020, 1,329 Personal Financial Advisers had joined together in teams, collectively managing a total of about €11.7bn assets for about 107,000 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 3,171 at 31 March 2020, compared with 3,179 at 31 December 2019.
Direct employees totalled 3,157.

## Employees

(number)

| | 31.3.2020 | 31.12.2019 | 31.3.2019 |
|---|---|---|---|
| **Private Banking** | **2,831** | **2,841** | **2,974** |
| Fideuram - Intesa Sanpaolo Private Banking | 1,262 | 1,261 | 1,338 |
| Intesa Sanpaolo Private Banking | 1,380 | 1,392 | 1,419 |
| Sanpaolo Invest SIM | 15 | 16 | 45 |
| Intesa Sanpaolo Private Bank (Suisse) Morval | 147 | 146 | 142 |
| Morval Bank & Trust Cayman | 10 | 10 | 10 |
| Intesa Sanpaolo Private Argentina | 6 | 5 | 5 |
| Morval Vonwiller Advisors | 11 | 11 | 15 |
| **Asset Management** | **257** | **252** | **252** |
| Fideuram Asset Management (Ireland) | 68 | 66 | 66 |
| Fideuram Bank (Luxembourg) | 66 | 65 | 66 |
| Fideuram Investimenti SGR | 106 | 104 | 104 |
| Morval Gestion SAM | 3 | 3 | 2 |
| Morval SIM | 14 | 14 | 14 |
| **Fiduciary and treasury services** | **83** | **86** | **85** |
| Financière Fideuram | 4 | 4 | 4 |
| Siref Fiduciaria | 79 | 82 | 81 |
| **Total** | **3,171** | **3,179** | **3,311** |

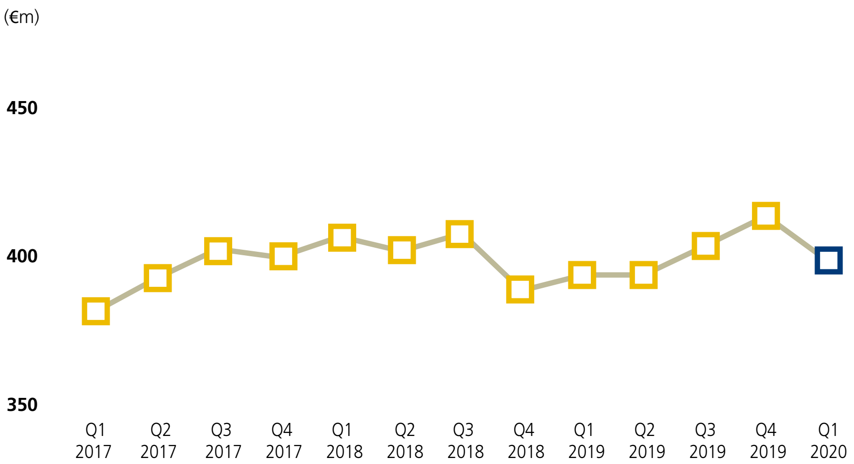
# Events after 31 March 2020 and outlook

There were no significant events after the reporting period requiring any changes to be made to the consolidated financial statements at 31 March 2020.

Managed assets, totalling €148.8bn at the end of March, were down significantly from the average figure for the first quarter (-€12.2bn), as reflected in the change in net recurring fees.

The policies for development of managed asset inflows, both inside and outside Italy, the amount of client assets, which continue to generate recurring fees, together with cost controls and constant focus on risk management will allow the Group end the current year with a net profit, albeit lower than in the previous year.

## Quarterly net recurring fees




**The Board of Directors**
4 May 2020

# Accounting policies

## DECLARATION OF COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Consolidated Interim Report at 31 March 2020 has been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission.

## BASIS OF PREPARATION

The Consolidated Interim Report comprises the balance sheet, income statement, statement of comprehensive income and statement of changes in 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. The Interim Report uses the euro as its presentation currency, and all the figures herein are stated in millions of euro unless specified otherwise.

