FIDEURAM
INTESA SANPAOLO PRIVATE BANKING

Half-year Report at 30 June 2019

Bank of INTESA SANPAOLO

Fideuram - Intesa Sanpaolo Private Banking’s Mission

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

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

Half-year Report at 30 June 2019

Introduction

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

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

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

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

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

The Consolidated Half-Year Report comprises the compulsory statements provided for by IAS 1 (namely a balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows), accompanied by explanatory notes on the Group's performance, as indicated by IAS 34 – Interim Financial Reporting.
The balance sheet and income statement as at and for the period ended 30 June 2019 referred to in the explanatory notes have been reclassified to facilitate comparison of the figures for different periods and to enable a clearer and more immediate understanding of the Group's financial position and results. These statements were prepared using appropriate groupings of the items in the official financial statements.

An analysis comparing the financial and transaction data for the first six months of 2019 with the corresponding data for 2018 is affected by the impacts of first-time adoption of IFRS 16 and the acquisition of the Morval Vonwiller Group (taking place in second quarter of 2018). The transaction and financial data presented in the balance sheet and income statement have been restated, where necessary and if material, in the notes to the financial statements so that comparisons may be made on a like-for-like basis. These restated statements were prepared making the adjustments to the historical data required to reflect retrospectively the changes in the accounting standards and the scope of consolidation, as if the company transactions and the first-time adoption of IFRS 16 had become effective as of 1 January 2018. Detailed information on the restatements and reclassifications is presented in specific reconciliation statements provided in the schedules accompanying this Report.

Our identity

Fideuram was born 50 years ago with the aim of providing investors with an alternative to the traditional banking channel. It now has a strong identity on the market, an identity built over time with a business model focused on the advanced advice and professional expertise of its Personal Financial Advisers.

1968 Fideuram was formed to create the first network of personal financial advisers in Italy, to offer Luxembourg mutual funds to Italian investors.

1984 Fideuram distributed the first Italian mutual funds.

1992 Fideuram and Banca Manusardi combined, and the new company was listed on the Milan Stock Exchange.

1997 Fideuram launched Personal Financial Planning, the first financial planning service benefiting from an advanced technological platform benefiting its customers.

2002 Fideuram acquired Sanpaolo Invest SIM.

2007 Delisting of its stock.

2009 Fideuram launched feepaying advanced advisory services.

WHO WE ARE

With about €230bn in client assets, Fideuram is the biggest Italian Private Bank (and one of the biggest in Europe).

Fideuram heads an integrated Group, comprised of the companies providing the Group's financial advisory, asset management and fiduciary services.

WHAT WE OFFER TO OUR CUSTOMERS

Fideuram offers personalised advice based on a long-term relationship, which is in turn founded on the Personal Financial Advisers' trust and professional expertise.

A distinctive model based on:
- Fee-paying advanced advisory services
- Excellent in-house products
- Offering rounded out by products of major global investment firms

2011
Digital advance with the launch of Fideuram Mobile Solution

2015
Fideuram and Intesa Sanpaolo Private Banking combined to create Fideuram – Intesa Sanpaolo Private Banking, the first Italian private bank.

2016
Fideuram introduced Alfabeto, a platform supporting the Personal Financial Advisers in providing digitalised financial advice.

2018
Fideuram acquired the Swiss Morval Vonwiller Group and launched its foreign hub for international growth.

FIRST HALF OF 2019
Intesa Sanpaolo Private Bank (Suisse) Morval was established as a result of the merger of the Swiss companies of the Group.
The new company will guide the international development of Fideuram – Intesa Sanpaolo Private Banking.

WHERE WE ARE

The Group has a strong local presence throughout Italy, with 226 bank branches and 321 Personal Financial Adviser offices.
The Group also operates abroad with 5 bank branches.

With 10 Private Banking centres and 8 hubs, the Fideuram and Intesa Sanpaolo Private Banking networks are organised to assist High Net Worth Individuals.

With the formation of Intesa Sanpaolo Private Bank (Suisse) Morval, the development of our business abroad continues.

HOW WE SEE THE FUTURE

We will reinforce our **leadership position** on the Italian market by accelerating our growth rate from past levels and maintaining our cost efficiency levels.

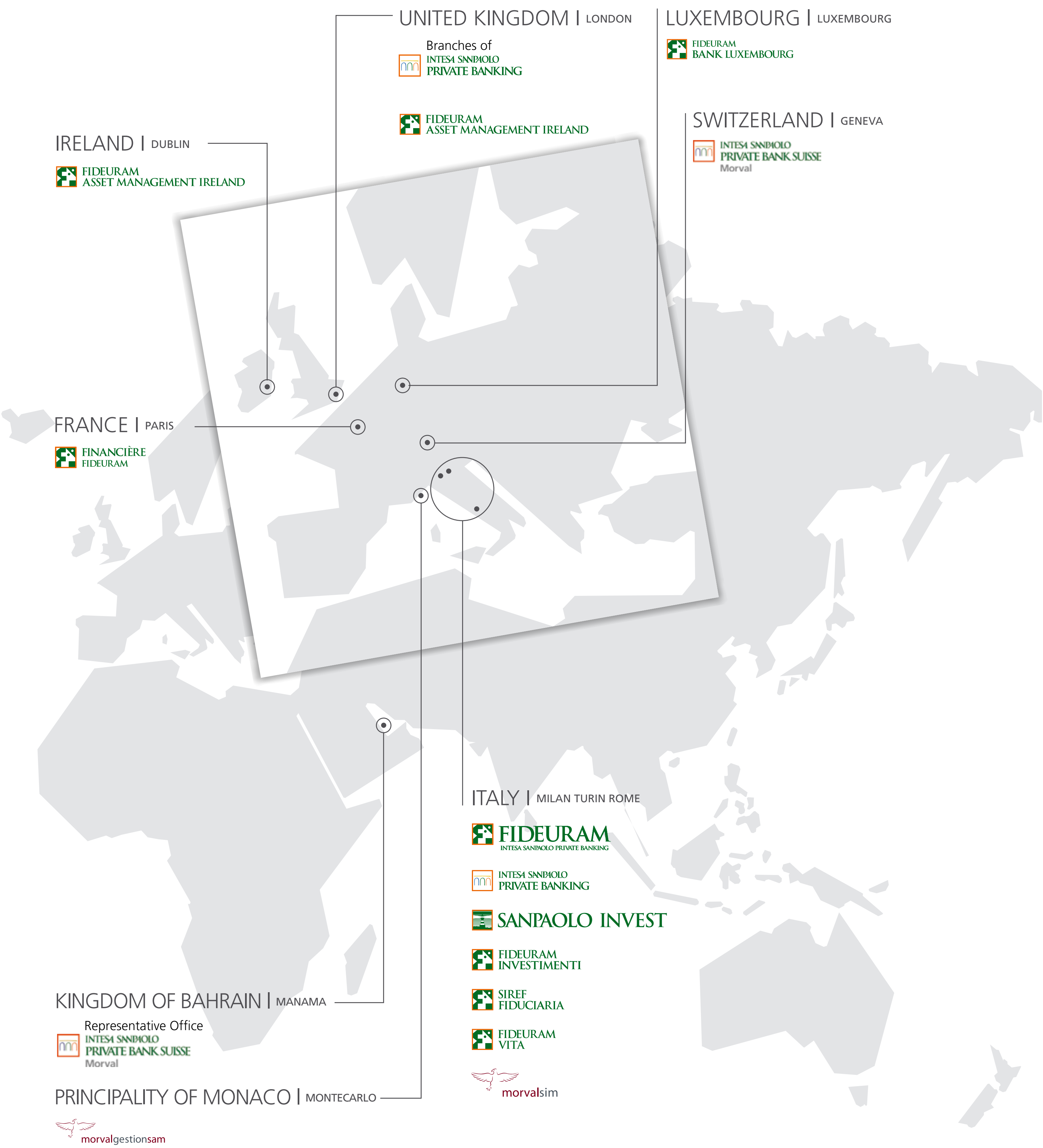
We will support the **foreign growth** and **international expansion** of the Group.

We will expand the **customer base**, including throughì the use of digital channels and development of brand visibility in the Affluent and Lower Private segments.

We will develop the Bank’s level of **innovation** both through improved digitalisation and through Advanced Analytics initiatives.

Contents

Group structure



BRITISH VIRGIN ISLANDS | TORTOLA

morvalvonwillers
assets management co.

CAYMAN ISLANDS | GEORGE TOWN

southerngroup

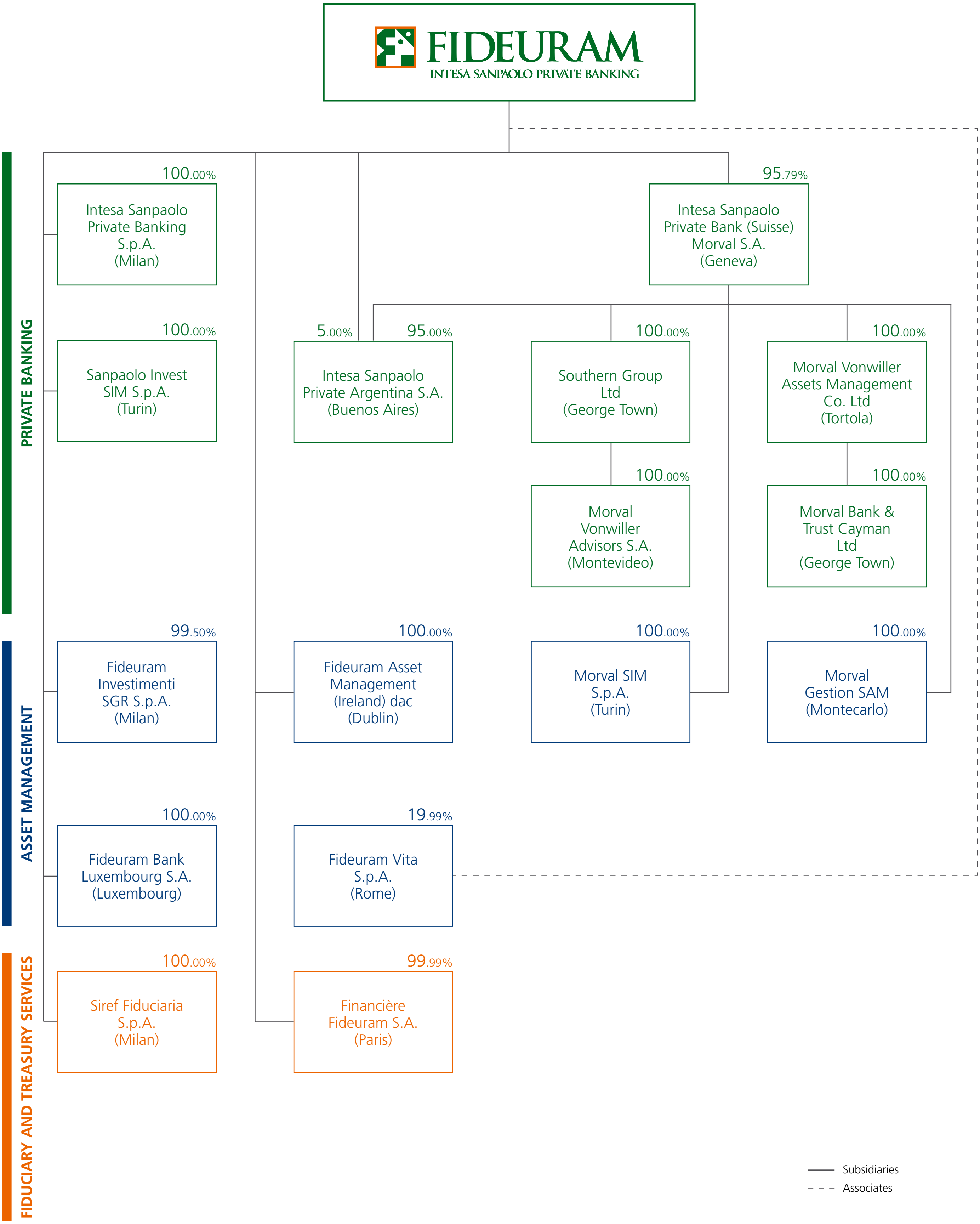
morvalbank&trust

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)
100.00%
Sanpaolo Invest SIM S.p.A. (Turin)
95.79%
Intesa Sanpaolo Private Bank (Suisse) Morval S.A. (Geneva)
5.00%
95.00%
Intesa Sanpaolo Private Argentina S.A. (Buenos Aires)
100.00%
Southern Group Ltd (George Town)
100.00%
Morval Vonwiller Assets Management Co. Ltd (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 SIM S.p.A. (Turin)
100.00%
Morval Gestion SAM (Montecarlo)
100.00%
Fideuram Bank Luxembourg S.A. (Luxembourg)
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

Shareholders' Meeting

Board of Directors

Board of Statutory Auditors

General Management

General Manager
PAOLO MOLESINI

Joint General Managers
ANDREA CHIOATTO
(Operational and Financial Governance)

FABIO CUBELLI
(Business Coordination)

Manager responsible for the preparation of the company accounts
PAOLO BACCIGA

Chairman
PAOLO MARIA VITTORIO GRANDI

Acting Deputy Chairman
GIANGIACOMO DOMENICO LUIGI NARDOZZI TONIELLI

Managing Director
PAOLO MOLESINI

Director
GIOVANNI BATTISTA BISOGNI

ELENA DAVID

CLAUDIA DE BENEDETTI

DANIELE PIETRO GIUDICI

ELIANO LODESANI

PIERO LUONGO

GIUSEPPE RUSSO

Secretary to the Board of Directors
FILIPPO MAMMOLA

Chairman
GIULIO STEFANO LUBATTI

Statutory Auditors
MARCO ANTONIO MODESTO DELL'ACQUA

LORENZO GINISIO

Acting Auditors
ALESSANDRO COTTO

FRANCESCA MONTI

Independent Auditors
KPMG S.p.A.

Key drivers

OPERATING RESULTS

Personal financial advisers No. 5,942

Customers

Fideuram No. 575,607

Intesa Sanpaolo Private Banking No. 37,812 households

Intesa Sanpaolo Private Bank (Suisse) Morval No. 1,858

Sanpaolo Invest No. 153,782

Siref Fiduciaria No. 2,045 mandates

Total Net Inflows

€4.5 bn

of which Net Inflows into Managed Assets

€204 m

Client assets

€229.2 bn

of which managed assets

€156.9 bn

of which advanced advisory service

€37.8 bn

Fideuram and Sanpaolo Invest
13 years

Intesa Sanpaolo Private Banking
12 years

Average length of customer relationship

FINANCIAL RESULTS

€788 m
Net recurring fees
-3%

Cost / Income Ratio

30%
(29% in the first half of 2018)

Consolidated Net Profit

€456 m

Return On Equity

34%
(34% in the first half of 2018)

Highlights

	30.6.2019	30.6.2018 (*)	% CHANGE
CUSTOMER FINANCIAL ASSETS			
Net inflows into managed assets (€m)	204	2,941	-93
Total net inflows (€m)	4,540	5,477	-17
Client Assets (€m)	229,197	217,859	5
OPERATING STRUCTURE			
Personal Financial Advisers (No.)	5,942	6,050	
Staff (No.)	3,336	3,341	
- women (No.)	1,493	1,476	
- outside Italy (No.)	320	302	
Personal Financial Advisers' Offices (No.)	321	324	
Bank Branches (No.)	231	228	
CONSOLIDATED FINANCIAL RESULTS			
Consolidated net profit (€m)	456	454	-
Group shareholders' equity (€m)	2,491	2,448	2
Basic consolidated net earnings per share (€)	0.304	0.303	-
Consolidated pay-out ratio (%)	97.07	90.39	
Fideuram pay-out ratio (%)	99.48	99.96	
Total assets (€m)	44,315	40,654	9
Wealth created (€m)	1,424	1,401	2
Value distributed (€m)	1,374	1,365	1
PROFITABILITY INDICATORS			
Return on Equity (%)	34	34	
Return on Assets (%)	2	2	
Cost / Income ratio (%)	30	29	
Payroll costs / Operating income before net impairment (%)	18	18	
Annualised net profit / Average client assets (%)	0.4	0.4	
Economic Value Added (€m)	399	404	

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

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

Glossary

Net inflows: Total subscriptions minus disinvestments.

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

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

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

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

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

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

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

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

Cost / Income ratio: the financial 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.

Managed assets overview

Assets (€bn)	2018 (*)	2017	2016	2015	2014
Household financial assets in Italy (HFA)	**4,218**	**4,374**	**4,218**	**4,171**	**4,064**
Managed assets (MA)	1,498	1,512	1,400	1,335	1,257
- Mutual funds	320	328	301	286	251
- Discretionary accounts	840	859	801	801	737
- Life insurance technical reserves	624	627	633	580	529
- Pension funds	167	162	94	94	84
- Adjustments	(453)	(464)	(429)	(426)	(344)
MA as % of HFA	**36%**	**35%**	**33%**	**32%**	**31%**

Flows (€bn)	2018 (*)	2017	2016	2015	2014
Household financial assets in Italy (HFA)	**37**	**46**	**32**	**8**	**25**
Managed assets (MA)	16	48	50	98	111
- Mutual funds	6	25	12	32	40
- Discretionary accounts	5	4	18	42	25
- Life insurance technical reserves	(3)	(6)	53	51	15
- Pension funds	4	4	4	4	5
- Adjustments	4	21	(37)	(31)	26
MA as % of HFA	**43%**	**104%**	**156%**	**n.s.**	**n.s.**

(*) The figures of 2018 are estimated.

n.s.: not significant

Source: Bank of Italy

Interim directors' report

Reclassified Financial Statements

Consolidated balance sheet

(reclassified - €m)

	30.6.2019	1.1.2019 (*)	CHANGE	
			AMOUNT	%
ASSETS				
Financial assets measured at fair value through profit or loss	317	294	23	8
Financial assets measured at fair value through other comprehensive income	3,529	3,294	235	7
Debt securities measured at amortised cost	13,240	13,299	(59)	-
Loans to banks	15,135	12,301	2,834	23
Loans to customers	9,620	9,531	89	1
Hedging derivatives	7	-	7	n.s.
Equity investments	163	151	12	8
Property and equipment and intangible assets	609	576	33	6
Tax assets	175	198	(23)	-12
Other assets	1,520	1,388	132	10
TOTAL ASSETS	**44,315**	**41,032**	**3,283**	**8**
LIABILITIES				
Due to banks	3,098	3,409	(311)	-9
Due to customers	35,775	32,354	3,421	11
Financial liabilities held for trading	25	28	(3)	-11
Hedging derivatives	979	808	171	21
Tax liabilities	90	82	8	10
Other liabilities	1,399	1,079	320	30
Provisions for risks and charges	458	468	(10)	-2
Share capital and reserves	2,035	1,970	65	3
Net profit	456	834	(378)	-45
TOTAL LIABILITIES	**44,315**	**41,032**	**3,283**	**8**

(*) Restated on a like-for-like basis to take the application of IFRS 16 into account.

n.s.: not significant

Consolidated income statement

(reclassified - €m)

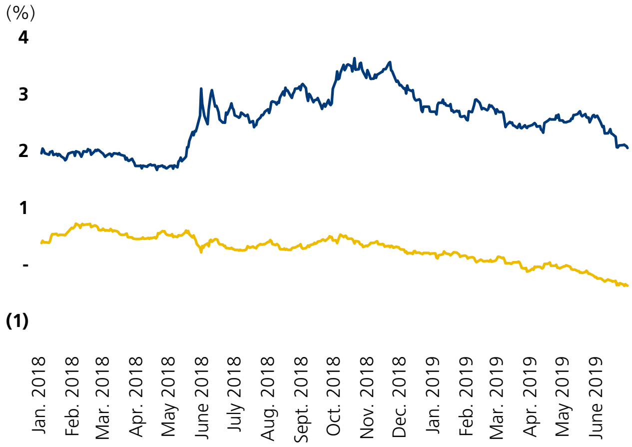
	1ST HALF 2019	1ST HALF 2018 (*)	CHANGE	
			AMOUNT	%
Net interest income	89	76	13	17
Net profit (loss) on financial assets and liabilities measured at fair value	28	17	11	65
Net fee and commission income	843	855	(12)	-1
INTERMEDIATION MARGIN	**960**	**948**	**12**	**1**
Profit on equity investments and other income (expense)	2	4	(2)	-50
NET OPERATING INCOME	**962**	**952**	**10**	**1**
Personnel expenses	(171)	(167)	(4)	2
Other administrative expenses	(91)	(89)	(2)	2
Depreciation and amortisation	(27)	(23)	(4)	17
NET OPERATING EXPENSES	**(289)**	**(279)**	**(10)**	**4**
OPERATING MARGIN	**673**	**673**	**-**	**-**
Net impairment of loans	(2)	-	(2)	n.s.
Net provisions for risks and charges and net impairment of other assets	(23)	(14)	(9)	64
Net non-recurring income (expenses)	9	8	1	13
GROSS INCOME (LOSS)	**657**	**667**	**(10)**	**-1**
Income taxes for the period on continuing operations	(183)	(198)	15	-8
Integration and voluntary redundancy expenses (net of tax)	(9)	(9)	-	-
Effects of purchase price allocation (net of tax)	(1)	-	(1)	n.s.
Expenses regarding the banking system (net of tax)	(8)	(6)	(2)	33
NET PROFIT	**456**	**454**	**2**	**-**

(*) Restated on a like-for-like basis to take the changes in the scope of consolidation and application of IFRS 16 into account.
n.s.: not significant

Economic scenario

The first half of 2019 was characterised by a significant increase in uncertainty about global growth prospects. The main central banks responded to this with a decidedly accommodative monetary policy. The trend in global economic activity was not disappointing in the first quarter and there was an acceleration in GDP growth in all major economies compared to the previous quarter. Over the following months, however, signs of a slowdown emerged, especially in the manufacturing sector, resulting from the impact on the world economy of uncertainties caused by trade tensions between the USA and China. At the beginning of May, when the USA and China seemed to be about to reach an agreement, there was a new escalation with the decision by the Trump Administration to increase trade tariffs on 200 billion dollars worth of Chinese imports from 10% to 25% and the possibility of imposing tariffs on all Chinese imports into the USA. This final threat was abated (at least temporarily) following the meeting between Presidents Trump and Xi at the end of June, when the parties agreed to restart the negotiations that were interrupted at the beginning of May. Moreover, in the meantime, disagreements with China also spread to the area of technology supremacy (with the ban imposed on Huawei), and the US Administration also used the threat of trade tariffs with Mexico (then abated) in order to address the issue of illegal immigration. With the increased uncertainty on the prospects for global growth and in the absence of inflationary pressures, the main central banks reacted with a determined change in strategy, also under evident pressure from the financial markets. This change was particularly marked as regards the Federal Reserve, which in mid-December 2018 had increased rates by 25 basis points with the prospect of two further rises by the end of the 2019 but then rapidly changed its policy at the beginning of the year and cancelled its bullish stance at the end of January. As a result of the further escalation in trade tensions, in June the Federal Reserve clearly showed a willingness towards a cut in rates to be announced in the meeting at the end of July. Over the months, the European Central Bank, which had completed its Quantitative Easing programme in December, also adopted an increasingly expansionary stance. Accommodative decisions were also made by the Chinese Central Bank while the Bank of Japan, which had not adopted a strategy towards closing its ultra-expansionary policies, did not make any important decisions.

