FIDEURAM
INTESA SANPAOLO PRIVATE BANKING

Half-year Report at 30 June 2020

Bank of INTESA SANPAOLO

Mission

of Fideuram – Intesa Sanpaolo
Private banking

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

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

Half-year Report at 30 June 2020

Introduction

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

The European Council approved several measures in April in support of the eurozone, providing Member States with resources to confront the crisis. Except for the Recovery Fund, a number of measures are effective beginning 1 June, which are summarised as follows:

- EIB loans: the European Investment Bank has proposed a new €200bn credit facility for Member States. This facility will permit granting long-term bridge loans to companies facing liquidity crises.
- Unconditional ESM loans for medical expenses: the Eurogroup has decided to provide a PCS (Pandemic Crisis Support) credit facility totalling €240bn, guaranteed by the European Stability Mechanism, to be provided to Member States for financing the direct and indirect medical expenses connected with the Covid-19 emergency.
- SURE Program: The European Commission's SURE (Support to mitigate unemployment risks in an emergency) initiative is intended to provide loans to Member States to cover public spending increases tied to job support measures, and especially wage and salary supplement schemes, that are introduced or expanded in response to the health emergency. It will have an endowment of €100bn, financed by the issuance of debt securities guaranteed by all the Member States on a voluntary basis for a minimum of €25bn.
- Recovery Fund: on 28 May the European Commission submitted a proposal for the establishment of a Recovery Fund guaranteed by the European Union budget and financed through the issuance of bonds. The negotiations by European leaders on the characteristics of the Fund concluded on 20 July. The Fund will have a total endowment of €750bn, allocated among forgivable loans (€390bn) and loans (€360bn) to be made to Member States.

The European Central Bank has adopted a diverse series of monetary policy measures:

- on 12 March it announced that temporary long-term refinancing operations (LTRO) would be carried out for the immediate injection of liquidity in support of the eurozone financial system. These operations will support bank loans to those hardest hit by the spread of the coronavirus, and especially small and medium enterprises;
- on 18 March it announced a new pandemic emergency purchase programme (PEPP) with an endowment of €750bn, which was subsequently raised to €1,350bn with purchases of securities scheduled until June 2021. The PEPP programme complemented the existing Quantitative Easing programme for €240bn and the additional €120bn approved on 12 March;
- to prevent any rating downgrades from suddenly reducing the mass of securities that can be used as collateral in Eurosystem credit operations, on 22 April the ECB modified the criteria of acceptability for the securities offered as collateral for credit operations, by reducing the collateral margins and temporarily reducing the minimum rating level for marketable securities from BBB- to BB.

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

- Decree Law no. 18 of 17 March ("Cura Italia" - "Cure Italy"), which includes €25bn to shore up the Italian National Health Service, job and household income support, and the liquidity of small and medium enterprises (with a direct cost of €5bn and €350bn in loan guarantees).

- Decree Law no. 23 of 8 April ("Liquidity Decree"), which expands the pool of loans that the Government intends to guarantee by an additional €400bn (raising the total of State guarantees of business loans to about €750bn).
- Decree Law no. 34 of 19 May ("Relaunch Decree"), which contains €55bn in new funding complementing the €25bn allocated by the Cura Italia decree. The purpose of these new measures is to reinforce the health care system, extend the social safety nets, provide support to household income and transfers in the form of forgivable loans to firms in the hardest-hit sectors. Moreover, measures that do not impact net debt were approved: these consisted in deferral of tax payment deadlines, loan moratoria, loan guarantees, the creation of provisions for direct assistance to businesses in the form of loans or capital injections or the release of payment of arrears due to local entities.

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

In this context of severe macroeconomic and market tensions, the managed assets sector has suffered major impacts generated by the impairment of customers' financial assets and the procedures used to manage customer relationships, which are extremely limited due to social distancing measures. Our Group responded immediately and broadly to mitigate their effects. It immediately launched an intense series of communication activities with its customers, while continuing to plan new investment solutions designed to seize the opportunities offered by the relevant context. These measures made it possible to limit the downturn in client assets mainly to the impact deriving from the changes in stock indices and interest rates.

Our Group's stability remains based on a fivefold foundation:

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

Consolidated shareholders' equity at 30 June 2020 was €3.4bn and the Common Equity Tier 1 ratio was 27.7% in the absence of any distribution of dividends. Financial resources acquired as customer deposits totalled €39bn, essentially stable since the end of 2019. They mainly consist of current accounts and deposits that are highly stable over time. Liquidity from liabilities is mainly invested in a portfolio of securities with medium-to-long term maturities containing a substantial proportion of eligible securities. The Group's business model and the strategies adopted to put our future growth plans into effect leave us strongly placed to tackle the intense volatility of the financial markets without any impact on our business continuity.

BUSINESS CONTINUITY

The Group has undertaken all necessary measures to deal effectively with the public health emergency ever since it began, ensuring the business continuity of its processes and services. Fideuram has participated in the Emergency Unit of Intesa Sanpaolo and activated its own Crisis Management Operations Unit, which has gradually implemented measures, protocols and precautions in complete compliance with orders issued by the Authorities. Through the intranet site, all colleagues have been kept constantly informed about the orders issued by the Authorities and consequent internal decisions taken to guarantee the protection of employees and customers, communications with stakeholders and business continuity.

Employee safety has been pursued through the provision of personal protection equipment, restrictions on travel, extension of flexible work and increases in the spaces between people. Social distancing is prescribed for indoor premises, offices and branches, with frequent cleaning cycles being ensured in compliance with instructions issued by the Ministry of Health. Those colleagues who have tested positive to the virus are constantly monitored over the course of their illness, and any colleagues who came into contact with the positive individuals must avoid coming to work. Access to the affected premises is prohibited and they are decontaminated before they may be used again. Teleworking, which was already an established practice at the Group, has been extended to almost all employees of the central departments since the emergency began. Measures to upgrade the security of teleworking have been implemented at the same time, increasing the level of protection to improve management of secure access to the corporate network. Specific measures, designed to allow working away from Group offices, were drawn up for critical Finance, Treasury, Investment Management and Operations activities. Specific measures were drawn up for the Branches to ensure containment of infection risks and thereby avoid the closure of operational sites and interruption of service. Customer access is allowed for just one person at a time on appointment. A special section has been set up on the corporate intranet to handle internal communications, with messages being sent to all employees to provide them with updates and operational instructions at critical times. Punctual messages were also sent to suppliers, customers, and media, with the authorities, public institutions and industry associations being kept constantly up to date. Specific messages to customers were issued in response to the growing menace of online fraudsters exploiting the current emergency situation. Those messages provide practical advice on how to avoid falling victim to cyber attacks.