This Report was prepared in accordance with the same accounting policies adopted for the financial statements at 31 December 2019, where they are described in greater detail.

The income statement for the first quarter of 2020 is compared with the income statement for the corresponding period of 2019, while the balance sheet at 31 March 2020 is compared with the balance sheet at 31 December 2019. The balance sheet and income statement as at and for the period ended 31 March 2020 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. Detailed information on the 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 consolidation of Fideuram at 31 March 2020 are listed below.

### Equity investments in wholly-owned subsidiaries at 31 March 2020

| COMPANY NAME | OPERATIONAL HEAD OFFICE | REGISTERED OFFICE | TYPE OF OWNERSHIP (*) | OWNERSHIP | | % VOTES (**) |
|---|---|---|---|---|---|---|
| | | | | ASSOCIATE COMPANY | % OWNED | |
| 1. Sanpaolo Invest SIM S.p.A.<br>Share capital: EUR 15,264,760 in shares of EUR 140 each | Turin | Turin | 1 | Fideuram | 100.000% | |
| 2. Intesa Sanpaolo Private Banking S.p.A.<br>Share capital: EUR 105,497,424 in shares of EUR 4 each | Milan | Milan | 1 | Fideuram | 100.000% | |
| 3. Fideuram Investimenti SGR S.p.A.<br>Share capital: EUR 25,850,000 in shares of EUR 517 each | Milan | Milan | 1 | Fideuram | 99.500% | |
| 4. Siref Fiduciaria S.p.A.<br>Share capital: EUR 2,600,000 in shares of EUR 0.52 each | Milan | Milan | 1 | Fideuram | 100.000% | |
| 5. Morval SIM S.p.A.<br>Share capital: EUR 2,768,000 in shares of EUR 0.52 each | Turin | Turin | 1 | Fideuram | 100.000% | |
| 6. Fideuram Asset Management (Ireland) dac<br>Share capital: EUR 1,000,000 in shares of EUR 1.000 each | Dublin | Dublin | 1 | Fideuram | 100.000% | |
| 7. Fideuram Bank (Luxembourg) S.A.<br>Share capital: EUR 40,000,000 in shares without par value | Luxembourg | Luxembourg | 1 | Fideuram | 100.000% | |
| 8. Financière Fideuram S.A.<br>Share capital: EUR 346,761,600 in shares of EUR 25 each | Paris | Paris | 1 | Fideuram | 99.999% | |
| 9. Intesa Sanpaolo Private Bank (Suisse) Morval S.A.<br>Share capital: CHF 22,217,000 in shares of CHF 100 each | Geneva | Geneva | 1 | Fideuram | 96.910% | |
| 10. Intesa Sanpaolo Private Argentina S.A.<br>Share capital: ARS 13,404,506 in shares of ARS 1 each | Buenos Aires | Buenos Aires | 1 | Intesa Sanpaolo Private Bank (Suisse) Morval | 95.033% | |
| | | | | Fideuram | 4.967% | |
| 11. Morval Gestion SAM<br>Share capital: EUR 500,000 in shares of EUR 100 each | Montecarlo | Montecarlo | 1 | Intesa Sanpaolo Private Bank (Suisse) Morval | 100.000% | |
| 12. Morval Vonwiller Assets Management Co. Ltd in liquidation<br>Share capital: USD 2,400,000 in shares of USD 1 each | Tortola | Tortola | 1 | Intesa Sanpaolo Private Bank (Suisse) Morval | 100.000% | |
| 13. Southern Group Ltd<br>Share capital: USD 50,000 in shares of USD 1 each | George Town | George Town | 1 | Intesa Sanpaolo Private Bank (Suisse) Morval | 100.000% | |
| 14. Morval Vonwiller Advisors S.A.<br>Share capital: UYU 110,600,000 in shares of UYU 1 each | Montevideo | Montevideo | 1 | Intesa Sanpaolo Private Bank (Suisse) Morval | 100.000% | |
| 15. Morval Bank & Trust Cayman Ltd<br>Share capital: USD 7,850,000 in shares of USD 1 each | George Town | George Town | 1 | Morval Vonwiller Assets Management in liquidation | 100.000% | |

KEY

(*) Type of ownership 1 = majority voting rights at general shareholders' meetings.