10-year Bund and BTP yields



Source: Bloomberg

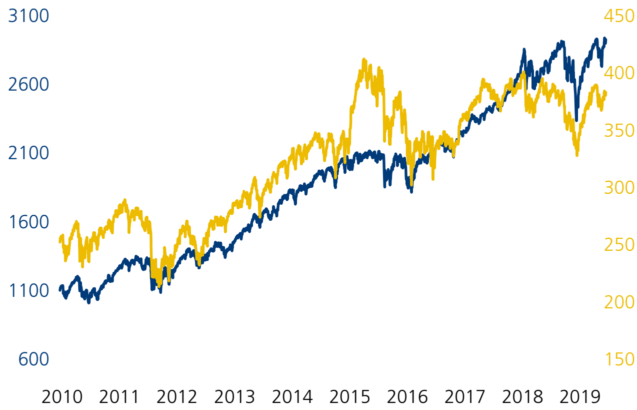
The growth in the **USA**'s GDP again accelerated in the first quarter, after the slowdown at the end of 2018, due in particular to the significant positive contribution from stocks and foreign trade, whereas domestic final demand, above all consumer spending, was rather modest. In the second quarter, the contribution from stocks and net exports receded and, despite a vigorous recovery from consumer spending, growth began to slow down again. During the period there were signs of moderation both in terms of employment trends (which slowed down compared to the trends in 2018) and, more significantly, in terms of business confidence in the manufacturing sector which was more directly affected by trade tensions. Besides, the slowdown in employment growth did not prevent a further fall in unemployment which reached new cyclical lows in spring. After the acceleration recorded in 2018, salary growth remained substantially stable while core inflation (i.e. net of energy and food components) continued to slow down.

The first half of 2019 in the **Euro Area** was characterised by a high level of political and economic uncertainty. There was continued recovery but at the same rather modest rate as that already recorded in the second half of 2018, supported primarily by domestic demand (especially in the service sector). The sustained labour market continued to ensure support for the growth in consumer spending, but conditions in the manufacturing sector worsened due to the uncertainties caused by the trade tensions between the USA and China, the USA's threat of imposing tariffs on the European Union's automotive sector as well as the complex circumstances surrounding Brexit. The United Kingdom should have left the European Union at the end of March 2019 but the British government asked for a postponement to the end of October. Political uncertainty was further increased by the European Parliament elections at the end of May, when the populist parties managed to significantly increase their influence for the first time, thus also causing some difficulties in reaching a consensus on the appointment of the main EU institutional representatives (including the presidency of the ECB), finally agreed upon at the beginning of July. Despite higher salary growth during 2018, inflation remained weak throughout the half-year and core inflation, though volatile, remained at around 1% without showing any true signs of going up. The European Central Bank, which had decided in December 2018 to end its Quantitative Easing programme, again found itself in the position of having to modify its monetary policy in a more expansionary direction: in March it announced that its rates would remain unchanged until the end of the year (and not just until the end of the summer) and prepared new measures in support of liquidity in the banking sector that will commence in September (TLTRO-III). In June, the European Central Bank then further extended its promise to keep rates unchanged (until the end of the first half of 2020) and was increasingly explicit about its intention to be ready to act using all instruments available.

In **Asia**, economic activity trends were affected by the slowdown in global growth, inducing the main central banks to adopt a more expansionary policy. In China, GDP growth at the beginning of the year was stronger than expected but then slowed down during the spring, with a rather weak trend in infrastructure investments. Due to the uncertainty about the outcome of trade negotiations with the USA and the signs of weakness in economic activity, the authorities maintained an accommodative fiscal and monetary policy; the escalation in the trade war with the USA in May led to a further and sudden depreciation of the Yuan against the Dollar. In Japan, GDP growth at the beginning of the year was rather strong but a marked slowdown was recorded in the second quarter. The Bank of Japan did not change its ultra-expansionary monetary policy even though the strengthening of the yen made it even more complicated to reach its inflation target.

After the heavy falls in the equity markets that were a feature of the end of 2018, the expansionary measures adopted by the Federal Reserve, in conjunction with the stability of economic activity indicators, led to an appreciable recovery in share prices in the early months of the year, which was interrupted, only temporarily, by the escalation in the trade war at the beginning of May. In the USA, the S&P 500 index ended the half-year with a performance of 17.3%, whereas in Europe the DJ Stoxx 600 index recorded a recovery of 14% (with an outperformance in the Italian market where the FTSE-MIB index made gains of 15.9%). The performance was more modest in the emerging markets, with the MSCI index (in dollars) showing an increase of 9.2%, and above all in Japan with the Topix index recording a performance of 3.8%. The bond markets also recorded significant changes during the half-year, with a considerable reduction in yields. In the USA, the 10-year government bond yields fell from 2.7% to 2% while in the Euro Area a fall of a comparable level took the 10-year Bund yields into negative territory, reaching new all-time lows (-0.4% at the beginning of July). The 10-year Italian BTP/Bund spread rose to nearly 290 basis points at the end of May but fell back significantly in the following weeks, going under 200 basis points at the beginning of July.

Stock market performance

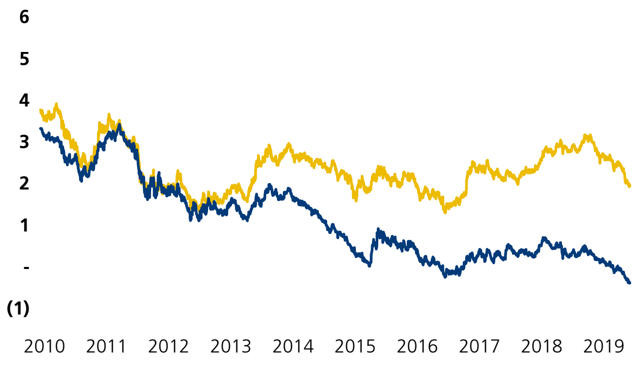


Source: Bloomberg

Bond market performance

(10-year government bond yields)

(%)



Source: Bloomberg

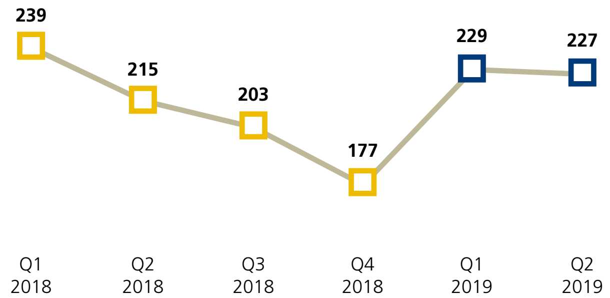
Overview of consolidated results

The Fideuram - Intesa Sanpaolo Private Banking Group ended the first six months of 2019 with **consolidated net profit** of **€456m**, up €2m on the same period in 2018.
The Wealth created by the Group's business totalled €1.4bn in the first six months of 2019, up €23m on the first half of last year.
The Return on Equity (R.O.E.) was 34%.

The analysis of the main income-statement items shows that net operating income is up by €10m compared to the first half of the previous year due to the growth in net interest income (+€13m) and the profit on financial assets measured at fair value (+€11m), partly offset by a fall in net fee and commission income down by €12m. Conversely, net operating expenses were up by €10m, net impairment of loans by €2m and provisions for risks and charges by €9m. Income taxes for the period, which include some non-recurring positive items totalling €9m, recorded a fall of €15m compared with the first half of 2018.
The Group's Cost/Income Ratio reached 30% from 29% during the same period last year.

Consolidated net profit

(€m)



At 30 June 2019, there were a total of 5,942 Personal Financial Advisers in the Group's networks compared with 5,995 at 31 December and 6,050 at 30 June 2018. Client assets per Personal Financial Adviser were approximately €39m at 30 June 2019. Total Group staff came to 3,336, substantially unchanged compared to 3,335 at 31 December 2018. Bank branches totalled 231 and Personal Financial Advisers' offices totalled 321.

Business model

Fideuram - Intesa Sanpaolo Private Banking is the number one Private Bank in Italy and among the largest in Europe with client assets totalling about €230bn.
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.

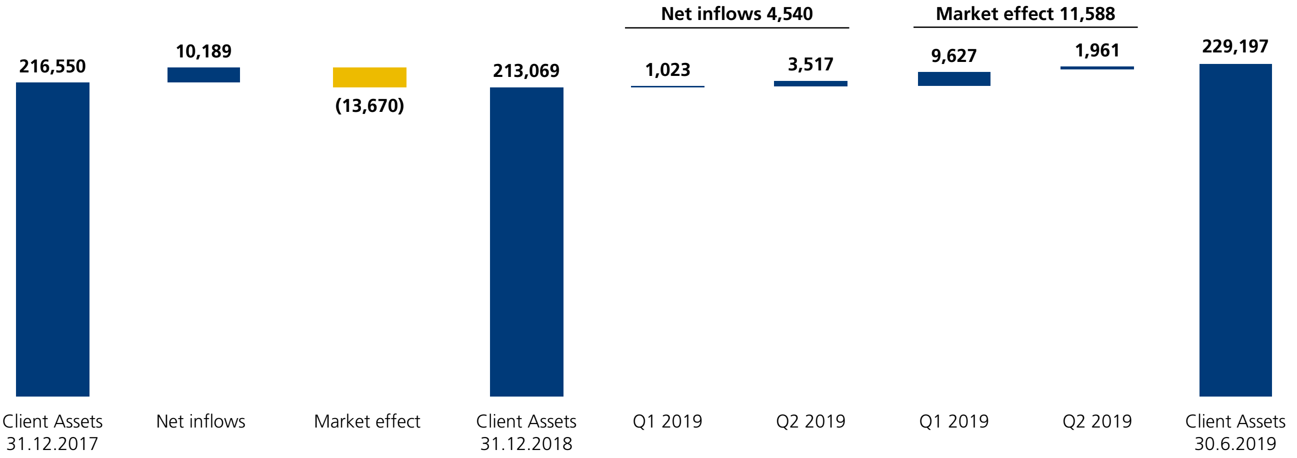
The Group's positioning is principally focused on the Private Banking customers and High Net Worth Individuals. Our products and services are provided by approximately 6 thousand highly qualified professionals in four separate networks (Fideuram, Sanpaolo Invest, Intesa Sanpaolo Private Banking and Intesa 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 **€229.2bn** at 30 June 2019, up by €16.1bn (+8%) on the figure at the end of December 2018. This result is mainly attributable to market performance, which positively impacted assets by €11.6bn (+€9.7bn in managed assets and +€1.9bn in non-managed assets) and, to a lesser extent, to net positive inflows amounting to €4.5bn. During 2018, the adverse performance of the assets was entirely attributable to the negative market effect for €13.7bn, only partly offset by inflows amounting to €10.2bn.

Client Assets (*)

(€m)



(*) Restated on a like-for-like basis, where necessary, to take the changes in the scope of consolidation into account.

Analysis of the aggregated items shows that **managed assets** (about 68% of total client assets) equalled **€156.9bn**, up compared to the amount at the end of 2018 (€147bn), as well as compared to the average figure for 2018 (€152.3bn) and for the first half of 2019 (€153.2bn). Compared to the end of 2018, this increase was in mutual funds (+€3.3bn), discretionary accounts (+€3bn) and life insurance (+€3.4bn). **Non-managed assets** totalled **€72.3bn**, up €6.2bn on the figure at year-end 2018.

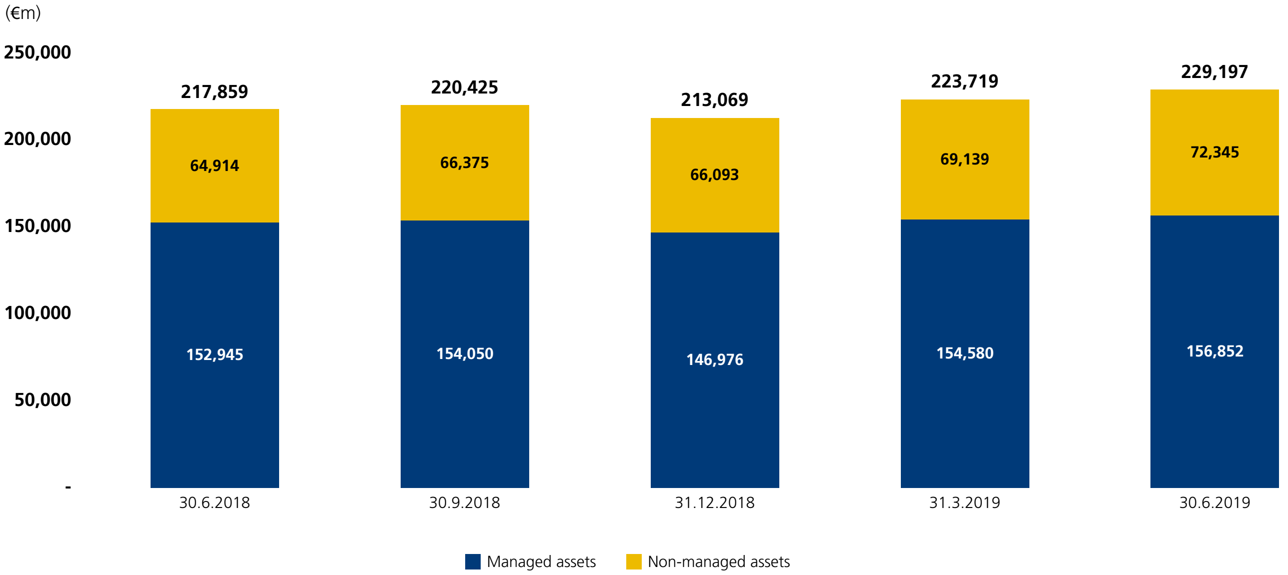
Client Assets

(€m)

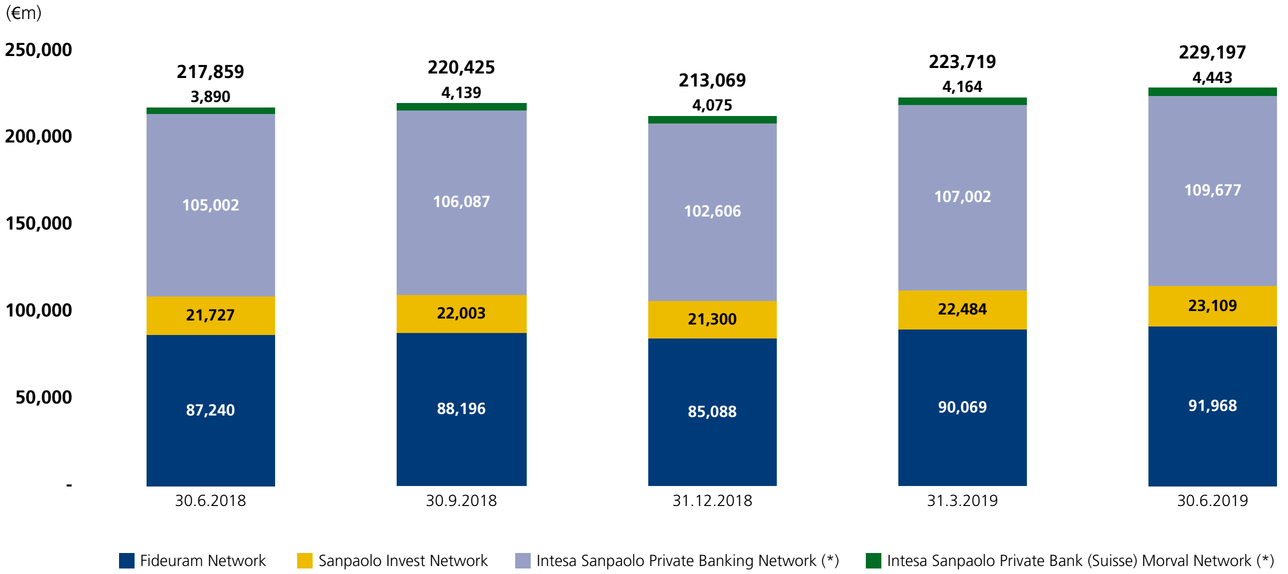
	30.6.2019	31.12.2018	CHANGE	
			AMOUNT	%
Mutual funds	58,695	55,418	3,277	6
Discretionary accounts	44,372	41,338	3,034	7
Life insurance	51,609	48,228	3,381	7
including: Fideuram Vita / Intesa Sanpaolo Vita unit linked	*34,640*	*32,649*	*1,991*	*6*
Pension funds	2,176	1,992	184	9
Total managed assets	**156,852**	**146,976**	**9,876**	**7**
Total non-managed assets	**72,345**	**66,093**	**6,252**	**9**
including: Securities	*29,562*	*37,730*	*(8,168)*	*-22*
Total Client Assets	**229,197**	**213,069**	**16,128**	**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



Client Assets - by Sales Network (*)



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

Inflows into managed and non-managed assets

The Group's distribution networks brought in **€4.5bn** of **net inflows** in the first six months of 2019, down €937m (-17%) on the total for the first half of 2018. Analysis of aggregated figures shows that the inflows into managed assets, amounting to €204m, fell sharply (down by €2.7bn) compared with the corresponding period of the previous year. This was partly attributable to the Group personal financial advisers directing a portion of the new inflows from customers towards the bond and money markets. The non-managed assets component was a positive €4.3bn, having grown (+€1.8bn) from the first half of the previous year.

Net inflows

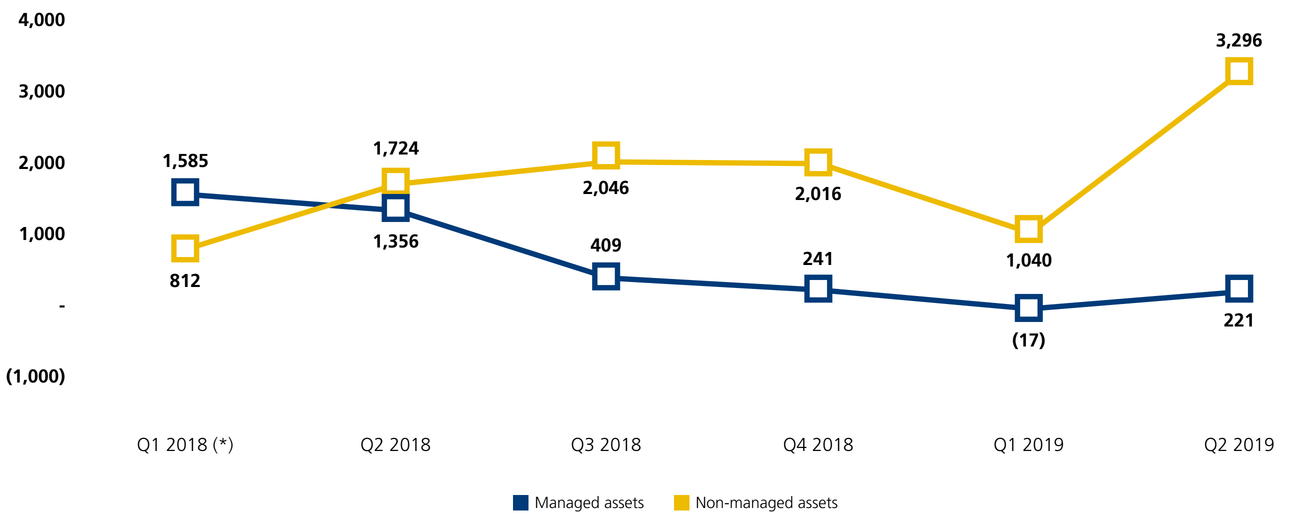
(€m)

	1ST HALF 2019	1ST HALF 2018 (*)	CHANGE	
			AMOUNT	%
Mutual funds	(1,300)	2,235	(3,535)	n.s.
Discretionary accounts	628	(221)	849	n.s.
Life insurance	809	864	(55)	-6
including: Fideuram Vita / Intesa Sanpaolo Vita unit linked	*(240)*	*931*	*(1,171)*	*n.s.*
Pension funds	67	63	4	6
Total managed assets	**204**	**2,941**	**(2,737)**	**-93**
Total non-managed assets	**4,336**	**2,536**	**1,800**	**71**
including: Securities	*2,567*	*1,062*	*1,505*	*142*
Total Net inflows	**4,540**	**5,477**	**(937)**	**-17**

n.s.: not significant

Net inflows

(€m)



(*) Restated on a like-for-like basis, where necessary, to take the changes in the scope of consolidation into account.