SUPPORTING INITIATIVES

In response to the difficulties faced by numerous customers, concrete financial support measures have been provided since the beginning of the public health emergency, either directly or through the services offered by Intesa Sanpaolo. Specifically:

- arrangements were made with Intesa Sanpaolo so that our customers can obtain the business loans prescribed by the Liquidity Decree;
- specific commercial offers were created for both private customers and business customers, designed to satisfy their liquidity requirements tied to the emergency period;
- three-month suspension of payments on outstanding medium-long term loan instalments on customer request were allowed either for the amount of principal alone or for the entire instalment, and this can be extended for another three or six months according to the duration of the emergency.

Customers were provided with about €339m in new, subsidised rate loans, and five requests for moratoria on loan instalments were accepted. These measures allowed our customers to manage their payments during the emergency and confirm the important financial and social role played by our Group.

THE 2020 OUTLOOK

Global economic activity is expected to bounce back in the second half of 2020 as the pandemic control measures imposed during the last months are relaxed and fiscal stimulus measures take effect. Nevertheless, the impossibility of returning to normality in sectors like travel, tourism and entertainment, job and income losses during the recession, and the possibility of new outbreaks of the epidemic might slow down the recovery. Income and employment remain below their pre-crisis levels.

Short-term interest rates will remain stable at their current levels. The purchase programmes executed by central banks will offset the increased recourse to the market taken by governments and, together with reassurances that official rate increases are excluded for a prolonged period of time, will also guarantee low rates for medium and long-term loans. Notwithstanding the deterioration in the dynamic of Italian public debt, the rise in premiums will be slowed down by European protection measures, including Eurosystem purchase programmes.

The flow of credit to the economy through the Italian banking system in the second half of 2020 will continue to benefit from the liquidity support measures adopted by the Government and other national and international authorities. In particular, government-guaranteed business loans will continue to be issued until 31 December. Mortgage loan projections for the rest of the year are conditioned by the scenario in the residential property sector, which is experiencing a downturn in purchases and sales and falling home prices. More generally, the weakening in household loans in 2020 is affected by the reduction in available income, uncertainty and consequent rise in precautionary saving, which hold back spending decisions. On the other hand, interest rates remain very low, and no restrictions have been imposed on household loans by banks.

The significant increase in customer deposits will continue, especially for demand deposits. In fact, customer preference for liquidity, risk aversion and market yields that remain low will continue to feed current account balances. Use of the broad refinancing facilities offered by the European Central Bank will make it possible to limit medium-long term funding needs, so much so that the stock of bonds is expected to decline throughout 2020. The broad inflow of funds into current accounts and the substantial contribution made by TLTRO III, both in terms of negative interest rates and enormous volumes, will make it possible to contain the cost of inflows. Further adjustments to current account rates are possible, although the imposition of negative rates is ruled out. Consequently, loan rates will remain very low, notwithstanding the foreseeable worsening in perceived risk. Credit conditions will remain favourable, partly due to the policy measures implemented in support of credit.

BUDGETARY IMPACT

In this perspective, European regulators have also taken action, by issuing a series of measures to ensure that financial intermediaries have sufficient flexibility to manage this crisis period. Financial institutions have been requested, inter alia, to avoid excessive pro-cyclical effects in the application of IFRS 9 – Financial Instruments. The documents published by Authorities and Standard Setters suggest that in light of the present uncertainty, currently used methods must not be applied mechanically when calculating the loss forecasts prescribed by IFRS 9. Instead, it is necessary to use an appropriate measuring stick that takes the extraordinary circumstances adequately into account. A series of documents intended to provide initial methodological support to banks were issued in sequence by various European and national Supervisory Authorities as the emergency unfolded with the spreading epidemic. Subsequently, even the IASB (International Accounting Standards Board) expressed its opinions on the most important issues related to the impacts of Covid-19.

The exceptional characteristics of the present crisis, the uncertainty surrounding the duration of the public health emergency and the measures that are still being hammered out by Governments and the European Union render the application of accounting standards based on market values and prospective valuations extremely complex.

On the basis of the general overview as given above, the accounting items of concern to our Group that are most impacted by the public health emergency are listed as follows:

- Classification of loans in risk stages: in accordance with regulatory guidance, the performing positions that are affected by statutory moratoria measures or which are decided independently by the Group in consequence of the Covid-19 emergency are normally classified in stage 2, and they are not considered forborne in compliance with prudential rules.
- Intangible assets with a finite useful life: no criticalities have arisen over the resilience of the recoverable value, inter alia in consideration of the amortisation process that has reduced their book values from their original recognition values.

HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Half-year consolidated financial statements 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 2020 referred to in the explanatory notes have been reclassified to facilitate comparison of the figures for different periods and to enable a clearer and more immediate understanding of the Group's financial position and results. These statements were prepared using appropriate groupings of the items in the official financial statements. Detailed information on the reclassifications is presented in specific reconciliation statements provided in the schedules accompanying this Report.

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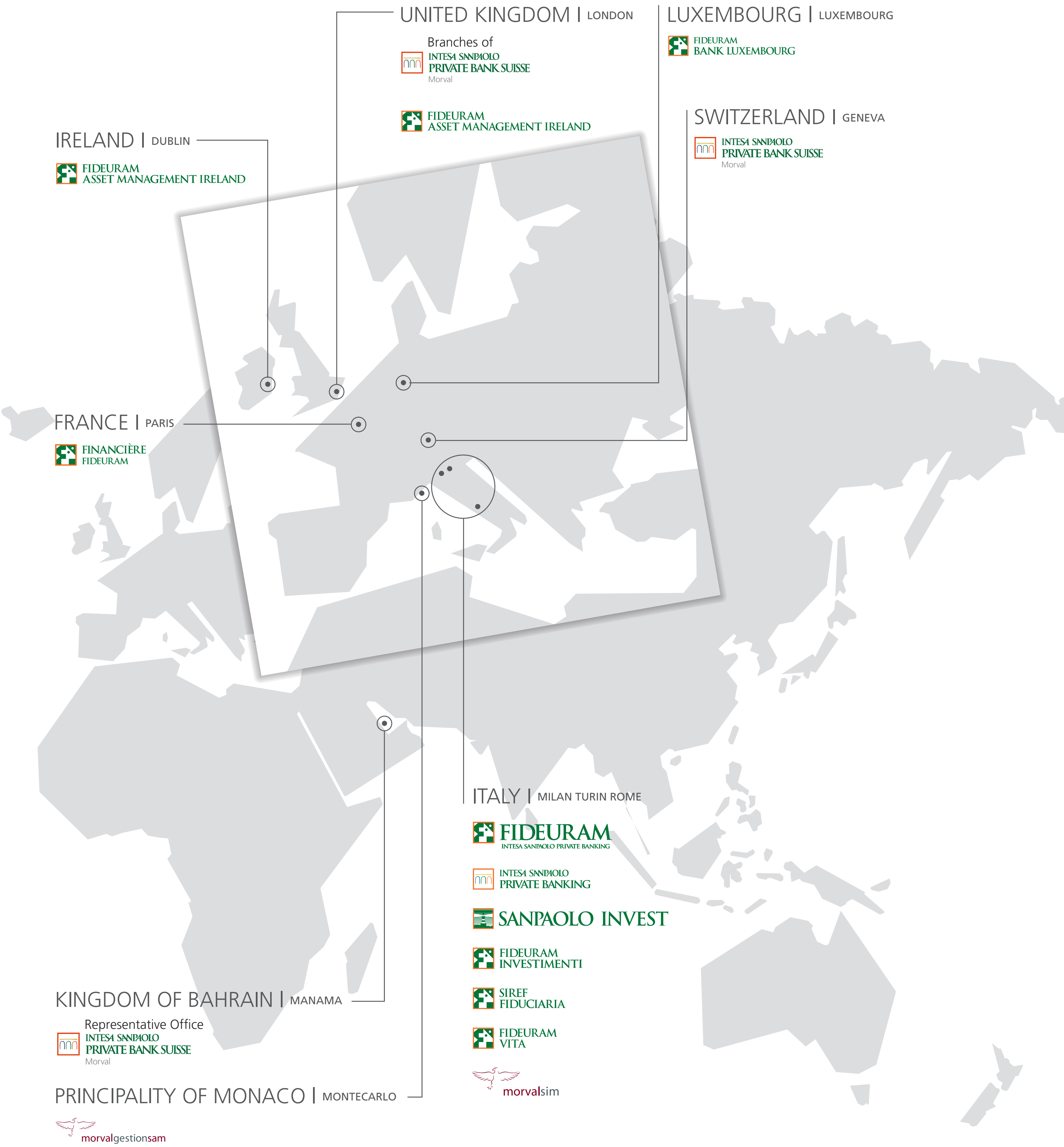
Group Structure