(**) Voting rights at general shareholders' meetings. Voting rights are only shown when they differ from % capital ownership.

The 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 Intesa Sanpaolo Private Argentina S.A. which, due to their limited significance (less than €10m in total assets carried on the books), are consolidated with the equity method, in accordance with Group accounting policies. 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 2020, as approved by the competent bodies of the subsidiaries, adjusted where necessary to align them with Group accounting policies. The financial statement data of companies operating outside the European Monetary Union 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.
The scope of consolidation of the Fideuram Group was unchanged from 31 December 2019.

# Consolidated financial statements

## Consolidated balance sheet

(€m)

| ASSETS | 31.3.2020 | 31.12.2019 |
|---|---|---|
| 10. Cash and cash equivalents | 210 | 335 |
| 20. Financial assets measured at fair value through profit or loss | 346 | 349 |
| a) financial assets held for trading | 68 | 36 |
| b) financial assets measured at fair value | - | - |
| c) other financial assets mandatorily measured at fair value | 278 | 313 |
| 30. Financial assets measured at fair value through other comprehensive income | 2,964 | 3,189 |
| 40. Financial assets measured at amortised cost | 43,388 | 41,802 |
| a) loans and advances to banks | 31,892 | 29,964 |
| b) loans and advances to customers | 11,496 | 11,838 |
| 50. Hedging derivatives | 10 | 20 |
| 60. Adjustments to financial assets subject to macro-hedging (+/-) | 19 | 11 |
| 70. Equity investments | 172 | 170 |
| 80. Reinsurers' share of technical reserves | - | - |
| 90. Property and equipment | 381 | 380 |
| 100. Intangible assets | 233 | 234 |
| of which: goodwill | 140 | 140 |
| 110. Tax assets | 193 | 164 |
| a) current | 33 | 34 |
| b) deferred | 160 | 130 |
| 120. Non-current assets held for sale and discontinued operations | - | 6 |
| 130. Other assets | 1,064 | 1,107 |
| **TOTAL ASSETS** | **48,980** | **47,767** |

Chairman of the
Board of Directors
**Paolo Molesini**

Managing Director
**Tommaso Corcos**

Manager responsible for the accounts
preparation of the company
**Paolo Bacciga**

# Consolidated balance sheet

(€m)

| LIABILITIES AND SHAREHOLDERS' EQUITY | 31.3.2020 | 31.12.2019 |
|---|---|---|
| 10. Financial liabilities measured at amortised cost | 42,944 | 42,057 |
| a) due to banks | 2,787 | 3,033 |
| b) due to customers | 40,157 | 39,024 |
| c) debt on issue | - | - |
| 20. Financial liabilities held for trading | 69 | 33 |
| 30. Financial liabilities measured at fair value | - | - |
| 40. Hedging derivatives | 989 | 930 |
| 50. Adjustments to financial liabilities subject to macro-hedging (+/-) | - | - |
| 60. Tax liabilities | 99 | 94 |
| a) current | 61 | 30 |
| b) deferred | 38 | 64 |
| 70. Liabilities associated with non-current assets held for sale and discontinued operations | - | - |
| 80. Other liabilities | 1,260 | 1,167 |
| 90. Provision for employment termination indemnities | 43 | 48 |
| 100. Provisions for risks and charges: | 459 | 478 |
| a) commitments and guarantees | 1 | 1 |
| b) pensions and other commitments | 23 | 23 |
| c) other provisions for risks and charges | 435 | 454 |
| 110. Technical reserves | - | - |
| 120. Valuation reserves | (42) | 33 |
| 130. Redeemable shares | - | - |
| 140. Equity instruments | - | - |
| 150. Reserves | 2,431 | 1,515 |
| 160. Share premium reserve | 206 | 206 |
| 170. Share capital | 300 | 300 |
| 180. Treasury shares (-) | - | - |
| 190. Equity attributable to non-controlling interests (+/-) | - | - |
| 200. Net profit (loss) for the period (+/-) | 222 | 906 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **48,980** | **47,767** |