Customer segmentation

Client Assets at 30 June 2019

- Fideuram: €91,968m
- Sanpaolo Invest: €23,109m
- Intesa Sanpaolo Private Banking: €105,872m
- Siref Fiduciaria: €4,133m (*)
- Intesa Sanpaolo Private Bank (Suisse) Morval: €4,115m

(*) The figure does not include the fiduciary mandates regarding Group Client Assets. Total client assets came to €11.9bn.

Customers at 30 June 2019

- Fideuram: No. 575,607
- Sanpaolo Invest: No. 153,782
- Intesa Sanpaolo Private Banking: No. 37,812 (**)
- Siref Fiduciaria: No. 2,045 mandates
- Intesa Sanpaolo Private Bank (Suisse) Morval: No. 1,858

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

Analysis of the Group's customer base shows that it is concentrated in the Private Banking and High Net Worth Individual (HNWI) segment. This focus on high-end customers (about 75% of client assets come from Private Banking and HNWI customers) enables our Personal Financial Advisers to target a segment with high growth prospects in the Italian Market. The Group supports its customers with a dedicated service model using ad hoc organisational management (Private Banking and HNWI branches) and customised products and services.

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

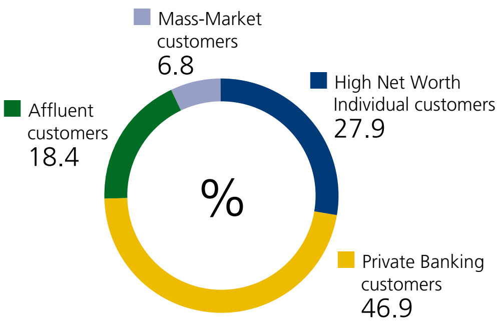
Client assets by type of customer (***)

(€m)

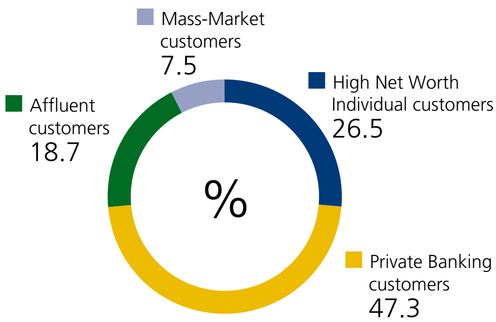
	30.6.2019	31.12.2018	CHANGE	
			AMOUNT	%
High Net Worth Individual customers	63,880	56,576	7,304	13
Private Banking customers	107,407	100,695	6,712	7
Affluent customers	42,182	39,760	2,422	6
Mass-Market customers	15,728	16,038	(310)	-2
Total	**229,197**	**213,069**	**16,128**	**8**

Percentage analysis of client assets by type of customer

30.6.2019



31.12.2018



(***) The Fideuram Group's customers are segmented as follows:
High Net Worth Individual customers: customers with financial assets potentially totalling in excess of €10,000,000.
Private Banking customers: customers with financial assets totalling between €500,000 and €10,000,000.
Affluent customers: customers with financial assets totalling between €100,000 and €500,000.
Mass-Market customers: customers with financial assets of less than €100,000.

Advanced advisory services

The Fideuram Group is a leading Italian group in the provision of financial advisory services and in the distribution, development and management of financial services and products for private individuals. The Group's principal distinctive strengths, emblematic of its market leadership, are founded on a business model that anchors the distribution of products and services in the professional relationships between our Personal Financial Advisers and their customers. This is supported by the strength of a group with renowned brands – Fideuram, Intesa Sanpaolo Private Banking and Sanpaolo Invest – and a network of 231 bank branches and 321 Personal Financial Advisers' offices, which make a decisive contribution to customer loyalty. Our guided open-architecture model offers third-party products to complement our Group products. The professional relationship between each Personal Financial Adviser and customer is based on a financial advisory service model governed by a specific contract. The services under this model are delivered in two ways:

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

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

- SEI Advanced Advisory Service: this service identifies the customer's individual requirements classified by area of need, analyses their overall position and risk/return profile, and identifies appropriate investment strategies and solutions for each individual area of need, monitoring them over time.
- VIEW (Value Investment Evolution Wealth) Advanced Advisory Service: an advisory service offered by Intesa Sanpaolo Private Banking. VIEW takes all a customer's assets into consideration and supports the Personal Financial Advisers in their work of identifying each customer's specific requirements, categorised by area of need, including with the assistance of guideline customer "archetype" profiles. VIEW provides a complete advisory service, which, in addition, benefits from incorporating the 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.

A total of approximately 67,000 customers were subscribed to our Advanced Advisory Services at the end of June 2019, accounting for €37.8bn of client assets.

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

Customers subscribed to Advanced Advisory Services

(number)

	30.6.2019	31.12.2018	CHANGE AMOUNT	CHANGE %
High Net Worth Individual customers	997	873	124	14
Private Banking customers	17,262	16,758	504	3
Affluent customers	31,893	32,586	(693)	-2
Mass-Market customers	16,804	18,281	(1,477)	-8
Total	**66,956**	**68,498**	**(1,542)**	**-2**

Advanced Advisory Service client assets

(€m)

	30.6.2019	31.12.2018	CHANGE AMOUNT	CHANGE %
High Net Worth Individual customers	6,327	5,717	610	11
Private Banking customers	22,364	21,306	1,058	5
Affluent customers	8,128	8,186	(58)	-1
Mass-Market customers	988	1,132	(144)	-13
Total	**37,807**	**36,341**	**1,466**	**4**

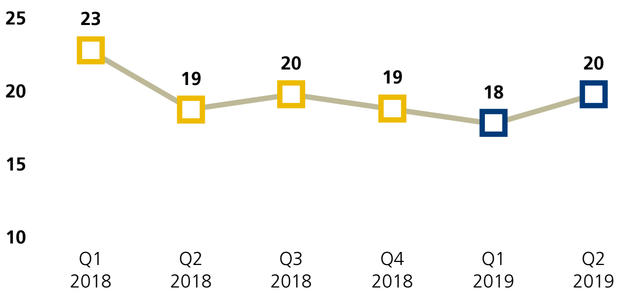
Advanced Advisory Service fee and commission income

(€m)

	1ST HALF 2019	1ST HALF 2018	CHANGE AMOUNT	CHANGE %
Fee and commission income	60	66	(6)	-9
Fee and commission expense	(22)	(24)	2	-8
Net fee and commission income	**38**	**42**	**(4)**	**-10**

Quarterly net fee and commission income from Advanced Advisory Service

(€m)



Distribution of value

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

The table showing the Wealth created by the Group was prepared using the income statement figures from the Consolidated Financial Statements for the first six months of 2019, reclassified in accordance with the instructions of the Italian Banking Association (Associazione Bancaria Italiana - ABI) following the guidelines of the Global Reporting Initiative (GRI). The Wealth created is the economic value generated in the period, which is for the most part distributed to the stakeholders with whom the Group has relations as part of its daily operations. The Value retained is the difference between the Wealth created and the Value distributed, and it is used for productive investments to enable economic growth and financial stability, as well as to ensure the creation of new wealth to the benefit of our stakeholders. The Wealth created by the global business of the Group totalled €1.4bn (up €23m on the total for the first six months of 2018).

This wealth was distributed to stakeholders as follows:

- Colleagues (employees and Personal Financial Advisers) received 37.9% of the Wealth created, amounting to a total of €539m. This included the remuneration paid to employees and the amounts set aside for and paid to the Personal Financial Adviser Networks.
- Our shareholder received 31.1% of the Wealth created, in the form of the proposed dividend pay-out totalling €443m.
- The government, public authorities, institutions and the community received €285m, principally in the form of direct and indirect taxes, amounting to 20% of the Wealth created.
- Suppliers received 7.5% of the Wealth created, totalling €107m paid for goods and services.
- The remainder, €50m, 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.

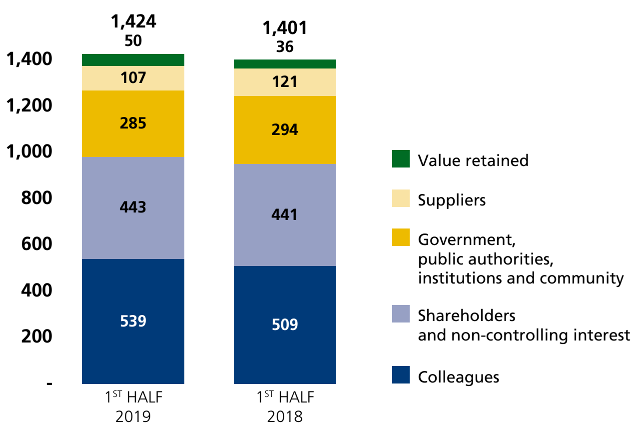
Economic value added

(€m)

	1ST HALF 2019	1ST HALF 2018	CHANGE	
			AMOUNT	%
Wealth created	**1,424**	**1,401**	**23**	**2**
Value distributed	**(1,374)**	**(1,365)**	**(9)**	**1**
Colleagues	(539)	(509)	(30)	6
Shareholders and non-controlling interest	(443)	(441)	(2)	-
Government, public authorities, institutions and community	(285)	(294)	9	-3
Suppliers	(107)	(121)	14	-12
Value retained	**50**	**36**	**14**	**39**

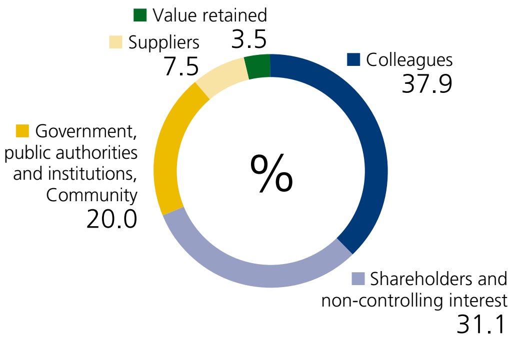
Wealth created

(€m)

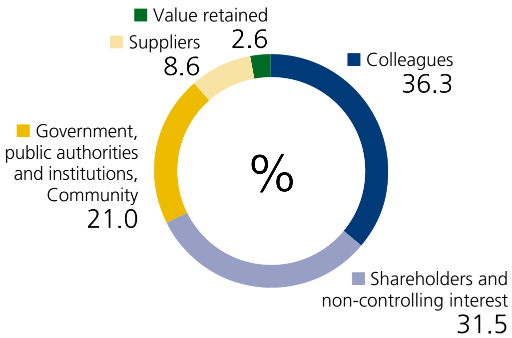


Analysis of wealth created

1ST HALF 2019



1ST HALF 2018



Segment reporting

The Group's operating structure covers three main Business Segments related to the types of financial products offered to customers:

- **Managed Financial Assets Segment**, which extends from mutual funds to SICAVs, speculative funds and individual discretionary accounts.
- **Life Insurance Assets Segment**, which covers unit-linked and traditional managed insurance asset products, as well as pension and protection products.
- **Banking Services Segment**, which covers the Group's banking and financial services.

The following analyses outline the products and services offered, together with the initiatives and research and development carried out in the period, while also presenting the Group's financial results, transaction data and key profitability indicators by Business Segment. These Segments are analysed using data that show their contribution to Group income after consolidation adjustments.

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

Segment reporting at 30 June 2019

(€m)

	MANAGED FINANCIAL ASSETS	LIFE INSURANCE ASSETS	BANKING SERVICES	TOTAL FOR FIDEURAM GROUP
Net interest income	-	-	89	89
Net profit (loss) on financial assets and liabilities at fair value	-	-	28	28
Net fee and commission income	540	242	61	843
Intermediation margin	**540**	**242**	**178**	**960**
Net operating expenses	(148)	(39)	(102)	(289)
Other	(9)	(4)	(1)	(14)
Gross income (loss)	**383**	**199**	**75**	**657**
Average Client Assets	**100,991**	**52,204**	**69,714**	**222,909**
Client Assets	**103,067**	**53,785**	**72,345**	**229,197**
Key indicators				
Cost / Income Ratio	27%	16%	57%	30%
Annualised gross income (loss) / Average Client Assets	0.8%	0.8%	0.2%	0.6%
Annualised net fee and commission income / Average Client Assets	1.1%	0.9%	0.2%	0.8%

MANAGED FINANCIAL ASSETS SEGMENT

The Managed Financial Assets Segment covers the Group's discretionary account and mutual fund business, which totalled €103.1bn at 30 June 2019 (45% of total client assets), up €1.4bn on 30 June 2018. Total net inflows into the segment were negative to the tune of €0.7bn, a decrease of €2.7bn compared with the corresponding period in the previous financial year. Profit before tax totalled €383m, down €44m on the figure for the corresponding period in the previous financial year, mainly due to the decreased net fee and commission income, attributable to the change in asset allocation of customer assets. The ratio of net fee and commission income to client assets was 1.1%, while the ratio of profit before tax to client assets was 0.8%.

Managed financial assets

(€m)

	1ST HALF 2019	1ST HALF 2018 (*)	CHANGE %
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities at fair value	-	-	-
Net fee and commission income	540	584	-8
Intermediation margin	**540**	**584**	**-8**
Net operating expenses	(148)	(147)	1
Other	(9)	(10)	-10
Gross income (loss)	**383**	**427**	**-10**
Average Client Assets	**100,991**	**102,323**	**-1**
Client Assets	**103,067**	**101,692**	**1**
Key indicators			
Cost / Income Ratio	27%	25%	
Annualised gross income (loss) / Average Client Assets	0.8%	0.8%	
Annualised net fee and commission income / Average Client Assets	1.1%	1.1%	

(*) Restated on a like-for-like basis to take the application of IFRS 16 into account.

In the first half of 2019, with the aim of enhancing the solutions supporting the advisory service model and in light of market trends, Fideuram and Sanpaolo Invest enriched their range of products with new forms of investment strengthening their service Platforms which, by exploiting their flexibility, permit growing levels of customisation to respond specifically to the needs of different customer segments. In this area, the offer of controlled risk solutions and solutions with progressive and planned entry into the markets was strengthened. Steps were also taken to implement the regulatory developments in the sector.

As regards **Fideuram funds**, the range was updated in the wake of actions taken by asset management companies: the first action concerned bringing the Italian and Luxembourg funds (Fideuram Moneta, Fideuram Risparmio, Fonditalia Euro Currency, Fonditalia Euro Yield Plus) into line with the new European legislation on money market funds, creating a new series of solutions with an investment policy that is more flexible and more suited to current conditions and with a commission structure that is also more in line with the reference context. The second action involved the transformation of the Fonditalia Flexible Risk Parity fund into Fonditalia Cross Asset Style Factor, a new form of multi-asset investment constructed with an allocation based on value factors. Lastly, Fideuram Investimenti SGR has created on the Fideuram Alternative Investments (FAI) platform a second FAI – Mercati Privati Globali investment window. This innovative and unique programme was created for investing on private markets and allows investments to be made in unlisted firms and in the Private Equity, Private Debt, Infrastructure and Real Estate segments.

As regards funds and SICAVs distributed by Intesa Sanpaolo Private Banking, during the first half of 2019 the offering of products managed by the asset management companies of the Intesa Sanpaolo Group was expanded with the launch of new dedicated funds. In particular, Eurizon Capital SGR launched the following Italian funds during the half-year:

- Eurizon Private Allocation 20-60, a flexible fund aimed at customers with a medium risk profile who are seeking a diversified investment and want to delegate the choice of investment markets and strategies to a professional manager, with an exposure to the equity market of between 20% and 60%. The fund allows access to the managerial skills of the High Net-Worth Individuals team of the asset management company, through an easily accessible product with a reporting quality that is typical of customised management.
- Eurizon Italian Fund, belonging to the new ELTIF type ("European Long Term Investment Funds") which aim to promote the real economy in all the Member States of the European Union, encouraging capital inflows from SMEs. A minimum of 70% of the fund portfolio is invested in instruments issued by non-financial companies listed in the markets devoted to SMEs (AIM, Star, MTA and MIV) and with a capitalisation of less than €500m. The reference geographical area is Italy and only a maximum of 20% is invested in instruments issued by companies from other European countries. The fund, which is a closed-ended alternative investment fund (AIF), has an overall duration of more than 7 years.
- Eurizon Approccio Contrarian ESG, characterised by a flexible management approach based on a contrarian and sustainable strategy (ESG criteria) as regards the equity component and on absolute-return and sustainable strategies for the bond component.
- Eurizon Investi Protetto – Edizione 1, investment window fund which allows investors to participate in market trends with capital protection on maturity of the 5-year investment cycle. The management strategy provides for a protection component, consisting of bond market instruments with maturity generally very close to that of the investment cycle, and a component aimed at moderate growth which invests, directly or through derivatives, in equities, bonds and foreign currencies.

The offering of the range managed by Fideuram Asset Management (Ireland) has also been expanded with new investment solutions in the form of an investment window dedicated to Intesa Sanpaolo Private Banking, through the Luxembourg SICAV Ailis and with their management being outsourced to leading international investment firms:

- AILIS BlackRock Multi-Asset Income, a flexible fund that aims to generate growth of the capital invested and positive returns through a global and dynamic exposure to asset classes over an investment time horizon of 5 years. The sub-fund is managed by the Multi-Asset Income team of BlackRock Investment Management (UK) Limited, which can boast long and proven experience in the development and management of Multi-Asset strategies geared to customer requirements and that leverage an efficient approach for risk allocation in the portfolio.
- Ailis Pimco Target 2024, a flexible bond fund with a diversified portfolio that invests in bonds selected at a global level, belonging to various segments and with a maturity consistent with the investment objective of the sub-fund (5 years). The sub-fund portfolio can be invested up to 100% in bonds, up to 70% in High Yield bonds and up to 40% in bonds issued by emerging countries. The new Ailis funds also offer an income distribution class based on the coupon flow of the underlying assets.

For the first half of the year, the development of the Fideuram Multibrand offering (the range of **funds offered by third-party asset managers**) focused on the inclusion of some new funds of partner companies, with a particular focus on theme-based solutions with an ESG approach.
The offering of third-party funds and SICAVs of Intesa Sanpaolo Private Banking has been further expanded with a new investment company, Pegaso Capital Partners S.A., an independent Swiss investment company based in Lugano which manages the Luxembourg umbrella investment company, Pegaso Capital Sicav. Franklin Target Income 2024 has also been launched, an investment window fund with a 5-year time horizon. The product is a flexible bond sub-fund of the new Luxembourg SICAV, Franklin Templeton Opportunities Funds, managed by Franklin Templeton Investments. The management aims to achieve capital growth over a 5-year time horizon, through significant geographical and sectoral diversification, applying an ESG approach integrated in the management of the bond portfolio. The fund is not exposed to currency risk. Lastly, we also added new funds of international investment houses whose products we already distribute and continued our updating and maintenance of the funds offered.

As regards **discretionary accounts**, in the first half of the year, the actions focused on the Fideuram Folios platform with new investment solutions and enriched ancillary services.
In particular, the new "Investimento Sovrano 2023" and "Rendimento 2024" Folios were introduced: two "target date" bond solutions with a decreasing financial duration geared to grasping, within the scope of a subscription window and over a fixed time horizon, the yield opportunities emerged in the first half of the year, respectively on the Italian government bond market and on the global high yield bond market. In continuity with the previous year, two new Step-in Folios were also offered, which produce a progressive entry into the global equity market over 12 and 18 months, in order to facilitate the creation of the equity component in the portfolio in a progressive manner and limiting any timing risk. In terms of ancillary services, the Fideuram Folios platform was enhanced with the new fund transfer service, which allows units of third-party funds/SICAVs held with Fideuram or with a third-party dealer, to be transferred through an automated and integrated process, on a tax neutral basis and during the investment period, starting from a guided sales proposal via the Advisory Platform and the Operating Platform. Lastly, at the end of the half-year, the "Premium" initiative was launched, addressed to customers who hold positions in non-transferable funds as there are penalties for leaving, for whom a special solution called "Best Selection Premium 2019" was included in the range, which invests in a selection of the best funds of some of the main partners and provides for a premium for staying in.
Within the scope of Eurizon Capital SGR discretionary accounts, during the half-year there was a restyling of the Obiettivo Private discretionary account which aims to renew and re-launch the function of the portfolio discretionary account service as a package of financial services, with fiscal optimisation and detailed reporting, reserved exclusively to Intesa Sanpaolo Private Banking customers. In particular, two new Management Lines have been added to the "Main Component" that are called "GP Obiettivo Private ISPB 0-40" and "GP Obiettivo Private ISPB 10-60", with advisory service from the Discretionary Accounts Team of Intesa Sanpaolo Private Banking, providing support for the three existing lines managed by Eurizon. The "Markets Component" has become the "Guided Selection Component", which provides six new Management Lines: three with active management and three with passive management. As regards the discretionary accounts offered by Intesa Sanpaolo Private Banking, ordinary maintenance and evolutionary adjustments to existing products continued.