BRITISH VIRGIN ISLANDS | TORTOLA

morvalvonwillers
assets management co
in liquidation

CAYMAN ISLANDS | GEORGE TOWN

southerngroup
in liquidation

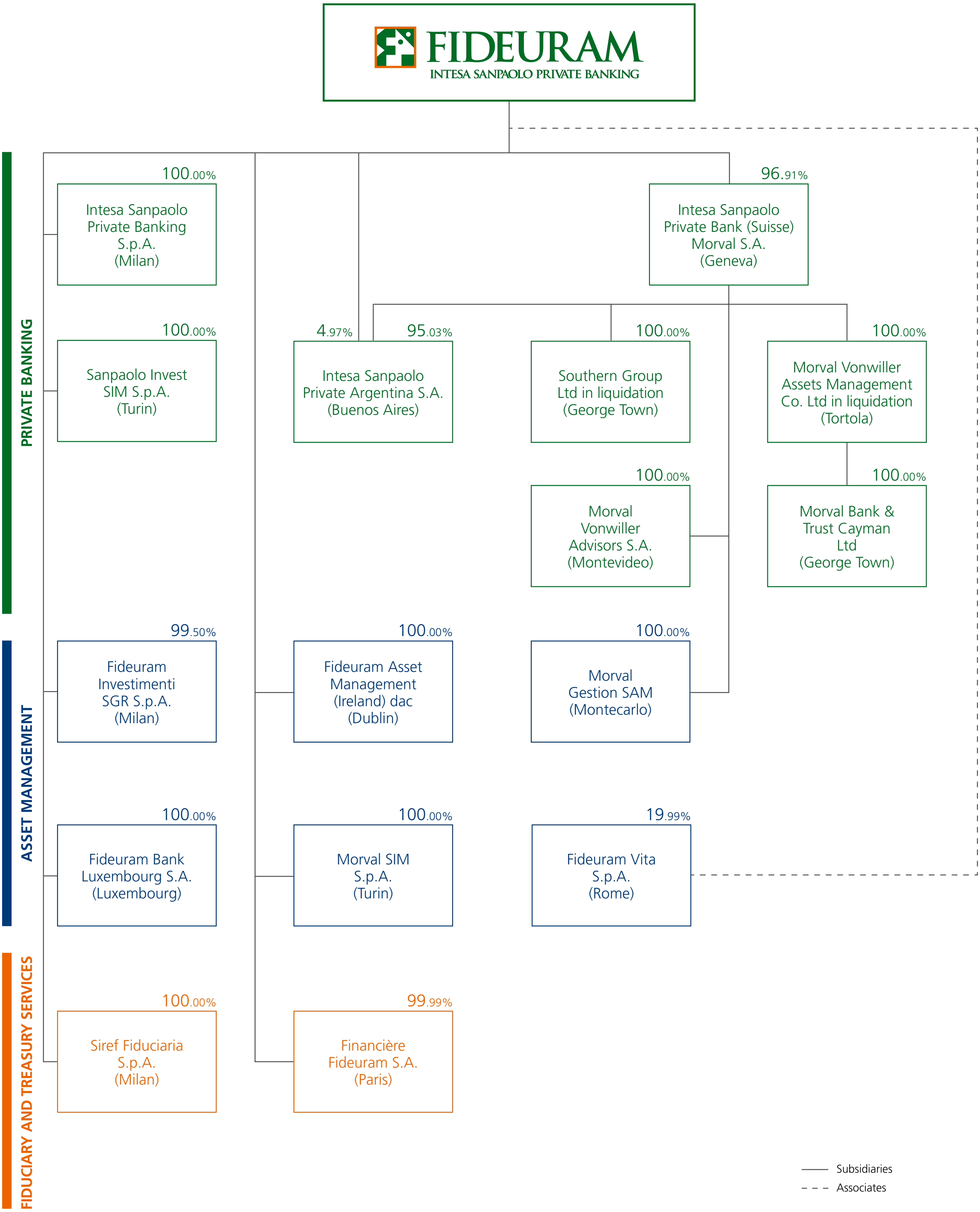
morvalbank&trust

URUGUAY | MONTEVIDEO

morvalvonwiller
advisors

ARGENTINA | BUENOS AIRES

INTESA SANPAOLO PRIVATE
Argentina


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

Company Officers

Shareholders' Meeting

Board of Directors

Chairman
PAOLO MOLESINI

Acting Deputy Chairman
PAOLO MARIA VITTORIO GRANDI

Acting Deputy Chairman
GIANGIACOMO DOMENICO LUIGI NARDOZZI TONIELLI

Managing Director
TOMMASO CORCOS

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

Secretary to the Board of Directors
FILIPPO MAMMOLA

Related Parties Committee

Chairman
GIANGIACOMO DOMENICO LUIGI NARDOZZI TONIELLI

Members
GIOVANNI BATTISTA BISOGNI

PIERO LUONGO

General Management

General Manager
TOMMASO CORCOS

Joint General Managers
FABIO CUBELLI (Business Coordination Area)

LINO MAINOLFI (Operational and Financial Coordination Area)

Board of Statutory Auditors

Chairman
GIULIO STEFANO LUBATTI

Statutory Auditors
MARCO ANTONIO MODESTO DELL'ACQUA

ELISA BAUCHIERO

Acting Auditors
ALESSANDRO COTTO

FRANCESCA MONTI

Independent Auditors

KPMG S.p.A.