Chairman of the
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Managing Director
**Tommaso Corcos**

Manager responsible for the accounts
preparation of the company
**Paolo Bacciga**

# Consolidated income statement

(€m)

| | Q1 2020 | Q1 2019 |
|---|---|---|
| 10. Interest income and similar income | 66 | 63 |
| *of which: interest income calculated with the effective interest method* | *87* | *84* |
| 20. Interest expense and similar expense | (18) | (19) |
| **30. Net interest income** | **48** | **44** |
| 40. Fee and commission income | 626 | 612 |
| 50. Fee and commission expense | (192) | (190) |
| **60. Net fee and commission income** | **434** | **422** |
| 70. Dividends and similar income | - | - |
| 80. Net profit (loss) on trading activities | 5 | 4 |
| 90. Net profit (loss) on hedging derivatives | (2) | (1) |
| 100. Profit (loss) on sale or repurchase of: | 10 | 9 |
| a) financial assets measured at amortised cost | 6 | - |
| b) financial assets measured at fair value through other comprehensive income | 4 | 9 |
| c) financial liabilities | - | - |
| 110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss | (34) | 11 |
| a) financial assets and liabilities measured at fair value | - | - |
| b) other financial assets mandatorily measured at fair value | (34) | 11 |
| **120. Total net interest and trading income** | **461** | **489** |
| 130. Net impairment for credit risk related to: | - | (3) |
| a) financial assets measured at amortised cost | (1) | (3) |
| b) financial assets measured at fair value through other comprehensive income | 1 | - |
| 140. Gains/losses on contractual changes without cancellation | - | - |
| **150. Operating income** | **461** | **486** |
| 160. Net insurance premiums | - | - |
| 170. Other income/expense from insurance activities | - | - |
| **180. Operating income from financing and insurance activities** | **461** | **486** |
| 190. Administrative expenses: | (200) | (205) |
| a) personnel expenses | (78) | (90) |
| b) other administrative expenses | (122) | (115) |
| 200. Net provisions for risks and charges | 7 | (7) |
| a) commitments and guarantees | - | - |
| b) other net provisions | 7 | (7) |
| 210. Depreciation of property and equipment | (12) | (12) |
| 220. Amortisation of intangible assets | (6) | (5) |
| 230. Other income/expense | 68 | 61 |
| **240. Operating expenses** | **(143)** | **(168)** |
| 250. Profit (loss) on equity investments | 2 | 1 |
| 260. Net fair value gains (losses) on property and equipment and intangible assets | - | - |
| 270. Goodwill impairment | - | - |
| 280. Gain (loss) on disposal of investments | 1 | - |
| **290. Profit (loss) before tax from continuing operations** | **321** | **319** |
| 300. Income taxes for the period on continuing operations | (99) | (90) |
| **310. Profit (loss) after tax from continuing operations** | **222** | **229** |
| 320. Profit (loss) after tax from discontinued operations | - | - |
| **330. Net profit (Loss) for the period** | **222** | **229** |
| 340. Net profit (loss) for the period attributable to non-controlling interests | - | - |
| **350. Parent company interest in net profit (loss) for the period** | **222** | **229** |

Chairman of the
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**Paolo Molesini**

Managing Director
**Tommaso Corcos**

Manager responsible for the accounts
preparation of the company
**Paolo Bacciga**