LIFE INSURANCE ASSETS SEGMENT

This segment covers the Group's life insurance and pension fund business, which totalled €53.8bn at 30 June 2019 (23% of total client assets), up €2.5bn compared to 30 June 2018, principally due to strong life insurance performance (+€2.3bn). Total net inflows were positive to the tune of €0.9bn, remaining unchanged compared to the same period in the previous financial year. The contribution to profit before tax was €199m, down by €8m on the same period in 2018. The ratio of net fee and commission income to client assets was 0.9%, while the ratio of profit before tax to client assets was 0.8%.

Life insurance assets

(€m)

	1ST HALF 2019	1ST HALF 2018 (*)	CHANGE %
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities at fair value	-	-	-
Net fee and commission income	242	248	-2
Intermediation margin	**242**	**248**	**-2**
Net operating expenses	(39)	(37)	5
Other	(4)	(4)	-
Gross income (loss)	**199**	**207**	**-4**
Average Client Assets	**52,204**	**50,812**	**3**
Client Assets	**53,785**	**51,253**	**5**
Key indicators			
Cost / Income Ratio	16%	15%	
Annualised gross income (loss) / Average Client Assets	0.8%	0.8%	
Annualised net fee and commission income / Average Client Assets	0.9%	1.0%	

(*) Restated on a like-for-like basis to take the application of IFRS 16 into account.

Within the scope of **insurance products**, with the aim of facilitating the reallocation of liquidity to managed asset solutions, a sales initiative combined with the Class I policy Fideuram Vita Garanzia e Valore 2 was promoted in January. Over the following months, the development activities concerned the Fideuram Vita Insieme unit-linked range through a series of actions geared to improving its positioning and strengthening its operating content. In particular, there was a reduction in the entry threshold from €1m to €500k for the Private Banking version, and three new internal funds were also introduced for the basic version:

- Valore Sostenibile: a balanced multi-asset solution which mainly invests in ETF with a moderate risk profile and a very modest overall cost;
- Dynamic Advisors: a dynamic multi-asset solution with a 10% maximum volatility with advisory services from four selected Asset Managers, which reproduces a successful strategy already developed in the scope of the Omnia discretionary accounts;
- Global Equity Step-in: a solution that allows progressive entry into the global equity market over 18 months, also on the insurance platform, through the progressive conversion from a defensive portfolio that is managed to optimise liquidity.

Within the scope of Private Insurance solutions, with the aim of serving High Net Worth customers more comprehensively by meeting specific needs not covered by the current range managed by Italian companies, there was continued development of the foreign Private Insurance offering through co-brokering with the First Advisory broker.

As regards Intesa Sanpaolo Private Banking, the "Programma Private" started to be offered during the first half of 2019. This is a Class I single-premium whole-of-life policy issued by Intesa Sanpaolo Vita. The policy offers an insurance solution that allows the customer to invest the capital to be distributed to designated beneficiaries upon decease of the customer or the capital to be paid out upon surrender of the policy. The return on the product is linked to the results of the segregated management of the VIVADUE Fund.
As regards the products already being offered to customers, restyling actions were taken for the following products:

- Synthesis of Intesa Sanpaolo Vita: there was a change in allocation of the premium between Class I and Class III, raising the maximum percentage for Class I to 50% (previously the maximum percentage was 30%). The restyling also involved a change in the legal entity customer target, restricting it to fiduciary companies and entities that do not carry out any commercial activity.
- Penso a Te, the Class I policy dedicated to customers needing to make an investment and wishing to leave a capital sum to a young beneficiary, and Base Sicura Tutelati, the Class I policy dedicated to a specific customer target consisting of minors and/or those represented by a Guardian. For both products, the update concerned a reduction in loading costs for the lowest premium band (up to €124,999), a reduction in the minimum periods in order to exercise surrender and a reduction in the minimum guaranteed amount in the event of death.

Lastly, our inter-broker agreement with First Advisory Broker continued with the offering of Private Insurance solutions, in order to satisfy the growing demand for multi-class and Class I insurance products and for diversified investments.

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 €72.3bn at 30 June 2019 (32% of total client assets), up €7.4bn compared with the figure at 30 June 2018. Total net inflows were positive at €4.3bn, having grown €1.8bn on the first half of the previous year.
The contribution of this segment to profit before tax was €75m. The €42m increase in profit before tax compared with the corresponding period in the previous financial year was mainly attributable to the increase in net fee and commission income for the placement of bonds and certificates. The ratio of net fee and commission income to client assets and of profit before tax to client assets was 0.2%.

Banking Services

(€m)

	1ST HALF 2019	1ST HALF 2018 (*)	CHANGE %
Net interest income	89	76	17
Net profit (loss) on financial assets and liabilities at fair value	28	17	65
Net fee and commission income	61	23	165
Intermediation margin	**178**	**116**	**53**
Net operating expenses	(102)	(95)	7
Other	(1)	12	n.s.
Gross income (loss)	**75**	**33**	**127**
Average Client Assets	**69,714**	**64,413**	**8**
Client Assets	**72,345**	**64,914**	**11**
Key indicators			
Cost / Income Ratio	57%	79%	
Annualised gross income (loss) / Average Client Assets	0.2%	0.1%	
Annualised net fee and commission income / Average Client Assets	0.2%	0.1%	

(*) Restated on a like-for-like basis to take the application of IFRS 16 into account.

n.s.: not significant

Within the scope of **banking services**, in order to support the extension of our banking facilities and the acquisition of new customers, there continued to be a number of initiatives offering current accounts with special interest rates (Plus IV Current accounts). These were accompanied by initiatives geared to assisting customers towards forms of investment that best suited their needs through three new Step-in current accounts (Step-in 25, Step-in 50 and Step-in 100) with special interest rates combined with managed assets. The Lending initiatives also continued. As regards plastic money and in compliance with the PSD2 regulations, O-Key has been replaced by O-Key Smart.

The new instant transfer service called "Bonifico Istantaneo" has been made available to all holders of current accounts in euro. This new form of transfer allows money to be transferred (in euro within the SEPA area) between authorised accounts held at banks that are part of the SEPA Instant Credit Transfer scheme. The instant transfer service allows users to receive and send money 24/7, up to a maximum limit of €15k per operation. The money is sent immediately and therefore, the order cannot be revoked.

As regards payment cards, the service offering American Express credit cards has been renewed.

The new Amex Platinum metal card offers new services in the field of travelling and lifestyle with a view to improving customer experience, by enhancing the card's physical nature. From June 2019 onwards, all Amex Platinum cards have been enhanced with the following new services:

- Fast Track: priority at security checks at main Italian airports in order to reach departure gates more quickly.
- Prestige level Priority Pass: free subscription to the Prestige level of the Priority Pass Programme, giving access to over 1,200 VIP Lounges in airports all over the world.
- Insurance cover: compared to the previous Platinum Card, the maximum limits of cover in the event of injury have risen from €1m to €5m and purchase protection from €12k to €30k, whereas in the event of a journey cancellation, Platinum Card becomes the best card insurance cover on the market.

As regards **non-managed assets**, the offering of controlled risk solutions was strengthened, making the most of the opportunities on the interest rate market, in response to the need to preserve capital, in particular for the Affluent/Lower Private segment, mainly with issues of protected capital. In particular, within the scope of the offering of financial instruments for placement, seven new issues were proposed of Investment Certificates issued by Banca IMI on equity indices and baskets of equity indices, with complete protection of the principal on maturity and full participation in the performance of the various underlying securities, with or without a cap. For the bond investment component, Fideuram participated in the placement of bonds of Intesa Sanpaolo, Mediobanca and Cassa depositi e prestiti. Lastly, certain initiatives regarding Repurchase agreements have been promoted.

As regards Intesa Sanpaolo Private Banking, in the first half of 2019 the offering of securities on the primary market was characterised by the placement of 19 Certificates with Banca IMI as issuer (four of which upon request by individual customers), three Public Offers for Subscription, including two from Mediobanca - one step-up fixed rate bond and one floored floating rate bond - and one from Cassa depositi e prestiti with mixed rate, three Intesa Sanpaolo bonds, including one with 3-year maturity and fixed rate, one with 5-year maturity and fixed rate and one with 5-year maturity and floating rate.

Finally, as regards the products and services dedicated to the London Branch, the project to bring the UK structure into line with EU MiFID II regulatory requirements continued during the half-year, and maintenance work was carried out on the existing range.

Operations outside Italy

During the first half of 2019, **Fideuram Asset Management (Ireland) dac** continued to act as manager of the Fideuram Group's collective investment products (Luxembourg, Irish and Italian collective investment undertakings) and of the products developed by the Group's insurance companies (Italian pension fund and Irish unit-linked policies). Client assets in the Luxembourg and Irish products offered by Fideuram Asset Management (Ireland) totalled €40.5bn at 30 June 2019, up by €1.6bn from the figure at 31 December 2018 (€38.9bn).

Fideuram Bank (Luxembourg) S.A. plays a leading role in the Group's operating structure as the Depository Bank and Domiciliation and Administrative Agent (calculation of Net Asset Value and keeping of subscriber register) of our Luxembourg funds, with €40.6bn client assets at 30 June 2019. The bank operates through a select yet extensive network of worldwide correspondent banks, while also acting as Securities Lending Agent for the portfolio of funds. It also plays a significant role in providing management services for foreign currency liquidity for the Group's Luxembourg funds. Lastly, the Bank also provides technological and organisational support in the form of IT and administrative services for a number of group affiliated companies in other countries.

As part of the actions implementing the International Development Plan, Banque Morval S.A. was merged with Intesa Sanpaolo Private Bank (Suisse) S.A. in the first quarter of 2019 and then with Morval Vonwiller Holding S.A., creating **Intesa Sanpaolo Private Bank (Suisse) Morval S.A.**.
Intesa Sanpaolo Private Bank (Suisse) Morval S.A. is a Swiss bank specialising principally in investment services for private individuals. Its head office is in Geneva and its Client Assets totalled CHF4.6bn at 30 June 2019, of which almost 45% comprised managed assets. The Bank is currently committed to implementing the International Development Plan outlined in the Group's Business Plan. This envisages consolidating its presence on Private Banking international markets, with the aim of becoming one of the leading private banks in Europe in terms of client assets, at Group level. The first half of the year ended with a consolidated loss after tax of CHF14.3m due to important investments made as operating expenses and as capital expenditure, associated with the implementation of the aforesaid Plan.

Part of the Group's treasury and finance activities are performed in France. These activities are conducted by subsidiary **Financière Fideuram S.A.**, which had securities holdings of approximately €2.3bn at 30 June 2019 (€2.4bn at year-end 2018).

Human capital

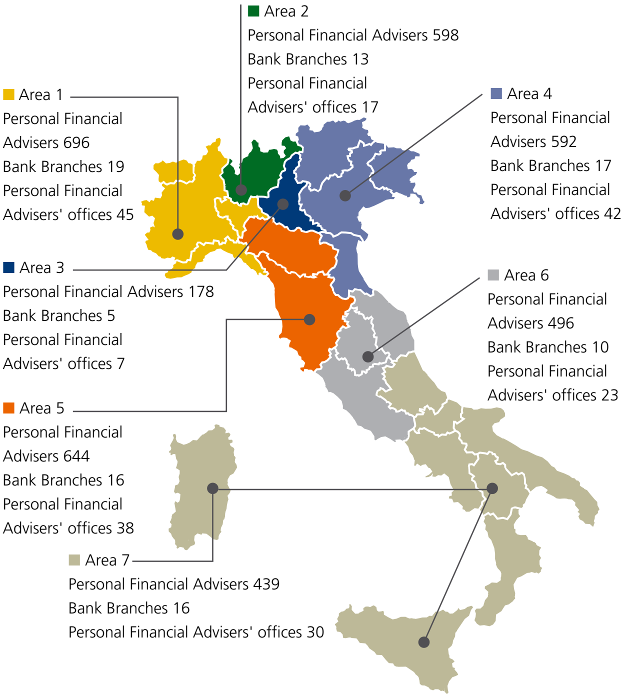
DISTRIBUTION NETWORKS

At 30 June 2019, the Group's distribution networks (Fideuram, Sanpaolo Invest, Intesa Sanpaolo Private Banking and Intesa Sanpaolo Private Bank (Suisse) Morval Networks) totalled 5,942 Personal Financial Advisers compared with 5,995 at the beginning of 2019.

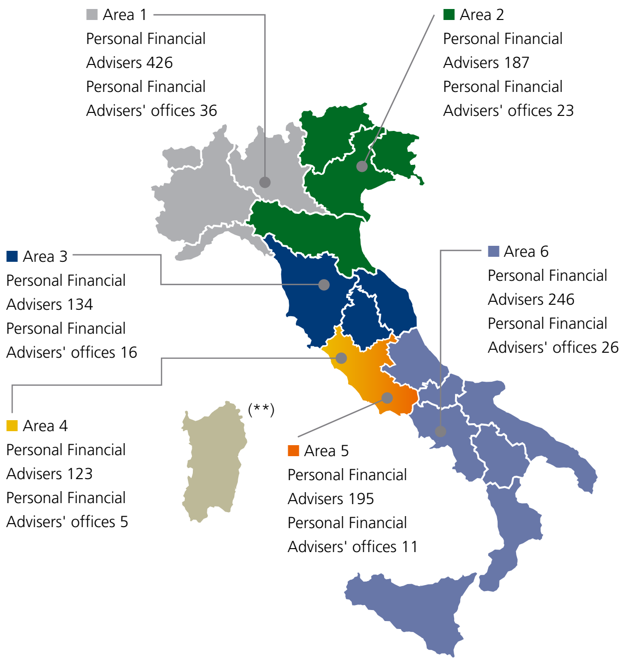
	BEGINNING OF PERIOD 1.1.2019	IN	OUT	NET	END OF PERIOD 30.6.2019
Fideuram Network	3,662	94	113	(19)	3,643
Sanpaolo Invest Network	1,344	29	62	(33)	1,311
Intesa Sanpaolo Private Banking Network	927	29	31	(2)	925
Intesa Sanpaolo Private Bank (Suisse) Morval Network (*)	62	2	1	1	63
Total	**5,995**	**154**	**207**	**(53)**	**5,942**

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

Fideuram Network: 7 areas

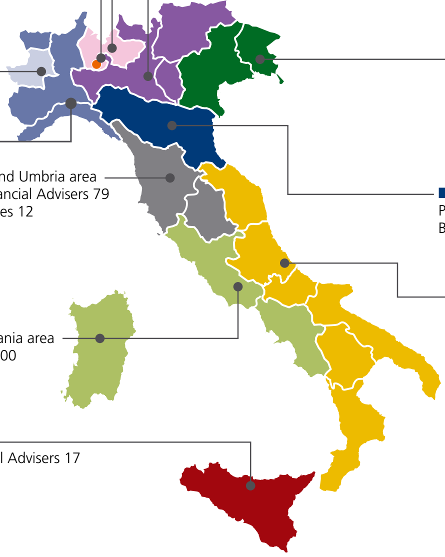


Sanpaolo Invest Network: 6 areas



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

Intesa Sanpaolo Private Banking Network: 11 areas



The Fideuram and Sanpaolo Invest Networks' recruitment programmes brought in 123 new professionals in the first half of 2019 (compared with 102 new Personal Financial Advisers recruited in the corresponding period of 2018) and 239 over the past 12 months, compared with 245 in the previous twelve-month period. 175 Personal Financial Advisers left the Group in the first half of the year, only 23% of whom, however, moved to competitor networks.

Fideuram Personal Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1ST HALF					
1.1.2019 - 30.6.2019	3,662	94	113	(19)	3,643
1.1.2018 - 30.6.2018	3,635	72	60	12	3,647
Twelve-month period					
1.7.2018 - 30.6.2019	3,647	187	191	(4)	3,643
1.7.2017 - 30.6.2018	3,610	168	131	37	3,647

Sanpaolo Invest Personal Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1ST HALF					
1.1.2019 - 30.6.2019	1,344	29	62	(33)	1,311
1.1.2018 - 30.6.2018	1,428	30	46	(16)	1,412
Twelve-month period					
1.7.2018 - 30.6.2019	1,412	52	153	(101)	1,311
1.7.2017 - 30.6.2018	1,432	77	97	(20)	1,412

The Intesa Sanpaolo Private Banking Network currently numbers 882 Personal Financial Advisers who are salaried employees registered in Italy's Unified Register of Financial Advisers and 43 freelance professionals on agency contracts.

Intesa Sanpaolo Private Banking Personal Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1ST HALF					
1.1.2019 - 30.6.2019	927	29	31	(2)	925
1.1.2018 - 30.6.2018	880	73	23	50	930
Twelve-month period					
1.7.2018 - 30.6.2019	930	44	49	(5)	925
1.7.2017 - 30.6.2018	873	96	39	57	930

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

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

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1ST HALF					
1.1.2019 - 30.6.2019	62	2	1	1	63
1.1.2018 - 30.6.2018	47	15	1	14	61
Twelve-month period					
1.7.2018 - 30.6.2019	61	12	10	2	63
1.7.2017 - 30.6.2018	46	16	1	15	61

(*) Restated on a like-for-like basis, where necessary, to take the changes in the scope of consolidation into account.

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 June 2019, 1,222 Personal Financial Advisers had joined together in teams, collectively managing a total of around €11.3bn assets for about 96,000 customers.

EMPLOYEES

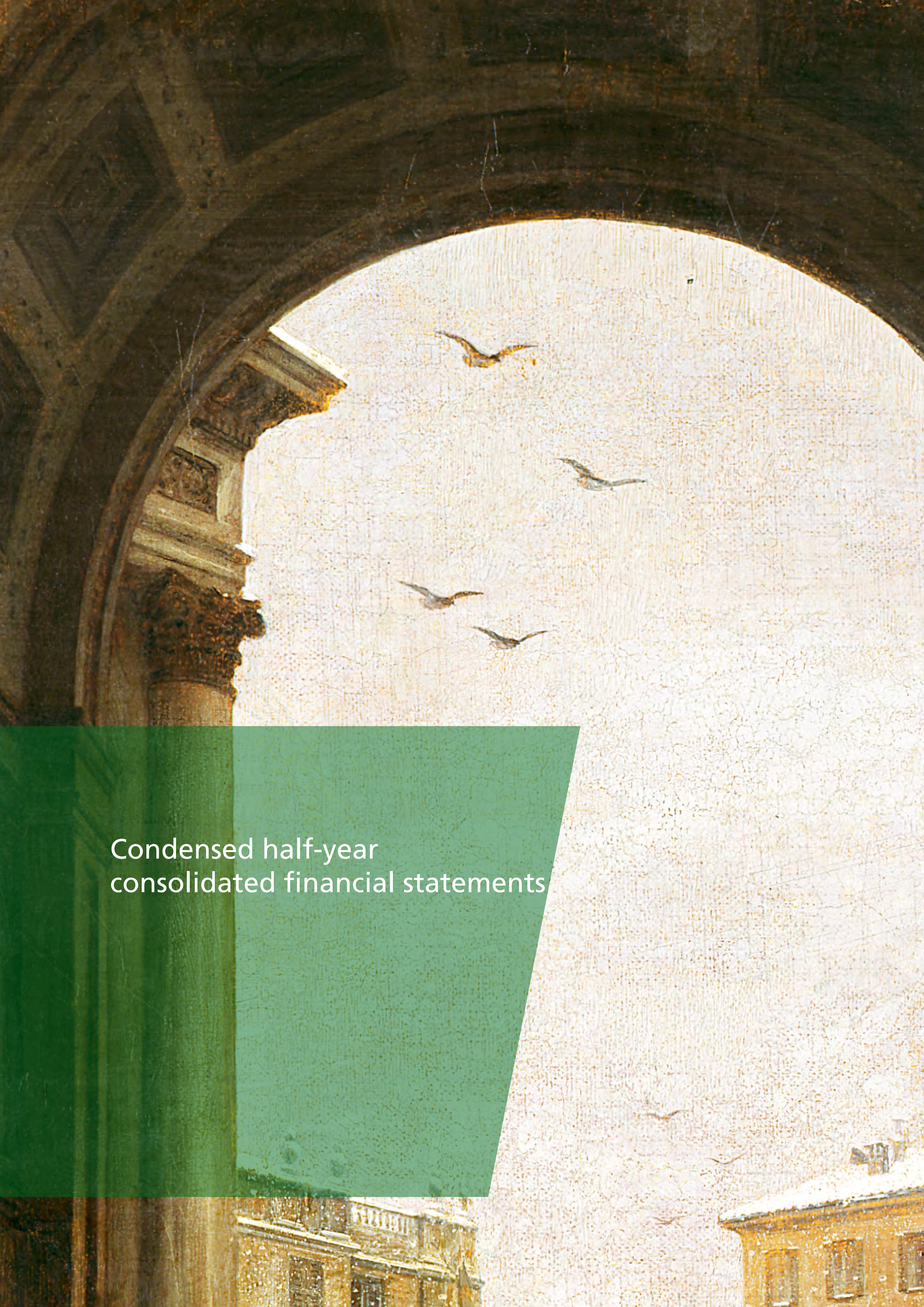
Total Group staff, including secondments to and from other companies in the Intesa Sanpaolo Group not included in the scope of consolidation of the Fideuram Group and atypical staff, came to 3,336 at 30 June 2019, compared with 3,335 at 31 December 2018.
Direct employees totalled 3,262.