Highlights

OPERATING RESULTS

Personal financial advisers No. 5,801

Customers

Fideuram No. 594,443

Sanpaolo Invest No. 158,085

Siref Fiduciaria No. 1,933 mandates

Intesa Sanpaolo Private Banking No. 37,816 households

Intesa Sanpaolo Private Bank (Suisse) Morval No. 1,781

Total Net Inflows

€6 bn

of which Net Inflows into Managed Assets

€1.6 bn

Client assets

€239.3 bn

of which Managed Assets

€160.9 bn

of which Advanced Advisory Service

€37 bn

FINANCIAL RESULTS

Average length of Customer Relationship

Fideuram and Sanpaolo Invest
13 years

Intesa Sanpaolo Private Banking
13 years

Net Recurring Fees
€ 779 m

Cost / Income Ratio
30%
(30% in the first half of 2019)

Consolidated Net Profit
€419 m

R.O.E.
27%
(34% in the first half of 2019)

Key Performance Indicators

	30.6.2020	30.6.2019	% CHANGE
CUSTOMER FINANCIAL ASSETS			
Net inflows into managed assets (€m)	1,572	204	n.s.
Total net inflows (€m)	6,014	4,540	32
Client assets (€m)	239,261	229,197	4
OPERATING STRUCTURE			
Personal Financial Advisers (No.)	5,801	5,942	
Staff (No.)	3,171	3,336	
- women (No.)	1,423	1,493	
- outside Italy (No.)	315	320	
Bank Branches (No.)	233	231	
Personal Financial Advisers' Offices (No.)	324	321	
CONSOLIDATED FINANCIAL RESULTS			
Consolidated net profit (€m)	419	456	-8
Group shareholders' equity (€m)	3,358	2,491	35
Basic consolidated net earnings per share (€)	0.279	0.304	-8
Consolidated pay-out ratio (%)	92.36	97.07	
Fideuram pay-out ratio (%)	98.33	99.48	
Total assets (€m)	49,940	44,315	13
Wealth created (€m)	1,405	1,424	-1
Value distributed (€m)	1,316	1,352	-3
PROFITABILITY INDICATORS			
Return on Equity (%)	27	34	
Return on Assets (%)	2	2	
Cost / Income ratio (%)	30	30	
Payroll costs / Operating margin (%)	17	18	
Annualised net profit / Average client assets (%)	0.4	0.4	
Economic Value Added (€m)	356	399	
Counterparty rating (S&P Global Rating)	**Long term: BBB**	**Short term: A-2**	**Outlook: Negative**

n.s.: not significant

Glossary

Net inflows: total subscriptions minus disinvestments.

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

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

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

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

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

Wealth created and value distributed: wealth created measures the economic value generated by the production and distribution of financial services using Fideuram's factors of production (capital and labour). Value distributed shows how the wealth created is distributed among the Group's main stakeholders.

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

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

Cost / Income ratio: the ratio of net operating expenses to net operating income.

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

Managed assets overview

Assets (€bn)	2019 (*)	2018	2017	2016	2015
Household financial assets in Italy (HFA)	**4,445**	**4,224**	**4,342**	**4,187**	**4,193**
Managed assets (MA)	1,696	1,498	1,512	1,400	1,335
- Mutual funds	339	320	328	301	286
- Discretionary accounts	969	840	859	801	801
- Life insurance technical reserves	706	624	627	633	580
- Pension funds	185	167	162	94	94
- Adjustments	(503)	(453)	(464)	(429)	(426)
MA as % of HFA	**38%**	**35%**	**35%**	**33%**	**32%**

Flows (€bn)	2019 (*)	2018	2017	2016	2015
Household financial assets in Italy (HFA)	**45**	**47**	**50**	**39**	**18**
Managed assets (MA)	16	16	48	50	98
- Mutual funds	(4)	6	25	12	32
- Discretionary accounts	-	5	4	18	42
- Life insurance technical reserves	81	(3)	(6)	53	51
- Pension funds	4	4	4	4	4
- Adjustments	(65)	4	21	(37)	(31)
MA as % of HFA	**35%**	**34%**	**96%**	**127%**	**n.s.**

(*) The figures of 2019 are estimated.

n.s.: not significant

Source: Bank of Italy

Interim directors' report

Reclassified financial statements

Consolidated balance sheet

(reclassified - €m)

	30.6.2020	31.12.2019	CHANGE	
			AMOUNT	%
ASSETS				
Financial assets measured at fair value through profit or loss	348	349	(1)	-
Financial assets measured at fair value through other comprehensive income	3,027	3,189	(162)	-5
Debt securities measured at amortised cost	15,204	15,275	(71)	-
Loans to banks	19,867	17,198	2,669	16
Loans to customers	9,101	9,329	(228)	-2
Hedging derivatives	11	20	(9)	-45
Equity investments	176	170	6	4
Property and equipment and intangible assets	605	614	(9)	-1
Tax assets	150	164	(14)	-9
Other assets	1,451	1,459	(8)	-1
TOTAL ASSETS	**49,940**	**47,767**	**2,173**	**5**
LIABILITIES				
Due to banks	4,713	3,033	1,680	55
Due to customers	38,993	39,024	(31)	-
Financial liabilities held for trading	44	33	11	33
Hedging derivatives	1,025	930	95	10
Tax liabilities	63	94	(31)	-33
Other liabilities	1,295	1,215	80	7
Provisions for risks and charges	449	478	(29)	-6
Share capital and reserves	2,939	2,054	885	43
Net profit	419	906	(487)	-54
TOTAL LIABILITIES	**49,940**	**47,767**	**2,173**	**5**

Consolidated income statement

(reclassified - €m)