# Consolidated statement of comprehensive income

(€m)

| | | Q1 2020 | Q12019 |
|---|---|---|---|
| **10.** | **Net profit (Loss) for the period** | **222** | **229** |
| | **Other comprehensive income after tax not transferred to the income statement** | **2** | **(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 | 2 | (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** | **(77)** | **23** |
| 100. | Hedging of net investments in foreign operations | - | - |
| 110. | Exchange rate differences | 4 | (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 | (80) | 27 |
| 150. | Non-current assets held for sale and discontinued operations | - | - |
| 160. | Valuation reserves related to investments carried at equity | (2) | 1 |
| **170.** | **Total other comprehensive income after tax** | **(75)** | **22** |
| **180.** | **Total comprehensive income** | **147** | **251** |
| 190. | Total comprehensive income attributable to non-controlling interests | - | - |
| 200. | Total comprehensive income attributable to parent company | 147 | 251 |

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Managing Director
**Tommaso Corcos**

Manager responsible for the accounts
preparation of the company
**Paolo Bacciga**

# Statement of changes in consolidated shareholders' equity

(€m)

| | BALANCE AT 31.12.2019 | CHANGE IN OPENING BALANCES | BALANCE AT 1.1.2020 | ALLOCATION OF INCOME FOR THE PREVIOUS YEAR | | CHANGES IN THE PERIOD | | | | | | | | | SHAREHOLDERS' EQUITY AT 31.3.2020 | EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY AT 31.3.2020 | EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS AT 31.3.2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | 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 2020 | | | |
| **Share capital:** | **300** | **-** | **300** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **300** | **300** | **-** |
| - ordinary shares | 300 | - | 300 | - | - | - | - | - | - | - | - | - | - | - | 300 | 300 | - |
| - other shares | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Share premium reserve** | **206** | **-** | **206** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **206** | **206** | **-** |
| **Reserves:** | **1,516** | **-** | **1,516** | **905** | **-** | **10** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **2,431** | **2,431** | **-** |
| - From net income | 1,425 | - | 1,425 | 905 | - | 10 | - | - | - | - | - | - | - | - | 2,340 | 2,340 | - |
| - Other | 91 | - | 91 | - | - | - | - | - | - | - | - | - | - | - | 91 | 91 | - |
| **Valuation reserves** | **33** | **-** | **33** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(75)** | **(42)** | **(42)** | **-** |
| **Equity instruments** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Treasury shares** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Net profit (loss) for the period** | **905** | **-** | **905** | **(905)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **222** | **222** | **222** | **-** |
| **Shareholders' equity** | **2,960** | **-** | **2,960** | **-** | **-** | **10** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **147** | **3,117** | **3,117** | **-** |
| **Equity attributable to owners of the parent company** | **2,960** | **-** | **2,960** | **-** | **-** | **10** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **147** | **3,117** | | |
| **Equity attributable to non-controlling interests** | **-** | **-** | **-** | **-** | **-** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | | |

Chairman of the
Board of Directors
**Paolo Molesini**

Managing Director
**Tommaso Corcos**

Manager responsible for the accounts
preparation of the company
**Paolo Bacciga**

## 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** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | | |

Chairman of the
Board of Directors
**Paolo Molesini**

Managing Director
**Tommaso Corcos**

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 2020 corresponds to the accounting documents, records and books.