Employees

(number)

	30.6.2019	31.12.2018 (*)	30.6.2018 (*)
Private Banking	**2,996**	**2,997**	**2,996**
Fideuram - Intesa Sanpaolo Private Banking	1,351	1,356	1,372
Intesa Sanpaolo Private Banking	1,427	1,426	1,423
Sanpaolo Invest SIM	45	46	48
Intesa Sanpaolo Private Bank (Suisse) Morval (*)	143	139	136
Morval Bank & Trust Cayman	10	10	10
Intesa Sanpaolo Private Argentina	5	5	-
Morval Vonwiller Advisors	15	15	7
Asset Management	**254**	**249**	**253**
Fideuram Asset Management (Ireland)	65	63	66
Fideuram Bank (Luxembourg)	66	66	66
Fideuram Investimenti SGR	106	103	104
Morval Gestion SAM	3	3	3
Morval SIM	14	14	14
Fiduciary and treasury services	**86**	**89**	**92**
Financière Fideuram	4	4	4
Siref Fiduciaria (**)	82	85	88
Total	**3,336**	**3,335**	**3,341**

(*) Restated, to consider the merger of the three Swiss companies of the Group.
(**) Restated, to consider the merger of FI.GE. Fiduciaria into Siref Fiduciaria effective starting from 1.1.2019.



Condensed half-year consolidated financial statements

Notes

Analysis of the income statement

The Fideuram - Intesa Sanpaolo Private Banking Group ended the first six months of 2019 with consolidated net profit of €456m, up €2m on the same period in the previous year.

Consolidated income statement

(reclassified - €m)

	1ST HALF 2019	1ST HALF 2018 (*)	CHANGE	
			AMOUNT	%
Net interest income	89	76	13	17
Net profit (loss) on financial assets and liabilities measured at fair value	28	17	11	65
Net fee and commission income	843	855	(12)	-1
INTERMEDIATION MARGIN	**960**	**948**	**12**	**1**
Profit on equity investments and other income (expense)	2	4	(2)	-50
NET OPERATING INCOME	**962**	**952**	**10**	**1**
Personnel expenses	(171)	(167)	(4)	2
Other administrative expenses	(91)	(89)	(2)	2
Depreciation and amortisation	(27)	(23)	(4)	17
NET OPERATING EXPENSES	**(289)**	**(279)**	**(10)**	**4**
OPERATING MARGIN	**673**	**673**	**-**	**-**
Net impairment of loans	(2)	-	(2)	n.s.
Net provisions for risks and charges and net impairment of other assets	(23)	(14)	(9)	64
Net non-recurring income (expenses)	9	8	1	13
GROSS INCOME (LOSS)	**657**	**667**	**(10)**	**-1**
Income taxes for the period on continuing operations	(183)	(198)	15	-8
Integration and voluntary redundancy expenses (net of tax)	(9)	(9)	-	-
Effects of purchase price allocation (net of tax)	(1)	-	(1)	n.s.
Expenses regarding the banking system (net of tax)	(8)	(6)	(2)	33
NET PROFIT	**456**	**454**	**2**	**-**

(*) Restated on a like-for-like basis to take the changes in the scope of consolidation and application of IFRS 16 into account.

n.s.: not significant

Quarterly consolidated income statements

(reclassified - €m)

	2019		2018			
	Q2	Q1	Q4 (*)	Q3 (*)	Q2 (*)	Q1 (*)
Net interest income	46	43	39	40	38	38
Net profit (loss) on financial assets and liabilities measured at fair value	15	13	2	2	5	12
Net fee and commission income	418	425	426	414	420	435
INTERMEDIATION MARGIN	**479**	**481**	**467**	**456**	**463**	**485**
Profit on equity investments and other income (expense)	2	-	5	1	1	3
NET OPERATING INCOME	**481**	**481**	**472**	**457**	**464**	**488**
Personnel expenses	(83)	(88)	(97)	(85)	(81)	(86)
Other administrative expenses	(46)	(45)	(56)	(52)	(44)	(45)
Depreciation and amortisation	(14)	(13)	(13)	(11)	(12)	(11)
NET OPERATING EXPENSES	**(143)**	**(146)**	**(166)**	**(148)**	**(137)**	**(142)**
OPERATING MARGIN	**338**	**335**	**306**	**309**	**327**	**346**
Net impairment of loans	1	(3)	6	(1)	1	(1)
Net provisions for risks and charges and net impairment of other assets	(13)	(10)	(5)	2	(10)	(4)
Net non-recurring income (expenses)	-	9	1	2	-	8
GROSS INCOME (LOSS)	**326**	**331**	**308**	**312**	**318**	**349**
Income taxes for the period on continuing operations	(89)	(94)	(109)	(96)	(95)	(103)
Integration and voluntary redundancy expenses (net of tax)	(5)	(4)	(15)	(7)	(5)	(4)
Effects of purchase price allocation (net of tax)	(1)	-	(1)	-	-	-
Expenses regarding the banking system (net of tax)	(4)	(4)	(6)	(6)	(3)	(3)
NET PROFIT	**227**	**229**	**177**	**203**	**215**	**239**

(*) Restated on a like-for-like basis, where necessary, to take the changes in the scope of consolidation and application of IFRS 16 into account.

Net operating income totalled €962m, up €10m (+1%) compared with the first half of 2018. This result is attributable to:

- increased net interest income (+€13m);
- increased net profit on financial assets measured at fair value (+€11m);
- a decline in net fee and commission income (-€12m);
- reduced profit on equity investments and other income (expense) (-€2m).

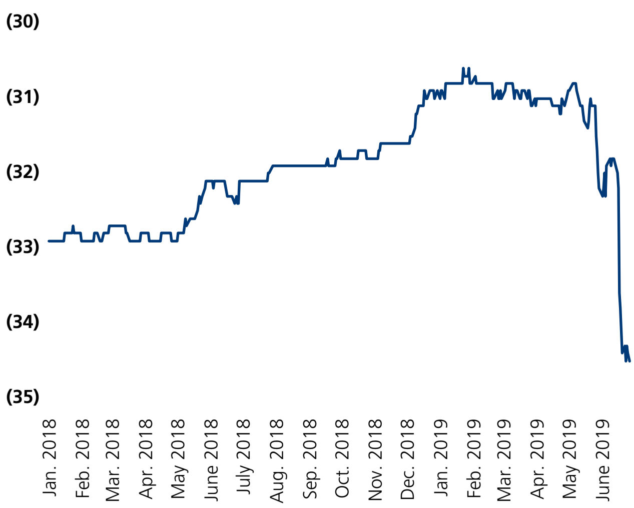
Net interest income

(€m)

	1ST HALF 2019	1ST HALF 2018	CHANGE	
			AMOUNT	%
Interest expense on due to customers	(16)	(18)	2	-11
Interest expense on due to banks	(9)	(9)	-	-
Interest income on debt securities	114	108	6	6
Interest income on loans	57	53	4	8
Net interest on hedging derivatives	(47)	(46)	(1)	2
Other net interest income	(10)	(12)	2	-17
Total	**89**	**76**	**13**	**17**

3-month Euribor rate

(bps)

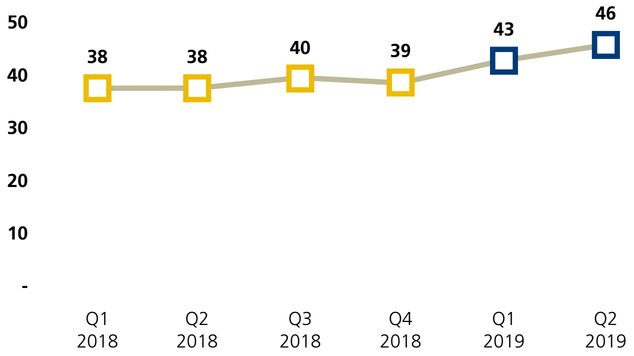


Source: Bloomberg

Net interest income totalled €89m, up €13m (+17%) compared to the first half of last year, due to the greater volumes invested in the owned portfolios but also due to the containment of average expenses in the period for banking inflows. In the second quarter the market was characterised by a marked fall in interest rates on both the long and short parts of the curve, with Euribor rates that remained amply within negative territory. This trend was positively countered by rotating the owned portfolio of securities and rebalancing the maturities on treasury deposits.

Quarterly net interest income

(€m)



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

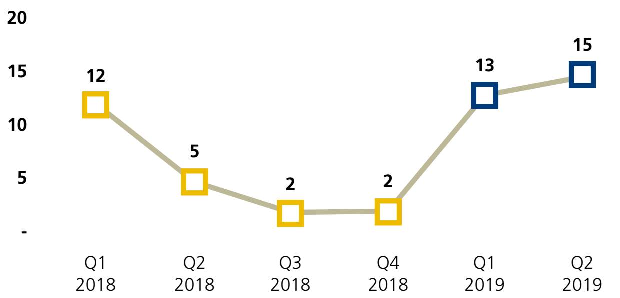
(€m)

	1ST HALF 2019	1ST HALF 2018	CHANGE AMOUNT	CHANGE %
Net profit (loss) on sale of financial asset measured at fair value through other comprehensive income	18	13	5	38
Net profit (loss) on trading activities	10	4	6	150
Total	**28**	**17**	**11**	**65**

Net profit on financial assets and liabilities measured at fair value came to €28m, up €11m compared to the figure for the first six months of 2018 (+65%).
Analysis of the item shows that net profit on the sale of financial assets (€18m) increased by €5m due to the greater gains made with the sale of investment securities compared to the same period in the previous year. Net profit on trading activities came to €10m, recording an increase of €6m mainly due to the positive trend of bond and foreign exchange transactions.

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

(€m)



Fee and commission income

(€m)

	1ST HALF 2019	1ST HALF 2018	CHANGE AMOUNT	CHANGE %
Fee and commission income	1,227	1,239	(12)	-1
Fee and commission expense	(384)	(384)	-	-
Net fee and commission income	**843**	**855**	**(12)**	**-1**

Net fee and commission income totalled €843m, a decrease of €12m compared with the first six months of 2018 (-1%).

Net recurring fees

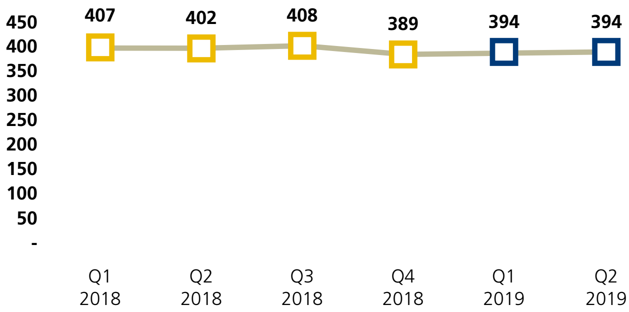
(€m)

	Q1	Q2	TOTAL
2019	394	394	788
2018	407	402	809
Change	**(13)**	**(8)**	**(21)**

In the first half of 2019, **net recurring fees** totalled €788m, a decrease of €21m compared with the same period of last year (-3%). This trend is mainly attributable to the change in asset allocation of customer assets. The average managed assets remained substantially unchanged, moving from €153.1bn at 30 June 2018 to €153.2bn at the end of June 2019. Analysis of the quarterly changes shows a stable trend in recurring fees in the first half of 2019 but up on the fourth quarter of 2018, mostly due to the increase in average managed assets, which remained at higher levels than the average figure in the last quarter of the previous year.

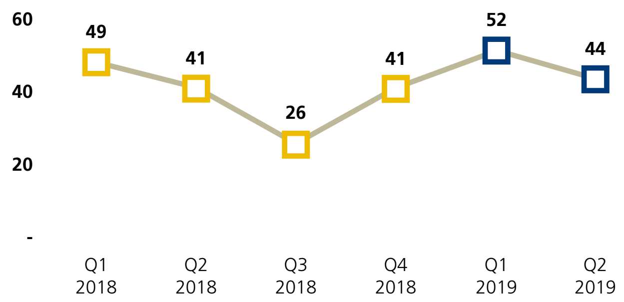
Quarterly net recurring fees

(€m)



Quarterly net front-end fees

(€m)



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

Net front-end fees

(€m)

	Q1	Q2	TOTAL
2019	52	44	96
2018	49	41	90
Change	**3**	**3**	**6**

Net front-end fees came to €96m, up €6m (+7%) on the figure for the first six months of last year. The growth in front-end fee income on bonds and certificates more than offset the decrease in front-end fee income for managed asset product sales. The incidence of growth was greater in the first quarter of the year (+€8m compared to the second quarter of 2019). The Group's sales networks distributed bond loans and certificates that brought in approximately €2.7bn gross inflows in the half-year, compared with €621m distributed in the first six months of 2018.

Other commission expense: incentives and others

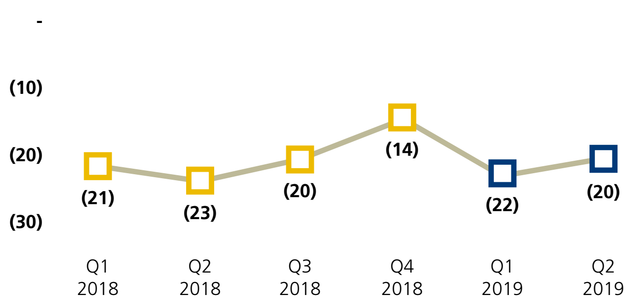
(€m)

	Q1	Q2	TOTAL
2019	(22)	(20)	(42)
2018	(21)	(23)	(44)
Change	**(1)**	**3**	**2**

Fee and commission expense for incentives and other totalled €42m, down €2m on the figure for the first six months of 2018 due to the lower incentives accrued in the period.

Quarterly commission expense for incentives and other

(€m)



Profit on equity investments and other income (expense) includes the profit on equity investments and other income and expense that cannot be recognised in other items of the income statement. In the first six months of 2019 this item showed a reduction of €2m compared to the same period in the previous year. That stemmed from higher expenses incurred for compensation to customers and from a contraction in the profit on equity investments, attributable to the losses recorded in the first half of 2019 by Intesa Sanpaolo Private Bank (Suisse) Morval's subsidiaries consolidated with the equity method.

Net operating expenses

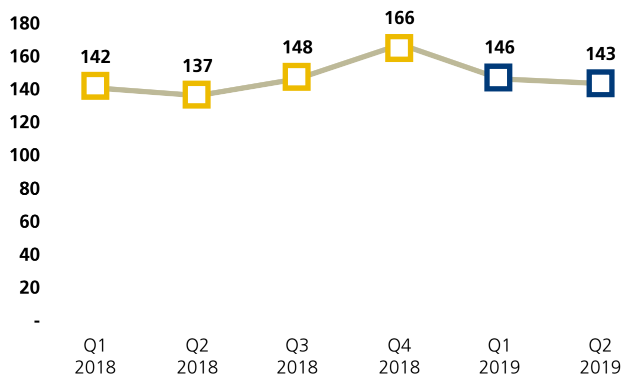
(€m)

	1ST HALF 2019	1ST HALF 2018	CHANGE AMOUNT	%
Personnel expenses	171	167	4	2
Other administrative expenses	91	89	2	2
Depreciation and amortisation	27	23	4	17
Total	**289**	**279**	**10**	**4**

Net operating expenses, totalling €289m, rose €10m (+4%) on the figure for the same period last year.
Analysis of the item shows that personnel expenses, which totalled €171m, were up €4m on the first six months of 2018. This is mostly attributable to the different impact of variable components of remuneration. Other administrative expenses totalled €91m, up €2m, principally as a result of higher information technology and infoprovider expenses.
Depreciation and amortisation increased by €4m, mainly due to the growth in the real estate lease costs, capitalised under assets in the balance sheet and amortised for the duration of the contract pursuant to IFRS 16.

Quarterly net operating expenses

(€m)



Net impairment of loans totalled €2m, up from the zero balance for the first six months in 2018 mainly due to greater impairment of loans to customers.

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

(€m)

	1ST HALF 2019	1ST HALF 2018	CHANGE AMOUNT	%
Personal Financial Advisers' termination indemnities and incentives	22	11	11	100
Network Loyalty Schemes	2	1	1	100
Reversal of impairment of debt securities	(1)	2	(3)	n.s.
Total	**23**	**14**	**9**	**64**

Net provisions for risks and charges and net impairment of other assets came to €23m, up €9m (+64%) compared to the figure for the first half of 2018. Detailed analysis of the item shows that the provision for the termination of Personal Financial Adviser agency agreements, totalling €22m, increased by €11m compared to the figure for the first half of 2018. This was due to a downward shift in the interest rate curve causing the discounting of the long-term liability to have a greater impact on the expense recorded in the income statement. The provisions set aside for the Network Loyalty Schemes totalled €2m with an increase of €1m due to the impact of market rates on the discounting of the liability, which led to an increase in the expense recorded in the income statement. Net impairment (reversal of impairment) of debt securities showed a positive net amount of €1m, attributable to the reversal of impairment of bonds compared to net impairment of €2m in the first half of 2018.

Net non-recurring income (expenses) include income and expenses that are not attributable to ordinary operations. In the first half of 2019, this item recorded income of €9m due to the release of a risk provision for tax dispute, set aside in previous financial years, following the favourable outcome of a judgement before the Court of Cassation. The balance in the first half of 2018 included €8m of gains on debt securities in the portfolio at amortised cost.

Income taxes, for which €183m was set aside in the period, were down €15m on the first half of 2018 due to the recognition of non-recurring items of €9m (€5m of which attributable to the tax redemption for the greater value of the equity investment in Morval Vonwiller referring to intangible assets, and contingent assets of €4m on the lower expenses incurred for a tax dispute relating to transfer pricing with the French subsidiary Financière Fideuram) and the lower pre-tax profit realised during the period. The tax rate was 28%, compared with 30% in the first half of the previous year.

Integration and voluntary redundancy expenses (net of tax) recorded a balance of €9m, in line with the figure for the first half of 2018, and refer mainly 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 **effects of purchase price allocation (net of tax)** (€1m) refer to the amortisation for the period of intangible assets recognised in 2018 after the acquisition of the 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 half of 2019, this item totalled €8m, 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.

Asset and liability management

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

Consolidated balance sheet

(reclassified - €m)

	30.6.2019	1.1.2019 (*)	CHANGE	
			AMOUNT	%
ASSETS				
Financial assets measured at fair value through profit or loss	317	294	23	8
Financial assets measured at fair value through other comprehensive income	3,529	3,294	235	7
Debt securities measured at amortised cost	13,240	13,299	(59)	-
Loans to banks	15,135	12,301	2,834	23
Loans to customers	9,620	9,531	89	1
Hedging derivatives	7	-	7	n.s.
Equity investments	163	151	12	8
Property and equipment and intangible assets	609	576	33	6
Tax assets	175	198	(23)	-12
Other assets	1,520	1,388	132	10
TOTAL ASSETS	**44,315**	**41,032**	**3,283**	**8**
LIABILITIES				
Due to banks	3,098	3,409	(311)	-9
Due to customers	35,775	32,354	3,421	11
Financial liabilities held for trading	25	28	(3)	-11
Hedging derivatives	979	808	171	21
Tax liabilities	90	82	8	10
Other liabilities	1,399	1,079	320	30
Provisions for risks and charges	458	468	(10)	-2
Share capital and reserves	2,035	1,970	65	3
Net profit	456	834	(378)	-45
TOTAL LIABILITIES	**44,315**	**41,032**	**3,283**	**8**

(*) Restated on a like-for-like basis to take the application of IFRS 16 into account.

n.s.: not significant

Quarterly consolidated balance sheets

(reclassified - €m)

	30.6.2019	31.3.2019	1.1.2019 (**)	30.9.2018	30.6.2018	31.3.2018 (*)
ASSETS						
Financial assets measured at fair value through profit or loss	317	310	294	298	280	288
Financial assets measured at fair value through other comprehensive income	3,529	3,277	3,294	3,151	3,013	3,444
Debt securities measured at amortised cost	13,240	13,194	13,299	13,275	13,325	10,658
Loans to banks	15,135	14,525	12,301	12,968	13,373	15,337
Loans to customers	9,620	9,263	9,531	9,006	8,869	8,510
Hedging derivatives	7	1	-	2	1	2
Equity investments	163	158	151	156	148	151
Property and equipment and intangible assets	609	563	576	294	295	266
Tax assets	175	178	198	160	158	156
Other assets	1,520	1,472	1,388	1,260	1,192	1,182
TOTAL ASSETS	**44,315**	**42,941**	**41,032**	**40,570**	**40,654**	**39,994**
LIABILITIES						
Due to banks	3,098	3,741	3,409	2,469	2,464	2,566
Due to customers	35,775	34,131	32,354	32,975	33,175	31,668
Financial liabilities held for trading	25	27	28	30	32	18
Hedging derivatives	979	890	808	785	815	791
Tax liabilities	90	102	82	97	61	118
Other liabilities	1,399	1,329	1,079	1,115	1,214	1,164
Provisions for risks and charges	458	470	468	447	445	468
Share capital and reserves	2,035	2,022	1,970	1,995	1,994	2,814
Equity attributable to non-controlling interests	-	-	-	-	-	148
Net profit	456	229	834	657	454	239
TOTAL LIABILITIES	**44,315**	**42,941**	**41,032**	**40,570**	**40,654**	**39,994**

(*) Restated on a like-for-like basis to take the changes in the scope of consolidation into account.

(**) Restated on a like-for-like basis to take the application of IFRS 16 into account.

The Group's **financial assets** totalled €17.1bn, up €206m (+1%) compared to the figure at the beginning of the year.