	1ST HALF 2020	1ST HALF 2019	CHANGE	
			AMOUNT	%
Net interest income	102	89	13	15
Net profit (loss) on financial assets and liabilities at fair value	12	28	(16)	-57
Net fee and commission income	840	843	(3)	-
INTERMEDIATION MARGIN	**954**	**960**	**(6)**	**-1**
Profit on equity investments and other income (expense)	1	2	(1)	-50
NET OPERATING INCOME	**955**	**962**	**(7)**	**-1**
Personnel expenses	(164)	(171)	7	-4
Other administrative expenses	(98)	(91)	(7)	8
Depreciation and amortisation	(29)	(27)	(2)	7
NET OPERATING EXPENSES	**(291)**	**(289)**	**(2)**	**1**
OPERATING MARGIN	**664**	**673**	**(9)**	**-1**
Net impairment of loans	(18)	(2)	(16)	n.s.
Net provisions for risks and charges and net impairment of other assets	(22)	(23)	1	-4
Net non-recurring income (expenses)	6	9	(3)	-33
GROSS INCOME (LOSS)	**630**	**657**	**(27)**	**-4**
Income taxes for the period on continuing operations	(195)	(183)	(12)	7
Integration and voluntary redundancy expenses (net of tax)	(6)	(9)	3	-33
Effects of purchase price allocation (net of tax)	(1)	(1)	-	-
Expenses regarding the banking system (net of tax)	(9)	(8)	(1)	13
NET PROFIT	**419**	**456**	**(37)**	**-8**

n.s.: not significant

Economic scenario

The gradual spread of the coronavirus epidemic severely impacted global economic activity during the first half of 2020, triggering a brief but extremely profound recession, due to the halt of mobility and social interaction ("lockdown") imposed by governments to contain the spread of the virus. The economic policy response to the rapid deterioration in growth prospects and the beginning of a global recession was swift and effective, both monetarily and fiscally, decisively limiting its negative impact on the financial markets.

Global growth prospects appeared quite favourable at the beginning of the year, mainly due to the relaxation in trade tensions between the United States and China that had dominated most of 2019. However, this positive outlook was completely upended by the spread of the coronavirus epidemic, whose first epicentre was in the Chinese city of Wuhan. In the second half of January, Chinese authorities imposed a strict lockdown in Hubei Province (where Wuhan is located) in order to contain the spread of the virus, adopting severe restrictive measures in the rest of the country as well. While triggering a sharp drop in economic activity, these measures proved to be effective in containing the spread of the epidemic, with the number of infections in China being drastically reduced even in March. In January and the first half of February, the number of coronavirus infections outside China and the Far East was very low, but the situation changed completely with the spread of the virus in Italy in the second half of February. The Italian Government responded with ever-stricter containment measures, until it imposed a nationwide lockdown in the first half of March. In response to the rapid spread of the pandemic, these measures were soon adopted by nearly all governments in advanced countries and many emerging economies. The public health crisis and restrictive measures triggered an unprecedented falloff in demand and productive activity during March and April, with the significant exception of China, where containment of the epidemic permitted a considerable recovery in economic activity as early as March. With the gradual relaxation of restrictive measures in the second half of April, consumption and production rebounded strongly in May and June, but not enough to prevent a large fall in GDP during the first half of the year in all major economies around the world (with the partial exception of China).
The economic policy response to the rapid economic downturn provoked by the public health emergency was swift and effective, especially in the United States. In fact, the Federal Reserve cut its lending rates to zero in the first half of March (with a 150 basis point reduction) and also approved an unprecedented securities purchase programme, authorising the purchase of corporate bonds and paper for the first time ever. It also issued loans directly to businesses and reintroduced many of the tools previously used in the 2008-2009 crisis. On the fiscal side, the Congress approved a relief package for more than $2tr before the end of March (which was subsequently expanded), aimed especially at households and small businesses. After some hesitation in the eurozone, the European Central Bank launched an extraordinary plan in mid-March to purchase €750bn, which was subsequently expanded to €1,350bn (the Pandemic Emergency Purchase Programme, PEPP). On the fiscal side, all the governments of leading European countries allocated enormous funds in support of employment and provided guarantees for bank loans to businesses. However, the most important development was the Recovery Fund proposed by the European Commission, which calls for providing €390bn in subsidies to the countries hardest hit by the pandemic and €360bn in loans.

10-year Bund and BTP yields

Source: Bloomberg

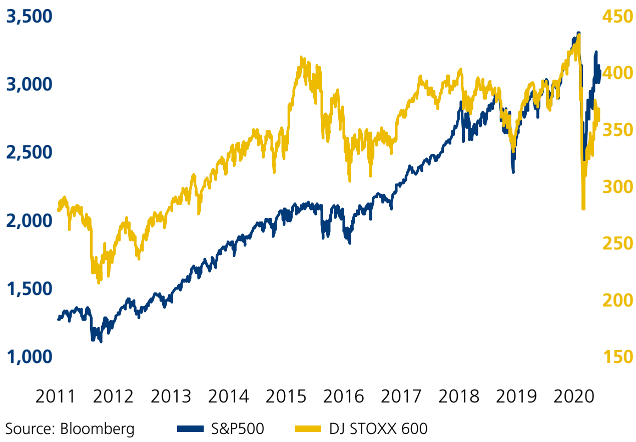
Economic activity was quite robust in the **United States** at the beginning of the year, with business confidence recovering in the manufacturing sector in response to the reduction in trade tensions with China. However, the spread of the coronavirus and the implementation of restrictive measures from the middle of March to contain the pandemic triggered a sudden and violent falloff in economic activity, reflected especially in an enormous number of job losses (about 22 million between March and April). However, activities were resumed quite quickly in most states, although the pandemic had not yet been brought under control. A significant (albeit still partial) recovery in employment levels, consumption and industrial production took place in May and June, but it was not enough to prevent a very large drop in GDP. In the second half of June and early July, the relaxation of restrictive measures and resumption of economic activity was also accompanied by an acceleration of the pandemic in many areas of the country, driving the number of infections to a new high and, in general, a persistent public health crisis. The recovery in employment and consumer spending was facilitated by the rapid fiscal policy response. The Congress approved a wide-ranging package in March, aimed mainly at supporting consumer income (through unemployment subsidies and other emergency transfers) and preserving employment in small and medium enterprises. In terms of monetary policy, the Federal Reserve took not only swift and decisive but also innovative action with its decision to buy corporate and municipal bonds and provide loans directly to businesses for the first time ever.

The year got off to a good start in the **eurozone** too: the trade agreement between the United States and China and the Brexit agreement between the United Kingdom and the European Union had improved business confidence and laid the basis for a cyclical recovery in the early months of 2020. However, the Covid-19 pandemic spread in Italy at the end of February, forcing the adoption of drastic measures to stop the spread of infections, which led to the closure of all unessential productive activities at the beginning of March. The rapid spread of the coronavirus forced the adoption of similar measures by other governments in the eurozone, while the entire European Union closed its own borders (both external and internal). These measures had never been experienced before in peacetime and were necessitated by the gravity of the public health situation, albeit at a steep price to the economy. In fact, the decrease in GPD during the first half of the year was unprecedented. However, the implemented public health measures proved effective and the process of gradually relaxing restrictions began at the end of April. The spreads of government bonds issued by the hardest-hit countries (first and foremost Italy) also rose steeply at the beginning of the crisis. However, the risk of a financial crisis on top of the economic and public health crisis was avoided through the prompt action taken by economic policymakers. Beginning in March, individual governments implemented enormous measures in support of household and business income, and provided broad guarantees for bank loans. At the same time, the European Central Bank expanded its Quantitative Easing programme, launched a pandemic emergency purchase programme (PEPP, implemented with more flexible rules than those applied for traditional Quantitative Easing), and also issued new, long-term subsidised loans to provide liquidity to banks. Moreover, even the inflation rate fell sharply due to the collapse in demand, rendering achievement of the medium-term inflation rate target set by the European Central Bank even more arduous.