4 May 2020

Paolo Bacciga
Manager responsible for the preparation
of the company accounts

# Schedules

## Basis of preparation of the reclassified financial statements

The balance sheet and income statement as at and for the period ended 31 March 2020 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.
- The reversal of the time value for the provision for employment termination indemnities and provisions for risks and charges arising from the application of the amortised cost method has been reclassified to net interest income.
- Expenses for stamp duty on current and deposit accounts, which are recognised in the official Bank of Italy schedule under administrative expenses, have been stated net of income from amounts recovered.
- The soft commissions have been reallocated to the administrative expenses that generated them.
- Expenses for fee and commission income, which are recognised in the official Bank of Italy schedule under administrative expenses, have been reclassified among fee and commission income.
- Net provisions for risks and charges relating to credit risk on commitments and guarantees issued have been reclassified among net impairment of loans.
- Net impairment on debt securities have been reclassified among "Net provisions for risks and charges and net impairment of other assets".
- Non-recurring income and expenses, including gains and losses on debt securities measured at amortised cost, have been reclassified in a separate item designated "Net non-recurring income (expenses)".
- Integration and voluntary redundancy expenses have been reclassified, net of tax effect, in a separate item designated "Integration and voluntary redundancy expenses (net of tax)".
- The effects of purchase price allocation have been recognised in a specific item, net of the tax effect, designated "Effects of purchase price allocation (net of tax)".
- The expenses incurred for maintaining the stability of the banking system (consisting of the contributions to the Deposit Guarantee Scheme and to the Single Resolution Fund) have been reclassified in a separate item, net of tax, designated "Expenses regarding the banking system (net of tax)".

# Reconciliation statements of the official and reclassified financial statements

## Reconciliation of consolidated balance sheet and reclassified consolidated balance sheet

(€m)

| RECLASSIFIED BALANCE SHEET ITEMS – ASSETS | CONSOLIDATED BALANCE SHEET ITEMS – ASSETS | 31.3.2020 | 31.12.2019 |
|---|---|---|---|
| Financial assets measured at fair value through profit or loss | | 346 | 349 |
| | *Item 20. Financial assets measured at fair value through profit or loss* | *346* | *349* |
| Financial assets measured at fair value through other comprehensive income | | 2,964 | 3,189 |
| | *Item 30. Financial assets measured at fair value through other comprehensive income* | *2,964* | *3,189* |
| Debt securities measured at amortised cost | | 15,156 | 15,275 |
| | *Item 40. a) (partial) Financial assets measured at amortised cost – Loans and advances to banks - securities* | *12,666* | *12,766* |
| | *Item 40. b) Financial assets measured at amortised cost – Loans and advances to customers - securities* | *2,490* | *2,509* |
| Loans to banks | | 19,226 | 17,198 |
| | *Item 40. a) Financial assets measured at amortised cost – Loans and advances to banks* | *31,892* | *29,964* |
| | *- Item 40. a) (partial) Financial assets measured at amortised cost – Loans and advances to banks - securities* | *(12,666)* | *(12,766)* |
| Loans to customers | | 9,006 | 9,329 |
| | *Item 40. b) Financial assets measured at amortised cost – Loans and advances to customers* | *11,496* | *11,838* |
| | *- Item 40. b) Financial assets measured at amortised cost – Loans and advances to customers - securities* | *(2,490)* | *(2,509)* |
| Hedging derivatives | | 10 | 20 |
| | *Item 50. Hedging derivatives* | *10* | *20* |
| Equity investments | | 172 | 170 |
| | *Item 70. Equity investments* | *172* | *170* |
| Property and equipment and intangible assets | | 614 | 614 |
| | *Item 90. Property and equipment* | *381* | *380* |
| | *Item 100. Intangible assets* | *233* | *234* |
| Tax assets | | 193 | 164 |
| | *Item 110. Tax assets* | *193* | *164* |
| Other assets | | 1,293 | 1,459 |
| | *Item 10. Cash and cash equivalents* | *210* | *335* |
| | *Item 60. Adjustments to financial assets subject to macro-hedging (+/-)* | *19* | *11* |
| | *Item 120. Non-current assets held for sale and discontinued operations* | *-* | *6* |
| | *Item 130. Other assets* | *1,064* | *1,107* |
| **Total assets** | **Total assets** | **48,980** | **47,767** |