Financial assets

(€m)

	30.6.2019	1.1.2019	CHANGE AMOUNT	CHANGE %
Financial assets measured at fair value through profit or loss	317	294	23	8
Financial assets measured at fair value through other comprehensive income	3,529	3,294	235	7
Debt securities measured at amortised cost	13,240	13,299	(59)	-
Hedging derivatives	7	-	7	n.s.
Total	**17,093**	**16,887**	**206**	**1**

This trend is mainly attributable to the increase in financial assets measured at fair value through other comprehensive income (+€235m) and, to a lesser extent, to higher financial assets measured at fair value through profit or loss (+€23m). Debt securities measured at amortised cost moved in the opposite direction (-€59m).

Financial liabilities

(€m)

	30.6.2019	1.1.2019	CHANGE AMOUNT	CHANGE %
Financial liabilities held for trading	25	28	(3)	-11
Hedging derivatives	979	808	171	21
Total	**1,004**	**836**	**168**	**20**

Financial liabilities, consisting of derivatives, totalled €1bn. This item was up €168m (+20%) compared to the figure at the beginning of the year, as a result of fair value changes on the derivatives used to hedge the interest rate risk of certain fixed-rate bonds in the portfolio.

Loans to banks

(€m)

	30.6.2019	1.1.2019	CHANGE	
			AMOUNT	%
Due from Central Banks	24	339	(315)	-93
Current account	6,293	5,584	709	13
Term deposits	8,691	6,259	2,432	39
Other	127	119	8	7
Total	**15,135**	**12,301**	**2,834**	**23**

Loans to banks totalled €15.1bn, up €2.8bn (+23%) on the figure at the beginning of the year. This change is mainly due to the sharp rise in investments in term deposits with Intesa Sanpaolo. Current accounts included €1.3bn 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)

	30.6.2019	1.1.2019	CHANGE	
			AMOUNT	%
Current accounts	291	882	(591)	-67
Term deposits	590	359	231	64
Repurchase agreements	2,156	2,101	55	3
Debts for leases	20	43	(23)	-53
Other debts	41	24	17	71
Total	**3,098**	**3,409**	**(311)**	**-9**

Due to banks totalled €3.1bn, down €311m from the beginning of the year mainly due to the decrease in inflows to current accounts (-€591m), only partly offset by the increased term deposits with Intesa Sanpaolo (+€231m). The Group continued to be a net lender on the interbank market, with net interbank deposits of €12bn (€15.1bn in deposits and €3.1bn in loans), €11.8bn of which (approximately 98% of the total) was held by companies in the Intesa Sanpaolo Group.

Loans to customers

(€m)

	30.6.2019	1.1.2019	CHANGE	
			AMOUNT	%
Current accounts	6,231	6,222	9	-
Repurchase agreements	801	726	75	10
Loans	865	815	50	6
Other	1,701	1,756	(55)	-3
Impaired assets	22	12	10	83
Total	**9,620**	**9,531**	**89**	**1**

Loans to customers totalled €9.6bn and mainly comprised short-term loans (repayable within 12 months or revocable loans without a specified term). The increase of €89m from the beginning of the year is attributable mainly to the growth in mortgages (+€50m) and loans under repurchase agreements with institutional customers (+€75m). Net problem loans totalled €22m at the end of June 2019, up €10m on the figure at the beginning of 2019. In detail: doubtful loans totalled €1m, down €1m on the figure at the beginning of 2019. Unlikely to pay loans totalled €13m, up €6m from 1 January 2019, while past due or overdue loans amounted to €8m, up €5m from the beginning of the year.

Due to customers

(€m)

	30.6.2019	1.1.2019	CHANGE	
			AMOUNT	%
Current accounts	32,514	30,210	2,304	8
Term deposits	2,120	1,795	325	18
Repurchase agreements	683	46	637	n.s.
Debts for leases	282	224	58	26
Other debts	176	79	97	123
Total	**35,775**	**32,354**	**3,421**	**11**

Due to customers totalled €35.8bn, up €3.4bn (+11%) compared with the figure at the beginning of 2019, essentially due to the growth in customer current account deposits (+€2.3bn), term deposits (+€325m) and repurchase agreements (+€637m).

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	2,420	365	2,785
United States	-	249	249
Spain	-	109	109
Ireland	-	66	66
Belgium	-	54	54
Finland	-	30	30
Luxembourg	-	20	20
France	-	11	11
Germany	-	10	10
Swiss	-	4	4
Austria	-	1	1
Total	**2,420**	**919**	**3,339**

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

Fair value of assets and liabilities measured at cost

(€m)

	30.6.2019		1.1.2019	
	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE
Debt securities measured at amortised cost	13,240	12,765	13,299	12,798
Loans to banks	15,135	15,135	12,301	12,301
Loans to customers	9,620	9,620	9,531	9,531
Total	**37,995**	**37,520**	**35,131**	**34,630**
Due to banks	3,098	3,098	3,409	3,409
Due to customers	35,775	35,775	32,354	32,354
Total	**38,873**	**38,873**	**35,763**	**35,763**

Property and equipment and intangible assets

(€m)

	30.6.2019	1.1.2019	CHANGE	
			AMOUNT	%
Owned real estate	68	69	(1)	-1
Rights of use of leased assets	305	267	38	14
Other property and equipment	13	14	(1)	-7
Property and equipment	**386**	**350**	**36**	**10**
Goodwill	140	140	-	-
Other intangible assets	83	86	(3)	-3
Intangible assets	**223**	**226**	**(3)**	**-1**
Total property and equipment and intangible assets	**609**	**576**	**33**	**6**

Property and equipment and intangible assets, totalling €609m, recorded an increase of €33m compared to the beginning of the year. This is attributable to the increase in the rights to use leased assets, entered under assets in the balance sheet starting from 1 January 2019 following application of the new IFRS 16. The item also includes €140m in goodwill regarding Private Banking divisions acquired by the subsidiary Intesa Sanpaolo Private Banking between 2009 and 2013. Other intangible assets also include, for €31m, the valuation of Client Assets recognised after purchase price allocation of the Morval Vonwiller Group. That acquisition, which was completed in the second quarter of 2018, entailed the initial recognition in the consolidated financial statements of intangible assets for €34m, to be amortised in the income statement for 15 years based on the estimated life cycle of the acquired client assets.

The **provisions for risks and charges** at 30 June 2019 were down €10m from the figure at the beginning of 2019, as shown below:

Provisions for risks and charges

(€m)

	30.6.2019	1.1.2019	CHANGE	
			AMOUNT	%
Litigation, securities in default and complaints	72	88	(16)	-18
Personnel expenses	86	103	(17)	-17
Personal Financial Advisers' termination indemnities	248	232	16	7
Network Loyalty Schemes	47	40	7	18
Other	5	5	-	-
Total	**458**	**468**	**(10)**	**-2**

The provisions for litigation, securities in default and complaints fell from the net amount at the beginning of the year (-€16m) largely due to use during the year. The provisions for personnel costs fell by €17m, mainly due to the payment of variable components of remuneration. The increase of €16m in the provisions for the termination of Personal Financial Adviser agency agreements was mainly attributable to accruals for the period. The increase of €7m in provisions for Network Loyalty Schemes was substantially due to the increase 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 €2.5bn at 30 June 2019, having changed as follows:

Group shareholders' equity

(€m)

Shareholders' equity at 31 December 2018	**2,804**
Dividend distribution	(810)
Change in valuation reserves	29
Other changes	12
Net profit of the period	456
Shareholders' equity at 30 June 2019	**2,491**

The €29m increase largely refers to the increase in the valuation reserve for financial assets measured at fair value through other comprehensive income after changes in the fair value of the bond portfolio during the period. At the end of June 2019, the valuation reserve for financial assets measured at fair value through other comprehensive income roughly equalled a negative €6m (-€28m at the end of 2018).
The Group did not hold any treasury shares at 30 June 2019.

Fideuram S.p.A.'s own funds and main capital ratios at 30 June 2019 are shown below.

Fideuram S.p.A. Capital Ratios

(€m)

	30.6.2019	**31.12.2018**
CET1	1,021	991
Tier 1	1,021	991
Own funds	1,021	991
Total risk-weighted assets	5,990	5,672
CET1 Ratio	**17.0%**	**17.5%**
Tier 1 Ratio	**17.0%**	**17.5%**
Total Capital Ratio	**17.0%**	**17.5%**

As a member of the Intesa Sanpaolo Banking Group, Fideuram is subject to the laws and regulations regarding capital requirements on the basis of its separate accounts, but is not required to present this information on a consolidated basis. In order to provide comprehensive information, the Group voluntarily estimates its consolidated capital requirements, taking its membership of the Intesa Sanpaolo Banking Group into account. At 30 June 2019, the Common Equity Tier 1 Ratio was estimated to be 19.2% (20.1% at 31 December 2018).

Risk management and control

CREDIT RISK

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

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

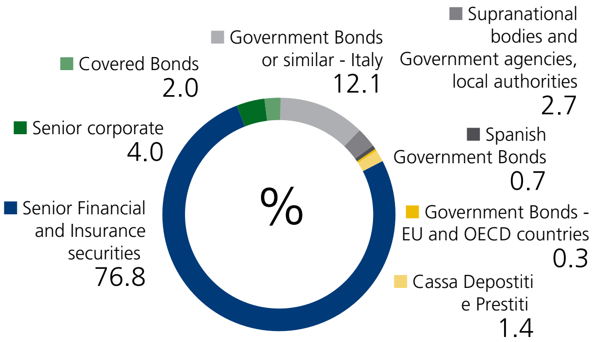
The Group's credit strategies are directed towards the efficient selection of individual borrowers. Irrespective of any collateral, the granting of any loan is always subject to an appropriate analysis of the applicant's creditworthiness and their current and prospective ability to generate adequate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

In order to mitigate the credit risk of loans and advances to customers, the Group normally obtains collateral, bank guarantees or irrevocable mandates to sell financial instruments. The types of collateral obtained are principally products distributed by the Fideuram Group (mutual funds and discretionary accounts) or financial instruments listed on major regulated markets. Bonds are only accepted as collateral if the issuer or loan has an appropriate rating (by leading rating agencies). The value of the financial instruments obtained as collateral is discounted differentially in relation to the type of product and technical form concerned, as a precautionary measure when calculating the credit limit to be granted, with a view to protecting the Group against any fluctuations in market value. The concentration of collateral in issuers is very low, except for mutual funds and other products distributed by the Fideuram Group. There were no encumbrances capable of undermining the legal validity of any collateral, which is moreover subject to periodic verification.

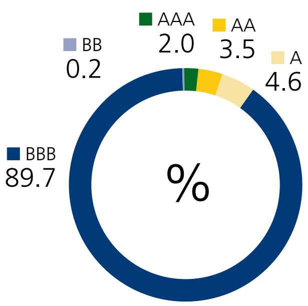
The Group uses bilateral netting agreements, which offset creditor and debtor positions in the event of the default of one counterparty, to mitigate the counterparty risk in Security Financing Transactions (SFT), specifically securities lending transactions and repurchase agreements. Aside from what has already been indicated (bilateral netting), when OTC (unregulated) derivatives are subject to a Clearing House, counterparty risk is mitigated through an additional level of collateralization represented by centralised margining. ISDA and ISMA/GMRA agreements are used to this end, which also enable one to reduce the regulatory capital allocation while operating in accordance with the supervisory regulations.

At 30 June 2019, the Group portfolio was broken down as follows by product type and rating.

Analysis by product type



Analysis by rating



The potential impairment of assets undergoes detailed 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 and advances to customers). Loss forecasts are formulated analytically for each individual loan based on all the relevant valuation factors (debtor assets, employment income and estimated recovery date etc.). The valuations are examined at regular intervals and revised if any significant new elements emerge.

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

Loans and advances to customers: credit quality

(€m)

	30.6.2019		1.1.2019		CHANGE
	NET EXPOSURE	%	NET EXPOSURE	%	NET EXPOSURE
Doubtful loans	1	-	2	-	(1)
Unlikely to pay	13	-	7	-	6
Past due or overdue loans	8	-	3	-	5
Non-performing assets	**22**	**-**	**12**	**-**	**10**
Performing loans	9,598	78	9,519	79	79
Debt instruments	2,652	22	2,535	21	117
Loans and advances to customers	**12,272**	**100**	**12,066**	**100**	**206**

LIQUIDITY RISK

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

MARKET RISK

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(€m)

	30.6.2019			1.1.2019		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets measured at fair value through profit or loss	16	301	-	16	278	-
Financial assets measured at fair value through other comprehensive income	3,512	17	-	3,269	25	-
Hedging derivatives	-	7	-	-	-	-
Property and equipment	-	-	69	-	-	70
Total	**3,528**	**325**	**69**	**3,285**	**303**	**70**
Financial liabilities held for trading	-	25	-	-	28	-
Hedging derivatives	-	979	-	-	808	-
Total	**-**	**1,004**	**-**	**-**	**836**	**-**

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 the parent company Intesa Sanpaolo.

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

In addition, starting from June 2018, macro fair value hedges of fixed rate loans were introduced. The hedges are characterised by the missing identification of the individual underlying assets that are hedged. This choice, determined by the natural fractioning (both in terms of number and amount) of the mortgage exposures, entails periodic checks that the sensitivity and fair value of the hedging derivative (or derivatives) are sufficient to cover the same measures calculated on the hedged assets. The type of hedge in question is implemented by purchasing amortizing Interest Rate Swaps with a long maturity date (usually 30 years), which require quarterly amortisation of the same amount for both the pay fixed and receive floating legs, with the latter being indexed to the 3-month Euribor benchmark. At the end of the first half of 2019, the overall size of the existing seven hedges is about €234m in original notional value (€229m when the residual notional value is considered).
All the macro fair value hedges that were (subsequently) completed are fully effective and efficient in terms of sensitivity and fair value and in situations of capital gains and losses on the derivatives.

Finally, in February 2019 a new type of hedge was adopted to mitigate the risk of exposure to changes in future cash flows attributable to movements of the interest rate curve (so-called Cash Flow Hedge). In general, the cash flows subject to this hedge may be associated to a particular asset/liability, such as payments of future interest variables on a payable/receivable or a future transaction deemed highly probable. Specifically, the hedged flows are those associated to the coupons of a floating-rate Intesa Sanpaolo bond with a residual maturity of five years. The hedge was sized with reference to a notional value of €400m, through two interest rate swaps of €200m each, completed in February and April. The methods of performing effectiveness tests are similar to those relating to the hedging of micro fair value hedges, with some differences linked to the fact that the subject of the hedge are the cash flows and not the value of the hedged asset.

The banking book comprises long-term investment securities and interest rate hedging derivatives, short- and medium/long-term loans, and customer demand loans, deposits and current accounts at financial institutions, mainly within the Group. The banking book totalled €41.5bn at 30 June 2019.

Banking book

(€m)

	30.6.2019	1.1.2019	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through other comprehensive income	3,529	3,294	235	7
Debt securities classified as loans to banks	10,588	10,764	(176)	-2
Debt securities classified as loans to customers	2,652	2,535	117	5
Hedging derivatives	7	-	7	n.s.
Total securities and derivatives	**16,776**	**16,593**	**183**	**1**
Loans to banks	15,135	12,301	2,834	23
Loans to customers	9,620	9,531	89	1
Total loans	**24,755**	**21,832**	**2,923**	**13**
Total banking book	**41,531**	**38,425**	**3,106**	**8**

n.s.: not significant

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

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

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

The VaR takes interest rates, credit spread and volatility into account. At the end of June 2019, the one-day spot VaR was €2.03m. The figure compared to March is on the decrease, considering a largely unchanged scenario/correlation breakdown between the securities held in the portfolio during the period.

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

The shift sensitivity, which measures the change in fair value of the banking book resulting from a 100bps upward parallel movement in the interest rate curve, is calculated taking into account the risk generated by customer demand deposits and other assets and liabilities of the banking book sensitive to shifts in the interest rate curve. For a parallel upward movement in the rate curve by 100bps, the sensitivity value of the fair value at the end of June 2019 was a negative -€33.44m. Likewise, even the net interest income sensitivity was a negative -€97.5m in the event of a -50bps shock. Both risk indicators fall within the management limits assigned to the Group based on internal policies.

OPERATIONAL RISK

Operational risk is defined as the risk of loss arising from inadequate or ineffective internal processes, human resources or systems, or from external events. Operational risk also includes legal and compliance risk, model risk, information technology risk and financial disclosure risk; instead, strategic and reputational risks are not included.
The Group implements an operational risk assumption and management strategy based on the principles of prudent management and aimed at guaranteeing its long-term soundness and business continuity. Moreover, the Group devotes special attention to striking an optimal balance between growth and earnings targets and the consequent risks.
To that end, the Group drew up a framework for the management of operational risks some time ago, establishing rules and organisational processes for measuring, managing and monitoring operational risk.
The Group calculates its capital requirement using the Advanced Measurement Approach (AMA) in partial use with the standardised approach (TSA) and basic indicator approach (BIA) to meet its supervisory requirements.
The Group's Operational Risk Management activities are monitored by Bodies, Committees, and units that interact with different responsibilities and roles to create an effective operational risk management system that is integrated in decision-making processes and in the management of business operations.
The internal model for calculating capital absorption of the Group has been designed to combine all the main sources of information, whether quantitative (operational loss: internal and external events) or qualitative (Self-Diagnosis: Scenario Analysis and Assessment of the Operational Context).
The capital at risk is therefore considered to be the minimum amount at Group level which would be required to meet the maximum potential loss that could be incurred. It is estimated using a Loss Distribution Approach model (an actuarial statistical model for calculating the Value at Risk of operational losses), which is applied both to the quantitative data and to the results of the scenario analysis over a one-year time horizon, with a confidence interval of 99.90%. This method also involves applying a correction factor obtained from qualitative risk assessments of the operating context (AOC), in order to take the effectiveness of the internal controls in the various different Organisational Units into account.
Fideuram - Intesa Sanpaolo Private Banking, in accordance with the framework of Intesa Sanpaolo, is responsible for identifying, assessing, managing and mitigating risks. It has clearly identified internal units coordinated by Operational Risk Management which are responsible for the Operational Risk Management processes (collection and structured recording of information on operational loss events, scenario analyses and the evaluation of risks associated with the operating context).

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

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

At Division level, costs for compensation and provisions of €8.2m were recorded, while releases of surplus provisions on previous positions amount to about €14.2m. The releases refer, for about €9m, to the favourable outcome of a judgement before the Court of Cassation on tax disputes regarding the deductibility of the Fideuram loyalty schemes. The remaining €5.2m is attributable to releases of provisions for litigation and disputes.

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

LEGAL AND TAX RISK

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

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

At 30 June 2019, these provisions totalled €72m. The total provisions and the amount of the individual provisions set aside are calculated based on external and internal legal advisers' estimations of the proceedings having negative outcomes. As a consequence of said process, certain pending proceedings in which the Group is involved and for which a negative outcome is considered either remote or not quantifiable are not included in the risk provision. At 30 June 2019, the number and value of pending proceedings were not sufficient to have any potential significant impact on the business, assets or financial position of the Group.

The situation regarding legal and tax risk at 30 June 2019 had changed as follows with respect to the situation described in the consolidated financial statements at 31 December 2018.

Tax disputes

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

On 31 January 2019, the Tax Police completed the audit with reference to the direct taxes due for the years 2014, 2015 and 2016, serving a Formal Notice of Assessment regarding the same objections raised for 2013 and already settled with an assessment process with acceptance during 2018. In particular, the claims concerned the recalculation of prices applied in transactions executed with the French subsidiary Financière Fideuram and the deductibility of costs incurred for the organisation of conventions for Personal Financial Advisers, with one part due to failure to meet the standard for tax materiality and another part due to failure to meet the accrual principle. In April and May 2019 the process of settlement with acceptance for tax years 2014, 2015 and 2016 was finalised with the Italian Revenue Agency with the payment of taxes, penalties and interest totalling €4.6m for 2014, €3.4m for 2015 and €3.1m for 2016 completely settling the dispute arising from the claims made by the Tax Police.
For the same items and using the same criteria as for the previous years, a settlement with acceptance was finalised in May 2019 for the tax year 2017 with the payment of taxes, penalties and interest totalling €2.3m.
Please note that, following the outcome relating to 2013, the possible charges deriving from the settlement of the disputes referring to the subsequent years had already been set aside in the 2018 financial statements. The conclusion of the dispute led to a contingent asset of €3.8m which had a positive impact on the accounts for the half-year.
Regarding Intesa Sanpaolo Private Banking, in April the Lombardy Regional Office of the Italian Revenue Agency - Large Taxpayers Office, followed the already ongoing disputes for 2011 to 2013 by serving several notices of assessment of direct taxes, challenging the deductibility of the amortisation charge for goodwill resulting from the deeds of transfer of the business unit, also for 2014 and 2015, to request taxes totalling €7.9m, in addition to penalties and interest. As regards the year 2011, in June the Lombardy Regional Tax Court confirmed the favourable outcome for the company of the proceedings in first instance. Since the tax office's claim is groundless, also supported by the outcome of the dispute for the previous years, no amount has been set aside in the provision for risks and charges.

Transactions with related parties

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

In accordance with the law and the internal procedures issued by Intesa Sanpaolo and by Fideuram, all transactions with related parties between 1 January and 30 June 2019 were conducted under arms-length conditions as for unrelated parties of corresponding nature and risk, or - in the absence of any reference - under mutually-beneficial conditions, verified taking all the related circumstances, the distinctive characteristics of the transaction and Group interests into account. The bank did not in any case engage in any atypical or unusual transactions and/or transactions under non-standard financial and contractual conditions for the types of related parties concerned.