Economic performance in **Asia** was also impacted by the spread of coronavirus, inducing swift action by monetary and fiscal authorities in support of economic activities. The Chinese GDP suffered its biggest ever falloff, due to the social distancing policies implemented to contain the spread of coronavirus from the end of January. The immediate response given by monetary policy and then the fiscal response permitted the Chinese economy to begin a steady recovery in March, with a sharp rebound in production activity and, although to a lesser extent, consumer spending. After hitting its peak in January, the inflation rate then gradually tapered off, due to the deceleration in food prices and drop in oil prices. The Japanese economy, which had already been weakened by the VAT increase in October 2019, sustained a sharp decline in GDP in the second quarter of the year. The Bank of Japan adopted expansionary measures in mid-March to guarantee business credit, while the government approved a wide-ranging fiscal package.

After sustaining a swift and sharp falloff during the first phase of the spread of coronavirus outside of China between mid-February and the end of March, stock markets subsequently recovered most of their losses (mainly on the United States stock markets), due to the incisiveness of monetary and fiscal policy responses and evidence of the temporary effect of the crisis. In the United States, the S&P500 index was down by -4% at the end of the first half of the year, while the decrease was more pronounced on other advanced markets (-13.3% for the Stoxx-600 index in Europe, with under-performance by the Italian market, and -9.4% for the Topix in Japan) and emerging country markets (-10.7% for the MSCI dollar index). The most acute phase of the public health crisis was marked by great volatility, accentuated by liquidity problems, even on the bond market, although this was quickly stabilised through intervention by central banks. At the end of the first half, the yield on 10-year government bonds in the United States was floating around 65 basis points (about 125 points below their level at the beginning of the period), while the yield on Bunds having the same maturity fell by little more than 25 basis points to -45 basis points. After rising sharply, the spread between the Bund and Italian government bonds was only slightly higher at the end of the period than it was at the beginning of the period.

Stock market performance

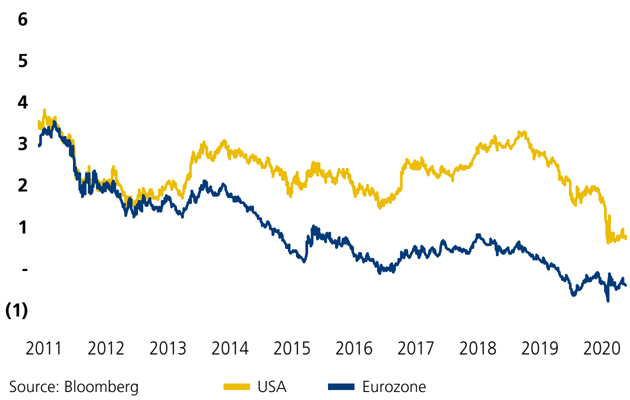


Source: Bloomberg

Bond market performance

(10-year government bond yields)

(%)



Source: Bloomberg

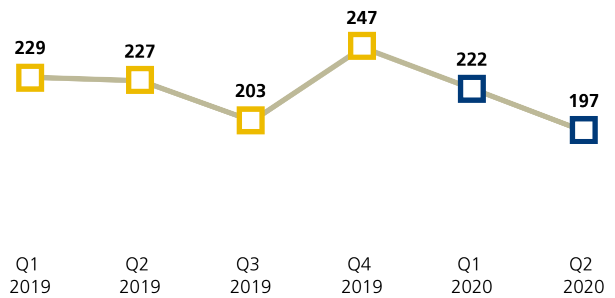
Overview of consolidated results

In a market context that has deteriorated significantly due to the global spread of the Covid-19 virus, the Fideuram – Intesa Sanpaolo Private Banking Group ended the first half of 2020 with **consolidated net profit** of **€419m**, down €37m (-8%) on the first half of 2019. The Wealth created by the Group's business totalled €1.4bn in the first half of 2020, down €19m on the figure for the same period last year. The return on equity (R.O.E.) was 27%, down from the 34% reported at 30 June 2019, due to the significant increase in consolidated shareholders' equity. By resolution on 30 March 2020, the Shareholders' Meeting of Fideuram decided not to distribute dividends in accordance with the request made to banks with the ECB Recommendation of 27 March 2020 in response to the emergency triggered by the Covid-19 epidemic.

The analysis of the main income statement items shows that net operating income fell slightly by €7m (-1%), mainly due to the reduction in the profit on financial assets measured at fair value (-€16m) and net fee and commission income (-€3m), which was only partly offset by the increase in net interest income (+€13m). Net operating expenses rose by €2m and impairment of loans grew sharply (+€16m), mainly due to increased impairment of loans to customers. Non-recurring income fell by €3m and provisions for risks and charges fell by €1m. Gross income (loss) fell by €27m from the figure for the first half of 2019. The Group's cost/income ratio was 30%, holding steady from the same period last year.

Consolidated net profit

(€m)



At 30 June 2020, there were a total of 5,801 Personal Financial Advisers in the Group's networks compared with 5,834 at 31 December and 5,942 at 30 June 2019. Client assets per Personal Financial Adviser were approximately €41m at 30 June 2020. Total Group staff came to 3,171, down slightly from 3,179 at 31 December 2019. Bank branches totalled 233 and Personal Financial Advisers' offices totalled 324.

Business model

Fideuram - Intesa Sanpaolo Private Banking is the number one Private Bank in Italy and among the largest in Europe with client assets totalling more than €239bn.
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.