| RECLASSIFIED BALANCE SHEET ITEMS – LIABILITIES | CONSOLIDATED BALANCE SHEET ITEMS – LIABILITIES | 31.3.2020 | 31.12.2019 |
|---|---|---|---|
| Due to banks | | 2,787 | 3,033 |
| | *Item 10. a) Financial liabilities measured at amortised cost – due to banks* | *2,787* | *3,033* |
| Due to customers | | 40,157 | 39,024 |
| | *Item 10. b) Financial liabilities measured at amortised cost – due to customers* | *40,157* | *39,024* |
| Financial liabilities held for trading | | 69 | 33 |
| | *Item 20. Financial liabilities held for trading* | *69* | *33* |
| Hedging derivatives | | 989 | 930 |
| | *Item 40. Hedging derivatives* | *989* | *930* |
| Tax liabilities | | 99 | 94 |
| | *Item 60. Tax liabilities* | *99* | *94* |
| Other liabilities | | 1,303 | 1,215 |
| | *Item 80. Other liabilities* | *1,260* | *1,167* |
| | *Item 90. Provision for employment termination indemnities* | *43* | *48* |
| Provisions for risks and charges | | 459 | 478 |
| | *Item 100. Provisions for risks and charges* | *459* | *478* |
| Share capital and reserves | | 2,895 | 2,054 |
| | *Items 120. 150. 160. 170. Equity attributable to owners of the parent company* | *2,895* | *2,054* |
| Net profit | | 222 | 906 |
| | *Item 200. Profit (loss) for the period* | *222* | *906* |
| **Total liabilities** | **Total liabilities and shareholders' equity** | **48,980** | **47,767** |

# Reconciliation of the official consolidated income statement and reclassified consolidated income statement

(€m)