With retroactive effect for tax and accounting purposes to 1 January 2019, the merger of FI.GE. Fiduciaria S.p.A. into Siref Fiduciaria S.p.A. was completed on 31 March 2019.

The Fideuram Board of Directors' meeting on 20 June 2019 approved the renewal of the existing service contract with Intesa Sanpaolo, integrated to take account of the merger, as from 1 January 2019, of Intesa Sanpaolo Group Services S.C.p.A.. Therefore, the new contract with Intesa Sanpaolo provides for the supply of the services previously provided by Intesa Sanpaolo and those offered by the aforesaid Consortium until the end of 2018. The existing service contracts between Intesa Sanpaolo and the following subsidiaries of Fideuram: Sanpaolo Invest, Siref, Intesa Sanpaolo Private Banking, Fideuram Investimenti and Fideuram Asset Management (Ireland) were also renewed. Overall, the existing service contracts between Intesa Sanpaolo and the aforesaid companies in the Fideuram Group will entail the payment, except for any end-of-year adjustments, of an estimated consideration for 2019 of about €68m, slightly up compared to the final account at the end of 2018 (about €65m).

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

All amounts receivable and payable and all income and expenses at 30 June 2019 regarding companies in the Intesa Sanpaolo Group are summarised below:

Assets 30.6.2019

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Debt securities and Units in mutual funds	11,328	66
Loans to banks	14,375	95
Loans to customers	210	2
Financial derivatives	14	45
Property and equipment	23	6
Other	40	3

Liabilities 30.6.2019

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Due to banks	2,537	82
Due to customers	331	1
Financial derivatives	591	59
Other	292	22
Guarantees and commitments	464	11

Income statement 1st half 2019

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Interest income	56	44
Interest expense	(14)	36
Fee and commission income	402	33
Fee and commission expense	(11)	3
Operating income on financial activities	128	n.s.
Administrative expenses	(40)	10
Depreciation of property and equipment	(4)	17

n.s. not significant

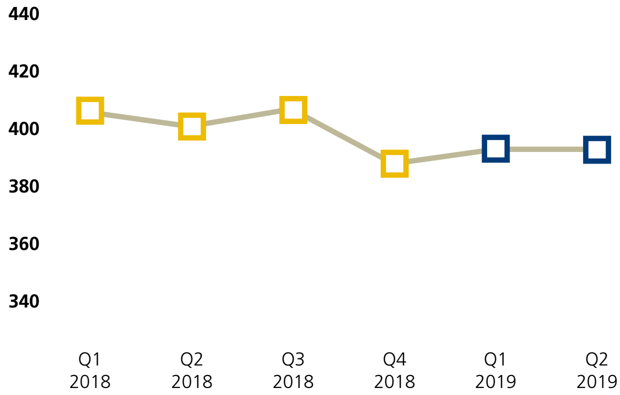
Events after the reporting period and outlook

There were no significant events after the reporting period requiring any changes to be made to the consolidated financial statements at 30 June 2019.

On 18 July 2019, the Extraordinary Shareholders' Meeting of Intesa Sanpaolo Private Bank (Suisse) Morval, in compliance with the instructions received from the Swiss regulatory authorities, passed a resolution to increase the capital of the Swiss bank by CHF25m, of which CHF2.2m as a share capital increase and CHF22.8m as an increase of the Bank's reserves. Following this operation, in which the non-controlling shareholders did not take part, Fideuram's equity investment in the Swiss subsidiary stands at 96.21%.
Managed assets, totalling a record level of €156.9bn at the end of June 2019, were considerably higher than the average figure for last year (€152.3bn) and suggest a growth in net recurring fees in the second half of the year. Furthermore, the investments continue to develop the Private Banking Division abroad.
The managed asset inflow development policies, cost control, and constant focus on risk management could, in the absence of any significant second-half corrections in the financial markets, enable our Group to end the current year with growth in net profit compared with 2018.

Quarterly net recurring fees

(€m)



The Board of Directors
Milan, 30 July 2019

Consolidated financial statements

Consolidated balance sheet

(€m)

ASSETS	30.6.2019	31.12.2018
10. Cash and cash equivalents	252	310
20. Financial assets measured at fair value through profit or loss	317	294
a) financial assets held for trading	25	27
b) financial assets measured at fair value	-	-
c) other financial assets mandatorily measured at fair value	292	267
30. Financial assets measured at fair value through other comprehensive income	3,529	3,294
40. Financial assets measured at amortised cost	37,995	35,131
a) loans and advances to banks	25,723	23,065
b) loans and advances to customers	12,272	12,066
50. Hedging derivatives	7	-
60. Adjustments to financial assets subject to macro-hedging (+/-)	12	1
70. Equity investments	163	151
80. Reinsurers' share of technical reserves	-	-
90. Property and equipment	386	83
100. Intangible assets	223	226
of which: goodwill	140	140
110. Tax assets	175	198
a) current	33	42
b) deferred	142	156
120. Non-current assets held for sale and discontinued operations	-	12
130. Other assets	1,256	1,065
TOTAL ASSETS	**44,315**	**40,765**

Chairman of the
Board of Directors
Paolo Maria Vittorio Grandi

Managing Director
Paolo Molesini

Manager responsible for the preparation
of the Company Accounts
Paolo Bacciga

Consolidated balance sheet

(€m)

LIABILITIES AND SHAREHOLDERS' EQUITY	30.6.2019	31.12.2018
10. Financial liabilities measured at amortised cost	38,873	35,496
a) due to banks	3,098	3,366
b) due to customers	35,775	32,130
c) debt on issue	-	-
20. Financial liabilities held for trading	25	28
30. Financial liabilities measured at fair value	-	-
40. Hedging derivatives	979	808
50. Adjustments to financial liabilities subject to macro-hedging (+/-)	-	-
60. Tax liabilities	90	82
a) current	27	10
b) deferred	63	72
70. Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80. Other liabilities	1,349	1,031
90. Provision for employment termination indemnities	50	48
100. Provisions for risks and charges:	458	468
a) commitments and guarantees	2	1
b) pensions and other commitments	19	14
c) other provisions for risks and charges	437	453
110. Technical reserves	-	-
120. Valuation reserves	17	(12)
130. Redeemable shares	-	-
140. Equity instruments	-	-
150. Reserves	1,512	1,476
160. Share premium reserve	206	206
170. Share capital	300	300
180. Treasury shares (-)	-	-
190. Equity attributable to non-controlling interests (+/-)	-	-
200. Net profit (loss) for the period (+/-)	456	834
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**44,315**	**40,765**

Chairman of the
Board of Directors
Paolo Maria Vittorio Grandi

Managing Director
Paolo Molesini

Manager responsible for the preparation
of the Company Accounts
Paolo Bacciga

Consolidated income statement

(€m)

	1ST HALF 2019	1ST HALF 2018
10. Interest income and similar income	127	119
of which: interest income calculated with the effective interest method	*171*	*161*
20. Interest expense and similar expense	(38)	(41)
30. Net interest income	**89**	**78**
40. Fee and commission income	1,228	1,235
50. Fee and commission expense	(385)	(384)
60. Net fee and commission income	**843**	**851**
70. Dividends and similar income	-	-
80. Net profit (loss) on trading activities	7	3
90. Net profit (loss) on hedging derivatives	-	-
100. Net profit (loss) on sale or repurchase of:	18	21
a) financial assets measured at amortised cost	-	8
b) financial assets measured at fair value through other comprehensive income	18	13
c) financial liabilities	-	-
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	15	(2)
a) financial assets and liabilities measured at fair value	-	-
b) other financial assets mandatorily measured at fair value	15	(2)
120. Intermediation margin	**972**	**951**
130. Net impairment for credit risk related to:	(1)	(1)
a) financial assets measured at amortised cost	(1)	(1)
b) financial assets measured at fair value through other comprehensive income	-	-
140. Gains/losses on contractual changes without cancellation	-	-
150. Operating income	**971**	**950**
160. Net insurance premiums	-	-
170. Other income/expense from insurance activities	-	-
180. Operating income from financing and insurance activities	**971**	**950**
190. Administrative expenses:	(408)	(410)
a) personnel expenses	(175)	(168)
b) other administrative expenses	(233)	(242)
200. Net provisions for risks and charges	(23)	(11)
a) commitments and guarantees	-	-
b) other net provisions	(23)	(11)
210. Depreciation of property and equipment	(24)	(2)
220. Amortisation of intangible assets	(10)	(7)
230. Other income/expense	122	120
240. Operating expenses	**(343)**	**(310)**
250. Profit (loss) on equity investments	3	4
260. Net fair value gains (losses) on property and equipment and intangible assets	-	-
270. Goodwill impairment	-	-
280. Gain (loss) on disposal of investments	-	-
290. Profit (loss) before tax from continuing operations	**631**	**644**
300. Income taxes for the year on continuing operations	(175)	(190)
310. Profit (loss) after tax from continuing operations	**456**	**454**
320. Profit (loss) after tax from discontinued operations	-	-
330. Net profit (loss) for the period	**456**	**454**
340. Net profit (loss) for the period attributable to non-controlling interests	-	-
350. Parent company interest in net profit (loss) for the period	**456**	**454**

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Consolidated statement of comprehensive income

(€m)

	1ST HALF 2019	1ST HALF 2018
10. Net profit (loss) for the period	**456**	**454**
Other comprehensive income after tax not transferred to the income statement	**(6)**	**(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	(6)	(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	**35**	**(52)**
100. Hedging of net investments in foreign operations	-	-
110. Exchange rate differences	(6)	-
120. Cash flow hedges	4	4
130. Hedging instruments (undesignated elements)	-	-
140. Financial assets (other than equity instruments) measured at fair value through other comprehensive income	34	(52)
150. Non-current assets held for sale and discontinued operations	-	-
160. Valuation reserves related to investments carried at equity	3	(4)
170. Total other comprehensive income after tax	**29**	**(53)**
180. Total comprehensive income	**485**	**401**
190. Total comprehensive income attributable to non-controlling interests	-	-
200. Total comprehensive income attributable to parent company	485	401

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Statement of changes in consolidated shareholders' equity

(€m)

	BALANCE AT 31.12.2018	CHANGE IN OPENING BALANCES	BALANCE AT 1.1.2019	ALLOCATION OF INCOME FOR THE PREVIOUS YEAR		CHANGES IN THE PERIOD										EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY AT 30.6.2019	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS AT 30.6.2019
							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 1ST HALF 2019	SHAREHOLDERS' EQUITY AT 30.6.2019		
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**	**-**	**12**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,512**	**1,512**	**-**
- From net income	1,402	-	1,402	24	-	12	-	-	-	-	-	-	-	-	1,438	1,438	-
- Other	74	-	74	-	-	-	-	-	-	-	-	-	-	-	74	74	-
Valuation reserves	**(12)**	**-**	**(12)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**29**	**17**	**17**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the period	**834**	**-**	**834**	**(24)**	**(810)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**456**	**456**	**456**	**-**
Shareholders' equity	**2,804**	**-**	**2,804**	**-**	**(810)**	**12**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**485**	**2,491**	**2,491**	**-**
Equity attributable to owners of the parent company	**2,804**	**-**	**2,804**	**-**	**(810)**	**12**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**485**	**2,491**		
Equity attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		

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Statement of changes in consolidated shareholders' equity

(€m)

	BALANCE AT 31.12.2017	CHANGE IN OPENING BALANCES	BALANCE AT 1.1.2018	ALLOCATION OF INCOME FOR THE PREVIOUS YEAR		CHANGES IN THE PERIOD									SHAREHOLDERS' EQUITY AT 30.6.2018	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY AT 30.6.2018	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS AT 30.6.2018
							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 1ST HALF 2018			
Share capital:	**300**	**-**	**300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**300**	**300**	**-**
- ordinary shares	300	-	300	-	-	-	-	-	-	-	-	-	-	-	300	300	-
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**206**	**-**	**206**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**206**	**206**	**-**
Reserves:	**1,470**	**(81)**	**1,389**	**83**	**-**	**19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,491**	**1,491**	**-**
- From net income	1,396	(81)	1,315	83	-	19	-	-	-	-	-	-	-	-	1,417	1,417	-
- Other	74	-	74	-	-	-	-	-	-	-	-	-	-	-	74	74	-
Valuation reserves	**(69)**	**119**	**50**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(53)**	**(3)**	**(3)**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the period	**871**	**-**	**871**	**(83)**	**(788)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**454**	**454**	**454**	**-**
Shareholders' equity	**2,778**	**38**	**2,816**	**-**	**(788)**	**19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**401**	**2,448**	**2,448**	**-**
Equity attributable to owners of the parent company	**2,778**	**38**	**2,816**	**-**	**(788)**	**19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**401**	**2,448**		
Equity attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		

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Statement of consolidated cash flows

(Indirect method)

(€m)

	1ST HALF 2019	1ST HALF 2018
A. OPERATING ACTIVITIES		
1. Operations	**640**	**601**
- profit (loss) for the period (+/-)	456	454
- net profit (loss) on financial assets held for trading and on other assets/liabilities measured at fair value through profit or loss (-/+)	(20)	(4)
- net profit (loss) on hedging activities (-/+)	-	-
- net impairment for credit risk (+/-)	1	1
- net depreciation and amortisation (+/-)	34	9
- net provisions for risks and charges and other expense/income (+/-)	24	11
- uncollected net insurance premiums (-)	-	-
- uncollected other insurance income/expense (-/+)	-	-
- unpaid taxes and tax credits (+/-)	175	190
- net impairment of discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	(30)	(60)
2. Cash from/used in financing activities	**(3,050)**	**(1,763)**
- financial assets held for trading	3	7
- financial assets measured at fair value	-	-
- other assets mandatorily measured at fair value	(11)	333
- financial assets measured at fair value through other comprehensive income	(201)	621
- financial assets measured at amortised cost	(2,866)	(2,769)
- other assets	25	45
3. Cash from/used in financial liabilities	**3,169**	**2,114**
- financial liabilities measured at amortised cost	3,077	2,418
- financial liabilities held for trading	2	(165)
- financial liabilities measured at fair value	-	-
- other liabilities	90	(139)
Net cash from/used in operating activities	**759**	**952**
B. INVESTING ACTIVITIES		
1. Cash from	**-**	**-**
- disposal of equity investments	-	-
- dividend income from equity investments	-	-
- sale of property and equipment	-	-
- sale of intangible assets	-	-
- sale of subsidiaries and company divisions	-	-
2. Cash used in	**(7)**	**(32)**
- acquisition of equity investments	-	-
- acquisition of property and equipment	-	(1)
- purchase of intangible assets	(7)	(4)
- acquisition of subsidiaries and company divisions	-	(27)
Net cash from/used in operating activities	**(7)**	**(32)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- distribution of dividends and other	(810)	(788)
- sale/purchase of control of others	-	-
Net cash from/used in funding activities	**(810)**	**(788)**
NET CASH GENERATED/USED IN THE PERIOD	**(58)**	**132**

Reconciliation

Cash and cash equivalents at the beginning of the period	310	78
Total net cash generated/used in the period	(58)	132
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the end of the period	252	210

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The information required under paragraph 44B of IAS 7 is provided as follows to assess the changes in liabilities resulting from financing activities.

	1ST HALF 2019
A. Operating activities - 3. Cash from/used in financial liabilities	
a) Changes resulting from financing cash flows	3,077
b) Changes resulting from obtaining or losing control of subsidiaries or other companies	-
c) Changes in fair value	(13)
d) Other changes	105
Cash from/used in financial liabilities	**3,169**

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Accounting policies

BASIS OF PREPARATION

The Condensed Half-Year Consolidated Financial Statements at 30 June 2019 were prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission. The Condensed Half-Year Consolidated Financial Statements were in particular prepared in accordance with IAS 34 on interim financial reporting.

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

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

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

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

These Condensed Half-Year Consolidated Financial Statements comprise the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity and Statement of Cash Flows, accompanied by explanatory notes on the Group's performance. 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. These Financial Statements use the euro as their presentation currency, and all the figures herein are stated in millions of euro unless specified otherwise.
In accordance with IAS 34, the income statement for the first half of 2019 is compared with the income statement for the corresponding period of 2018, while the balance sheet at 30 June 2019 is compared with the balance sheet at 31 December 2018. The balance sheet and income statement as at and for the period ended 30 June 2019 referred to in the explanatory notes have been reclassified to facilitate comparison of the

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

SCOPE AND METHODS OF CONSOLIDATION

The companies included in the line-by-line consolidation of Fideuram at 30 June 2019 are listed below.

Equity investments at 30.6.2019

COMPANY NAME	REGISTERED OFFICE	TYPE OF OWNERSHIP (*)	OWNERSHIP: ASSOCIATE COMPANY	OWNERSHIP: % OWNED	% VOTES (**)
Parent company					
Fideuram - Intesa Sanpaolo Private Banking S.p.A. Share capital: EUR 300,000,000 in shares without par value	Turin				
Wholly - owned subsidiaries					
1. Sanpaolo Invest SIM S.p.A. Share capital: EUR 15,264,760 in shares of EUR 140 each	Turin	1	Fideuram	100.000%	
2. Intesa Sanpaolo Private Banking S.p.A. Share capital: EUR 105,497,424 in shares of EUR 4 each	Milan	1	Fideuram	100.000%	
3. Fideuram Investimenti SGR S.p.A. Share capital: EUR 25,850,000 in shares of EUR 517 each	Milan	1	Fideuram	99.500%	
4. Siref Fiduciaria S.p.A. Share capital: EUR 2,600,000 in shares of EUR 0.52 each	Milan	1	Fideuram	100.000%	
5. Fideuram Asset Management (Ireland) dac Share capital: EUR 1,000,000 in shares of EUR 1,000 each	Dublin	1	Fideuram	100.000%	
6. Fideuram Bank (Luxembourg) S.A. Share capital: EUR 40,000,000 in shares without par value	Luxembourg	1	Fideuram	100.000%	
7. Financière Fideuram S.A. Share capital: EUR 346,761,600 in shares of EUR 25 each	Paris	1	Fideuram	99.999%	
8. Intesa Sanpaolo Private Bank (Suisse) Morval S.A. Share capital: CHF 20,000,000 in shares of CHF 100 each	Geneva	1	Fideuram	95.792%	
9. Intesa Sanpaolo Private Argentina S.A. Share capital: ARS 8,556,289 in shares of ARS 1 each	Buenos Aires	1	Intesa Sanpaolo Private Bank (Suisse) Morval Fideuram	95.003% 4.997%	
10. Morval SIM S.p.A. Share capital: EUR 2,768,000 in shares of EUR 0.52 each	Turin	1	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000%	
11. Morval Gestion SAM Share capital: EUR 500,000 in shares of EUR 100 each	Montecarlo	1	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000%	
12. Morval Vonwiller Assets Management Co. Ltd Share capital: USD 2,400,000 in shares of USD 1 each	Tortola	1	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000%	
13. Southern Group Ltd Share capital: USD 50,000 in shares of USD 1 each	George Town	1	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000%	
14. Morval Vonwiller Advisors S.A. Share capital: UYU 495,000 in shares of UYU 1 each	Montevideo	1	Southern Group	100.000%	
15. Morval Bank & Trust Cayman Ltd Share capital: USD 7,850,000 in shares of USD 1 each	George Town	1	Morval Vonwiller Assets Management	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 Condensed Half-Year Consolidated Financial Statements include 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 30 June 2019, as approved by the competent bodies of the subsidiaries, adjusted where necessary to align them with Group accounting policies. The financial statement data of companies operating outside the European Monetary Union are translated to euro applying the period-end exchange rates to balance sheet items and the average exchange rates for the period to income statement items. Any exchange rate differences arising from translations at said exchange rates are recognised in the valuation reserve.

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

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

It should also be noted that in the second quarter of the year, the company DJ Inversiones changed its company name to Intesa Sanpaolo Private Argentina S.A..

MAIN FINANCIAL STATEMENT ITEMS

The main changes introduced by the application of the new financial reporting standard IFRS 16 “Leases” as from 1 January 2019 are described below. The reader should refer to the notes to the consolidated financial statements at 31 December 2018 for a description of the other items.

PROPERTY AND EQUIPMENT

Property and equipment includes land, non-investment property, technical plant and equipment, furniture and furnishings, machinery, equipment and valuable art assets.
The property and equipment held for use in the production or supply of goods and services are classified as assets used in operations in accordance with IAS 16. Non-investment property is defined as buildings owned (or leased under finance lease contracts) that are used for the production and supply of services or for administrative purposes, and which have a useful life that is longer than one year.
The rights of use acquired under the lease and relating to the use of an item of property and equipment are included.
Property and equipment are initially recognised at cost, with the latter understood to mean both the purchase price and any related direct charges incurred for the purchase or commissioning of the asset. The special maintenance costs that increase the future economic benefits of assets are allocated as increases in the value of the assets, while other ordinary maintenance costs are recognised in the income statement.
Under IFRS 16, leases are accounted for on the basis of the right-of-use model according to which, on the commencement date, the lessee has a financial obligation to make lease payments to the lessor for its right to use the underlying asset during the lease term. When the asset is made available for use by the lessee (commencement date), the lessee recognises in

the balance sheet a liability as well as an asset consisting of the right to use the asset in question.
After initial recognition, property and equipment are measured at cost, deducting depreciation and any impairment, with the exception of property used in operations and valuable art assets, which are measured according to the value recalculation method.
For property and equipment subject to measurement according to the revaluation method:

- if the book value of the asset is increased after its value is recalculated, the increase has to be recognised in the statement of comprehensive income and accumulated in shareholders' equity under valuation reserves. Instead, when a revaluation of the same asset that was previously recognised in the income statement is reversed, income has to be recognised;
- if the book value of an asset is reduced after its value is recalculated, the reduction has to be recognised in the statement of comprehensive income as an excess revaluation to the extent that there are any net amounts credited in the revaluation reserve referring to that asset; otherwise that reduction has to be recognised in the income statement.