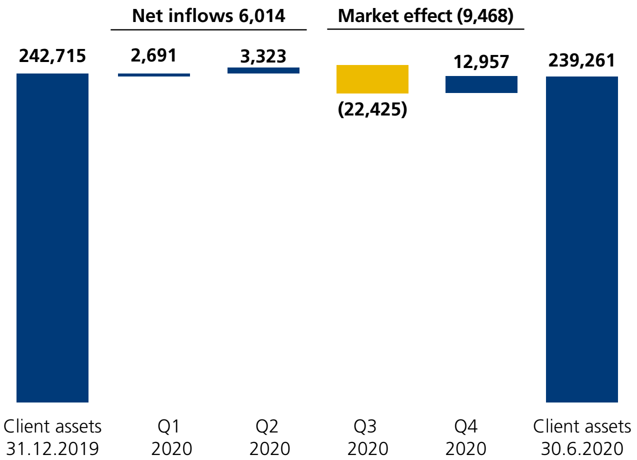
The Group's positioning is principally focused on the Private Banking customers and High Net Worth Individuals. Our products and services are provided by approximately 5,800 highly qualified professionals in four separate networks (Fideuram, Sanpaolo Invest, Intesa Sanpaolo Private Banking and Intesa Sanpaolo Private Bank (Suisse) Morval) with their own brand identities, service models, and customer profiles.
The Group's service model is centred on professional advisory services and the creation of long-standing relationships of trust between our customers and Personal Financial Advisers. The Group benefits from a strong and stable retail customer base, which can rely on a dedicated service model and tailored product offering. Our advisory services are offered as Basic Advisory Services, which we provide for all customers free of charge in line with the requirements of the MiFID 2 directive, and as three Advanced Advisory Services (SEI, VIEW and Private Advisory), which are paid services designed specifically for customers with greater financial assets and provided on the basis of a contract. The investment solutions proposed by our Personal Financial Advisers are for the most part developed and managed within the Group through dedicated product companies. In addition, the Group's marketing agreements with leading international investment houses mean that we are also able to offer third-party products in accordance with the "Guided Open-Architecture Model" that the Group has adopted to complement its expertise and satisfy even the most complex customer needs. The Fideuram Group also engages in banking activities (asset gathering and lending), offering its customers a complete range of banking products and services. Fideuram - Intesa Sanpaolo Private Banking is a member of the Intesa Sanpaolo Banking Group and wholly owned by Intesa Sanpaolo S.p.A..

Client financial assets

Client assets totalled €**239.3bn** at 30 June 2020, down €3.5bn from 31 December 2019 (-1%). This result is attributable to market performance in the first half of 2020, which was severely impacted by the uncertainty deriving from the global spread of the Covid-19 epidemic, reducing assets by €9.5bn (-€6bn in managed assets and -€3.5bn in non-managed assets). Total net inflows were positive at €6bn, having grown €1.5bn on the first half of the previous year. The negative market performance, which had had a significant impact in the first quarter of 2020 (-€22.4bn) was partly recovered in the second quarter of the year (+€12.9bn).

Client assets

(€m)



Analysis of the aggregated items shows that **managed assets** (67% of total client assets) totalled €**160.9bn**, down €4.5bn from the amount at the end of 2019. The decrease mainly affected mutual funds (-€3bn) and life insurance (-€1.3bn) and, to a lesser extent, discretionary accounts (-€0.2bn). **Non-managed assets** increased instead to a total of €**78.3bn**, or €1bn higher than at 31 December 2019.

Client assets

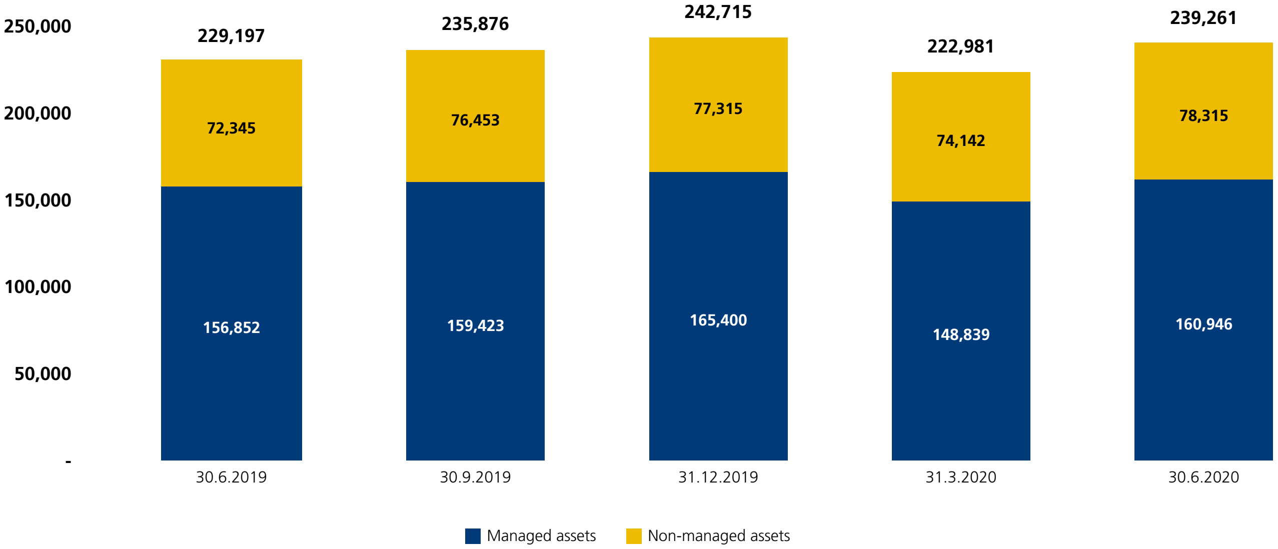
(€m)

	30.6.2020	31.12.2019	CHANGE	
			AMOUNT	%
Mutual funds	58,108	61,093	(2,985)	-5
Discretionary accounts	44,782	45,038	(256)	-1
Life insurance	55,648	56,905	(1,257)	-2
including: Fideuram Vita / Intesa Sanpaolo Vita unit linked	*35,476*	*36,457*	*(981)*	*-3*
Pension funds	2,408	2,364	44	2
Total managed assets	**160,946**	**165,400**	**(4,454)**	**-3**
Total non-managed assets	**78,315**	**77,315**	**1,000**	**1**
including: Securities	*44,046*	*44,814*	*(768)*	*-2*
Total client assets	**239,261**	**242,715**	**(3,454)**	**-1**