| RECLASSIFIED CONSOLIDATED INCOME STATEMENT ITEMS | CONSOLIDATED INCOME STATEMENT ITEMS | Q1 2020 | Q1 2019 |
|---|---|---|---|
| Net interest income | | 48 | 43 |
| | *Item 30. Net interest income* | *48* | *43* |
| Net profit (loss) on financial assets and liabilities at fair value | | 3 | 13 |
| | *Item 80. Net profit (loss) on trading activities* | *5* | *4* |
| | *Item 90. Net profit (loss) on hedging derivatives* | *(2)* | *(1)* |
| | *Item 100. b) Net profit (loss) on sale or purchase of financial assets measured at fair value through other comprehensive income* | *4* | *9* |
| | *Item 110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss* | *(34)* | *11* |
| | *- Item 110. (partial) Component of the returns on insurance policies for the Networks* | *30* | *(10)* |
| Net fee and commission income | | 427 | 425 |
| | *Item 60. Net fee and commission income* | *434* | *422* |
| | *- Item 60. (partial) Soft commission* | *-* | *(1)* |
| | *- Item 110. (partial) Component of the returns on insurance policies for the Networks* | *(6)* | *4* |
| | *- Item 190. b) (partial) Component of administrative expenses relating to fee and commission income* | *(1)* | *-* |
| **Net interest and trading income** | | **478** | **481** |
| Profit on equity investments and other income (expense) | | - | - |
| | *Item 230. Other income/expense* | *68* | *60* |
| | *Item 250. Profit (loss) on equity investments* | *2* | *1* |
| | *- Item 110. (partial) Component of the returns on insurance policies for the Networks* | *(9)* | *-* |
| | *- Item 230. (partial) Recovery of indirect taxes* | *(61)* | *(61)* |
| **Net operating income** | | **478** | **481** |
| Personnel expenses | | (78) | (88) |
| | *Item 190. a) Personnel expenses* | *(78)* | *(89)* |
| | *- Item 190. a) (partial) Costs related to integration of Intesa Sanpaolo Private Banking* | *-* | *1* |
| Other administrative expenses | | (49) | (45) |
| | *Item 190. b) Other administrative expenses* | *(122)* | *(115)* |
| | *- Item 60. (partial) Soft commission* | *-* | *1* |
| | *- Item 190. b) (partial) Costs related to integration of Intesa Sanpaolo Private Banking* | *2* | *2* |
| | *- Item 190. b) (partial) Costs related to banking system* | *9* | *6* |
| | *- Item 190. b) (partial) Component of administrative expenses relating to fee and commission income* | *1* | *-* |
| | *- Item 230. (partial) Recovery of indirect taxes* | *61* | *61* |
| Depreciation and amortisation | | (14) | (13) |
| | *Item 210. Depreciation of property and equipment* | *(12)* | *(12)* |
| | *Item 220. Amortisation of intangible assets* | *(5)* | *(5)* |
| | *- Item 220. (partial) Costs related to integration of Intesa Sanpaolo Private Banking* | *3* | *4* |
| **Net operating expenses** | | **(141)** | **(146)** |
| **Net operating income (expenses)** | | **337** | **335** |
| Net impairment of loans | | (2) | (3) |
| | *Item 130. Net impairment/reversal of impairment for credit risk* | *-* | *(3)* |
| | *- Item 130. a) (partial) Net impairment/reversal of impairment for credit risk related to financial assets measured at amortised cost - Debt securities* | *(1)* | *-* |
| | *- Item 130. b) (partial) Net impairment/reversal of impairment for credit risk related to financial assets measured at fair value through other comprehensive income - Debt securities* | *(1)* | *-* |
| Net provisions for risks and charges and net impairment of other assets | | (6) | (10) |
| | *Item 200. Net provisions for risks and charges* | *7* | *(7)* |
| | *- Item 110. (partial) Component of the returns on insurance policies for the Networks* | *(15)* | *6* |
| | *- Item 130. a) (partial) Net impairment/reversal of impairment for credit risk related to financial assets measured at amortised cost - Debt securities* | *1* | *-* |
| | *- Item 130. b) (partial) Net impairment/reversal of impairment for credit risk related to financial assets measured at fair value through other comprehensive income - Debt securities* | *1* | *-* |
| | *- Item 200. (partial) Use in excess of Risk provision for tax dispute* | *-* | *(9)* |
| Net non-recurring income (expenses) | | 6 | 9 |
| | *Item 100. a) Net profit (loss) on sale or repurchase of financial assets measured at amortised cost* | *6* | *-* |
| | *- Item 200. (partial) Use in excess of Risk provision for tax dispute* | *-* | *9* |
| **Gross income (loss) from continuing operations** | | **335** | **331** |
| Income taxes for the period on continuing operations | | (103) | (94) |
| | *Item 300. Income taxes for the period on continuing operations* | *(99)* | *(89)* |
| | *- Item 300. (partial) Tax impact on costs related to integration of Intesa Sanpaolo Private Banking* | *(1)* | *(3)* |
| | *- Item 300. (partial) Tax impact on costs related to the banking system* | *(3)* | *(2)* |
| Integration and voluntary redundancy expenses (net of tax) | | (4) | (4) |
| | *- Item 190. a) (partial) Costs related to integration of Intesa Sanpaolo Private Banking* | *-* | *(1)* |
| | *- Item 190. b) (partial) Costs related to integration of Intesa Sanpaolo Private Banking* | *(2)* | *(2)* |
| | *- Item 220. (partial) Costs related to integration of Intesa Sanpaolo Private Banking* | *(3)* | *(4)* |
| | *- Item 300. (partial) Tax impact on costs related to integration of Intesa Sanpaolo Private Banking* | *1* | *3* |
| Expenses regarding the banking system (net of tax) | | (6) | (4) |
| | *- Item 190. b) (partial) Costs related to banking system* | *(9)* | *(6)* |
| | *- Item 300. (partial) Tax impact on costs related to the banking system* | *3* | *2* |
| **Net Profit** | **Item 350. Parent company interest in profit (loss) for the period** | **222** | **229** |

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