The depreciable value is distributed systematically over the useful life of the asset on a straight-line basis with the exception of for the following:

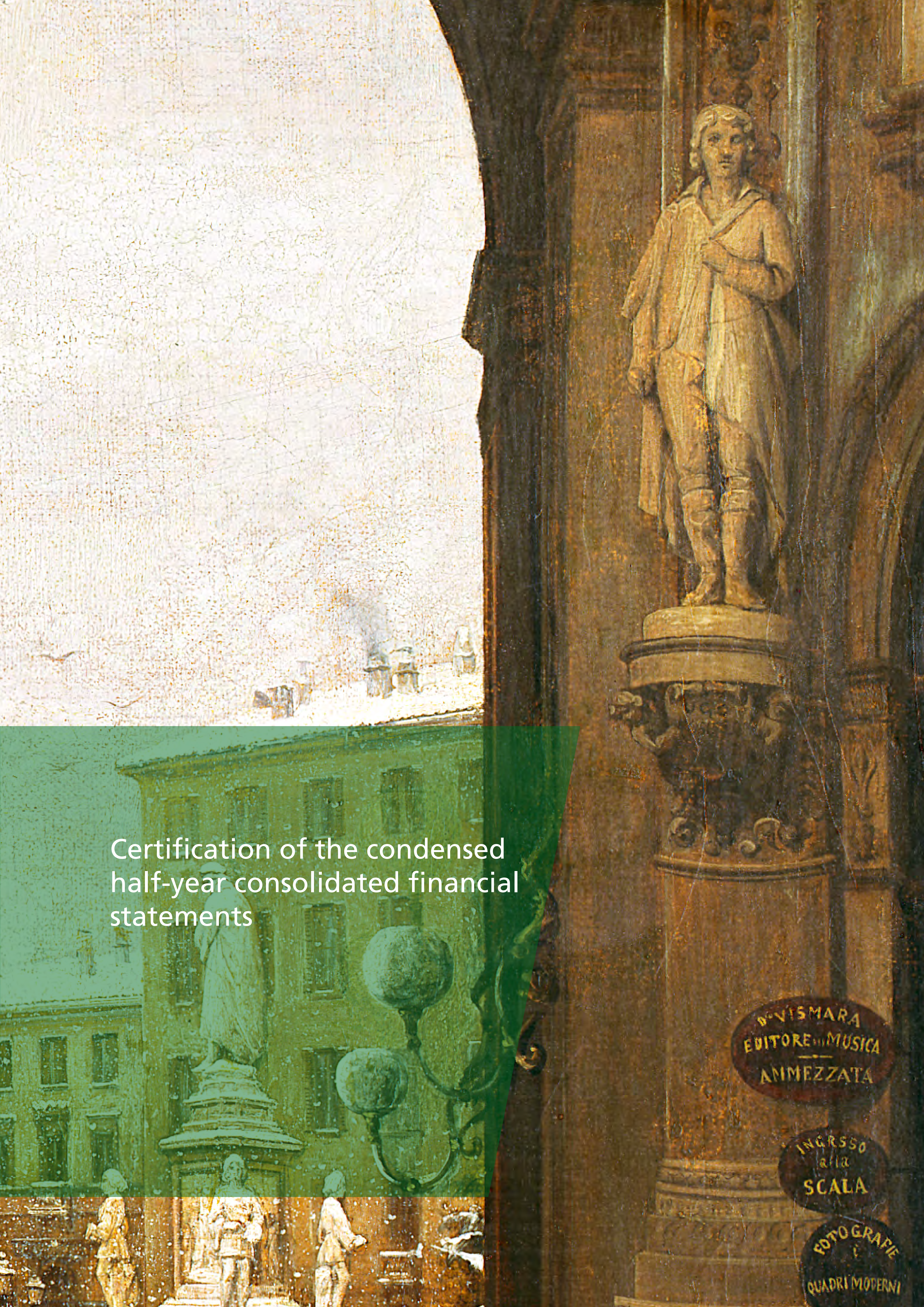
- land, which has an indefinite useful life and is not, therefore, depreciable. The value of land is, moreover, also accounted for separately from the value of buildings, even when they are purchased together. This splitting of the value of land and the value of buildings is performed on the basis of a survey by independent experts solely for buildings held on a "ground-to-roof" basis;
- works of art, since their useful life cannot be estimated and their value is not normally likely to decline over time.

The useful life of property and equipment subject to depreciation is verified periodically. If the initial estimates require adjustment, the related depreciation rates are also changed.
In addition, at every reporting date, the bank also evaluates whether there is any evidence of an asset having been impaired. In such cases the book value and recoverable value of the asset are compared. Any adjustments required are recorded in the income statement. Should the reasons for the impairment cease to apply, a reversal is recognised that cannot, however, exceed the value the asset would have had, net of any depreciation calculated, had there not been any previous impairment.
An item of property and equipment is eliminated from the balance sheet upon disposal or when an asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

The items Due to banks and Due to customers cover all the technical forms of borrowing from said counterparties. Debts recognised by the bank in the capacity of lessee within the scope of leases are also included. These liabilities are initially recognised in the balance sheet at fair value, which is usually the amount collected, increased by any transaction costs directly attributable to the individual borrowing transaction.
The debts, with the exception of on-demand and short-term items which continue to be recognised at collection value, are subsequently measured at amortised cost using the effective interest rate method, with the related effect being recognised in the income statement among interest expense. Debts for leases are revalued when there is a lease modification (i.e. a change in the scope of the contract), which is not considered as a separate contract. Financial liabilities are derecognised when they mature or are settled.

Certification of the condensed half-year consolidated financial statements



Certification of the condensed half-year consolidated financial statements

1. The undersigned Paolo Molesini, as Managing Director and General Manager, and Paolo Bacciga, as Manager responsible for the preparation of the company accounts, of Fideuram - Intesa Sanpaolo Private Banking S.p.A., hereby certify, also taking account of the provisions of article 154 bis, subparagraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, that the condensed half-year consolidated financial statements are:
   - suitable for the characteristics of the Group, and
   - that the Group has fully applied the administrative and accounting procedures for preparing the condensed half-year consolidated financial statements during the first half of 2019.

2. The evaluation of the suitability and effective application of the administrative and accounting procedures for preparing the condensed half-year consolidated financial statements at 30 June 2019 was carried out using methodologies developed by Intesa Sanpaolo in line with the COSO framework and, for the IT part, COBIT, which are generally internationally accepted as reference frameworks for the internal audit system[1].

3. In addition, the undersigned also certify as follows:
   3.1 The condensed half-year consolidated financial statements at 30 June 2019:
   - have been prepared in accordance with the applicable international financial reporting standards recognised in the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   - correspond to the accounting books and records;
   - give a true and fair view of the financial position and results of the group of companies included in the scope of consolidation.

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

30 July 2019

Paolo Molesini
Managing Director and
General Manager

Paolo Bacciga
Manager responsible for the preparation
of the company accounts

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

Independent auditors' report

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

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

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Fideuram – Intesa Sanpaolo Private Banking Group, comprising the consolidated balance sheet, the consolidated income statement and the statements of consolidated comprehensive income, changes in equity and cash flows and notes thereto for the six months then ended 30 June 2019. The directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Fideuram – Intesa Sanpaolo Private Banking Group as at and for the six months ended 30 June 2019 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Rome, 1 August 2019

KPMG S.p.A.

(signed on the original)

Giovanni Giuseppe Coci
Director of Audit

Schedules

Basis of preparation of the restated financial statements

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

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

Reconciliation statements of the official balance sheet and income statement and the corresponding restated balance sheet and restated income statement are provided below, so that comparisons may be made on a like-for-like basis and the effects of first-time adoption of IFRS 16 and the acquisition of the Morval Group can be adequately represented. They were prepared by making the adjustments to the historical data required to reflect retrospectively the changes which occurred in 2019. Specifically:

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

Reconciliation statements of the official and restated financial statements

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

(€m)

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

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

Reconciliation of published consolidated income statement for the period ended 30 June 2018 and restated consolidated income statement for the period ended 30 June 2018

(€m)

	1ST HALF 2018 PUBLISHED	CHANGE IN SCOPE OF CONSOLIDATION (*)	EFFECT OF TRANSITION TO IFRS16	1ST HALF 2018 RESTATED
10. Interest income and similar income	119	-	-	119
of which: interest income calculated with the effective interest method	*161*	-	-	*161*
20. Interest expense and similar expense	(41)	-	(2)	(43)
30. Net interest income	**78**	**-**	**(2)**	**76**
40. Fee and commission income	1,235	6	-	1,241
50. Fee and commission expense	(384)	(1)	-	(385)
60. Net fee and commission income	**851**	**5**	**-**	**856**
70. Dividends and similar income	-	-	-	-
80. Net profit (loss) on trading activities	3	1	-	4
90. Net profit (loss) on hedging derivatives	-	-	-	-
100. Net profit (loss) on sale or repurchase of:	21	-	-	21
a) financial assets measured at amortised cost	8	-	-	8
b) financial assets measured at fair value through other comprehensive income	13	-	-	13
c) financial liabilities	-	-	-	-
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	(2)	-	-	(2)
a) financial assets and liabilities measured at fair value	-	-	-	-
b) other financial assets mandatorily measured at fair value	(2)	-	-	(2)
120. Intermediation margin	**951**	**6**	**(2)**	**955**
130. Net impairment for credit risk related to:	(1)	-	-	(1)
a) financial assets measured at amortised cost	(1)	-	-	(1)
b) financial assets measured at fair value through other comprehensive income	-	-	-	-
140. Gains/losses on contractual changes without cancellation	-	-	-	-
150. Operating income	**950**	**6**	**(2)**	**954**
160. Net insurance premiums	-	-	-	-
170. Other income/expense from insurance activities	-	-	-	-
180. Operating income from financing and insurance activities	**950**	**6**	**(2)**	**954**
190. Administrative expenses:	(410)	(6)	20	(396)
a) personnel expenses	(168)	(4)	-	(172)
b) other administrative expenses	(242)	(2)	20	(224)
200. Net provisions for risks and charges	(11)	-	-	(11)
a) commitments and guarantees	-	-	-	-
b) other net provisions	(11)	-	-	(11)
210. Depreciation of property and equipment	(2)	-	(18)	(20)
220. Amortisation of intangible assets	(7)	-	-	(7)
230. Other income/expense	120	-	-	120
240. Operating expenses	**(310)**	**(6)**	**2**	**(314)**
250. Profit (loss) on equity investments	4	-	-	4
260. Net fair value gains (losses) on property and equipment and intangible assets	-	-	-	-
270. Goodwill impairment	-	-	-	-
280. Gain (loss) on disposal of investments	-	-	-	-
290. Profit (loss) before tax from continuing operations	**644**	**-**	**-**	**644**
300. Income taxes for the year on continuing operations	(190)	-	-	(190)
310. Profit (loss) after tax from continuing operations	**454**	**-**	**-**	**454**
320. Profit (loss) after tax from discontinued operations	-	-	-	-
330. Net profit (Loss) for the period	**454**	**-**	**-**	**454**
340. Net profit (loss) for the period attributable to non-controlling interests	-	-	-	-
350. Parent company interest in net profit (loss) for the period	**454**	**-**	**-**	**454**

(*) Figures for contribution by the Morval Vonwiller Group in the first three months of 2018

Basis of preparation of the reclassified financial statements

The balance sheet and income statement as at and for the period ended 30 June 2019 have been reclassified to facilitate comparison of the figures for different periods and to enable a clearer and more immediate understanding of the financial position and results. These statements were prepared using appropriate groupings of the items in the official financial statements.

Moreover, the reclassified consolidated income statement has been changed as follows to provide a clearer presentation of the Group's operating performance:

- Net profit (loss) on financial assets, fee and commission income and expense, and the provisions have been stated net of the returns on the insurance policies taken out as part of the Personal Financial Adviser Networks' Loyalty Schemes, recognised in the official Bank of Italy schedule as net profit (loss) on financial assets mandatorily measured at fair value, which – as pertaining to the Personal Financial Advisers – have been recognised as commission expense and provisions.
- 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 expense.
- 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 for credit risk 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 restated and reclassified financial statements

Reconciliation of consolidated balance sheet and reclassified consolidated balance sheet

(€m)

RECLASSIFIED BALANCE SHEET ITEMS – ASSETS	CONSOLIDATED SHEET ITEMS – ASSETS	30.6.2019	1.1.2019
Financial assets measured at fair value through profit or loss		317	294
	Item 20. Financial assets measured at fair value through profit or loss	*317*	*294*
Financial assets measured at fair value through other comprehensive income		3,529	3,294
	Item 30. Financial assets measured at fair value through other comprehensive income	*3,529*	*3,294*
Debt securities measured at amortised cost		13,240	13,299
	Item 40. a) (partial) Financial assets measured at amortised cost – Loans to banks	*10,588*	*10,764*
	Item 40. b) (partial) Financial assets measured at amortised cost – Loans to customers	*2,652*	*2,535*
Loans to banks		15,135	12,301
	Item 40. a) (partial) Financial assets measured at amortised cost – Loans to banks	*15,135*	*12,301*
Loans to customers		9,620	9,531
	Item 40. b) (partial) Financial assets measured at amortised cost – Loans to customers	*9,620*	*9,531*
Hedging derivatives		7	-
	Item 50. Hedging derivatives	*7*	-
Equity investments		163	151
	Item 70. Equity investments	*163*	*151*
Property and equipment and intangible assets		609	576
	Item 90. Property and equipment	*386*	*350*
	Item 100. Intangible assets	*223*	*226*
Tax assets		175	198
	Item 110. Tax assets	*175*	*198*
Other assets		1,520	1,388
	Item 10. Cash and cash equivalents	*252*	*310*
	Item 60. Adjustments to financial assets subject to macro-hedging (+/-)	*12*	*1*
	Item 120. Non-current assets held for sale and discontinued operations	-	*12*
	Item 130. Other assets	*1,256*	*1,065*
Total assets	**Total assets**	**44,315**	**41,032**

(€m)

RECLASSIFIED BALANCE SHEET ITEMS – LIABILITIES	CONSOLIDATED BALANCE SHEET ITEMS – LIABILITIES	30.6.2019	1.1.2019
Due to banks		3,098	3,409
	Item 10. a) Financial liabilities measured at amortised cost – due to banks	*3,098*	*3,409*
Due to customers		35,775	32,354
	Item 10. b) Financial liabilities measured at amortised cost – due to customers	*35,775*	*32,354*
Financial liabilities held for trading		25	28
	Item 20. Financial liabilities held for trading	*25*	*28*
Hedging derivatives		979	808
	Item 40. Hedging derivatives	*979*	*808*
Tax liabilities		90	82
	Item 60. Tax liabilities	*90*	*82*
Other liabilities		1,399	1,079
	Item 80. Other liabilities	*1,349*	*1,031*
	Item 90. Provision for employment termination indemnities	*50*	*48*
Provisions for risks and charges		458	468
	Item 100. Provisions for risks and charges	*458*	*468*
Share capital and reserves		2,035	1,970
	Items 120, 150, 160, 170 Equity attributable to owners of the parent company	*2,035*	*1,970*
Net Profit		456	834
	Item 200. Net profit (loss) for the period	*456*	*834*
Total liabilities	**Total liabilities and shareholders' equity**	**44,315**	**41,032**

Reconciliation of restated consolidated income statement and reclassified consolidated income statement

(€m)

RECLASSIFIED CONSOLIDATED INCOME STATEMENT ITEMS	CONSOLIDATED RESTATED INCOME STATEMENT ITEMS	1ST HALF 2019	1ST HALF 2018
Net interest income		89	76
	Item 30. Net interest income	*89*	*76*
Net profit (loss) on financial assets and liabilities at fair value		28	17
	Item 80. Net profit (loss) on trading activities	*7*	*4*
	Item 100. b) Profit (loss) on sale or repurchase of financial assets measured at fair value through other comprehensive income	*18*	*13*
	Item 110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	*15*	*(2)*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*(12)*	*2*
Net fee and commission income		843	855
	Item 60. Net fee and commission income	*843*	*856*
	- Item 60. (partial) Soft commission	*(1)*	*(1)*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*3*	*-*
	- Item 190. b) (partial) Component of administrative expenses relating to fee and commission income	*(2)*	*-*
Intermediation margin		**960**	**948**
Profit on equity investments and other income (expense)		2	4
	Item 230. Other income/expense	*122*	*120*
	Item 250. Profit (loss) on equity investments	*3*	*4*
	- Item 230. (partial) Recovery of indirect taxes	*(123)*	*(120)*
Net Operating Income		**962**	**952**
Personnel expenses		(171)	(167)
	Item 190. a) Personnel expenses	*(175)*	*(172)*
	- Item 190. a) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*4*	*5*
Other administrative expenses		(91)	(89)
	Item 190. b) Other administrative expenses	*(233)*	*(224)*
	- Item 60. (partial) Soft commission	*1*	*1*
	- Item 190. b) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*4*	*4*
	- Item 190. b) (partial) Costs related to banking system	*12*	*10*
	- Item 190. b) (partial) Component of administrative expenses relating to fee and commission income	*2*	*-*
	- Item 230. (partial) Recovery of indirect taxes	*123*	*120*
Depreciation and amortisation		(27)	(23)
	Item 210. Depreciation of property and equipment	*(23)*	*(20)*
	Item 220. Amortisation of intangible assets	*(10)*	*(7)*
	- Item 220. (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*5*	*4*
	- Item 220. (partial) Amortisation of Client Assets recognised in intangible assets following PPA	*1*	*-*
Net operating expenses		**(289)**	**(279)**

RECLASSIFIED CONSOLIDATED INCOME STATEMENT ITEMS	CONSOLIDATED RESTATED INCOME STATEMENT ITEMS	1ST HALF 2019	1ST HALF 2018
Operating margin		**673**	**673**
Net impairment of loans		(2)	-
	Item 130. Net impairment for credit risk	*(1)*	*(1)*
	- Item 130. a) (partial) Net impairment/reversal of impairment for credit risk related to financial assets measured at amortised cost - Debt securities	*(1)*	*2*
	- 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		(23)	(14)
	Item 200. Net provisions for risks and charges	*(24)*	*(11)*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*9*	*(2)*
	- Item 130. a) (partial) Net impairment/reversal of impairment for credit risk related to financial assets measured at amortised cost - Debt securities	*1*	*(2)*
	- 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)		9	8
	Item 100. a) Profit (loss) on sale or repurchase of financial assets measured at amortised cost	*-*	*8*
	- Item 200. (partial) Use in excess of Risk provision for tax dispute	*9*	*-*
Gross income (loss)		**657**	**667**
Income taxes for the period on continuing operations		(183)	(198)
	Item 300. Income taxes for the period on continuing operations	*(175)*	*(190)*
	- Item 300. (partial) Tax impact on costs related to integration of Intesa Sanpaolo Private Banking	*(4)*	*(4)*
	- Item 300. (partial) Tax impact on costs related to the banking system	*(4)*	*(4)*
	- Item 300. (partial) Amortisation of Client Assets recognised in intangible assets following PPA	*-*	*-*
Integration and voluntary redundancy expenses (net of tax)		(9)	(9)
	- Item 190. a) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*(4)*	*(5)*
	- Item 190. b) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*(4)*	*(4)*
	- Item 220. (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*(5)*	*(4)*
	- Item 300. (partial) Tax impact on costs related to integration of Intesa Sanpaolo Private Banking	*4*	*4*
Effects of purchase price allocation (net of tax)		(1)	-
	- Item 220. (partial) Amortisation of Client Assets recognised in intangible assets following PPA	*(1)*	*-*
Expenses regarding the banking system (net of tax)		(8)	(6)
	- Item 190. b) (partial) Costs related to banking system	*(12)*	*(10)*
	- Item 300. (partial) Tax impact on costs related to the banking system	*4*	*4*
Net profit	**Item 350. Parent company interest in net profit (loss) for the period**	**456**	**454**

Contact us

Branches and Personal Financial Advisers' Offices

FIDEURAM BRANCHES

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FIDEURAM PERSONAL FINANCIAL ADVISERS' OFFICES

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SANPAOLO INVEST PERSONAL FINANCIAL ADVISERS' OFFICES

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INTESA SANPAOLO PRIVATE BANKING BRANCHES

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INTESA SANPAOLO PRIVATE BANKING PERSONAL FINANCIAL ADVISERS' OFFICES

Bari - Salò

INTESA SANPAOLO PRIVATE BANK (SUISSE) MORVAL GROUP BRANCHES

Geneva - Lugano - George Town

(at 30 June 2019)

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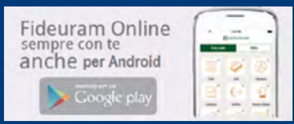

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GALLERIE D'ITALIA.
THREE MUSEUM VENUES: AN ITALIAN CULTURAL NETWORK.

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

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

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

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

Cover photo:

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

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

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

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

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