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

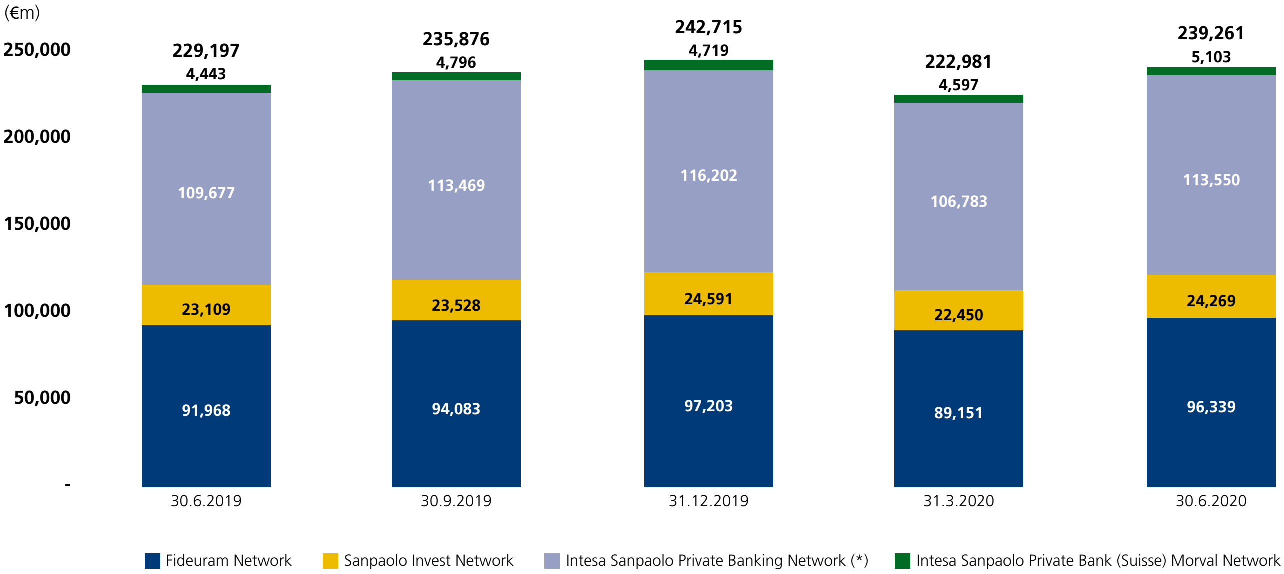
Client assets - by type of inflows

(€m)



Client assets - by sales network

(€m)



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

Inflows into managed and non-managed assets

The Group's distribution networks brought in **€6bn** in **net inflows** in the first six months of 2020, up €1.5bn (+32%) on the total for the first half of 2019. The analysis of aggregated figures shows that the **inflows into managed assets** rose sharply (+€1.4bn) from the corresponding period of the previous year. This was mainly attributable to the Group personal financial advisers directing a portion of inflows from customers towards managed asset products in the second quarter of the year. The **non-managed assets component** was a positive **€4.4bn**, having grown slightly (+€106m) from the first half of 2019.

Net inflows

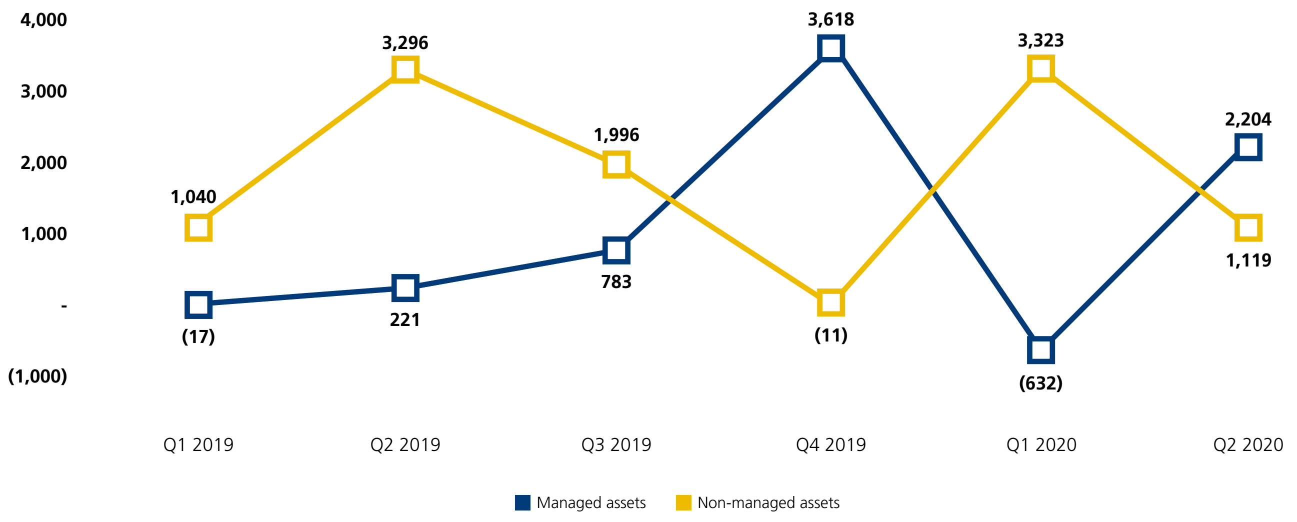
(€m)

	1ST HALF 2020	1ST HALF 2019	CHANGE	
			AMOUNT	%
Mutual funds	(442)	(1,300)	858	-66
Discretionary accounts	1,561	628	933	149
Life insurance	373	809	(436)	-54
including: Fideuram Vita / Intesa Sanpaolo Vita unit linked	*292*	*(240)*	*532*	*n.s.*
Pension funds	80	67	13	19
Total managed assets	**1,572**	**204**	**1,368**	**n.s.**
Total non-managed assets	**4,442**	**4,336**	**106**	**2**
including: Securities	*2,661*	*2,567*	*94*	*4*
Total Net inflows	**6,014**	**4,540**	**1,474**	**32**

n.s.: not significant

Net inflows

(€m)



Customer segmentation

CLIENT ASSETS at 30 June 2020

- Fideuram: €96.3bn
- Sanpaolo Invest: €24.3bn
- Intesa Sanpaolo Private Banking: €109bn
- Siref Fiduciaria: €4.6bn (*)
- Intesa Sanpaolo Private Bank (Suisse) Morval: €5.1bn

(*) The figure does not include the fiduciary mandates regarding Group client assets.
The total number of fiduciary mandates is 61,192, with total client assets of €12.1bn.

CUSTOMERS at 30 June 2020

- Fideuram: no. 594,443
- Sanpaolo Invest: no. 158,085
- Intesa Sanpaolo Private Banking: no. 37,816 (**)
- Siref Fiduciaria: no. fiduciary mandates 1,933 (*)
- Intesa Sanpaolo Private Bank (Suisse) Morval: no. 1,781

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

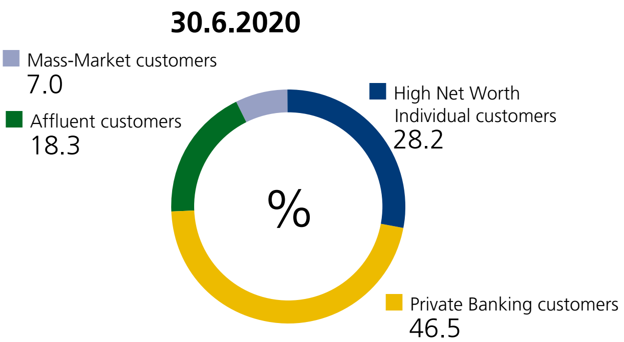
Analysis of the Group's customer base shows that it is concentrated in the Private Banking and High Net Worth Individual (HNWI) segments.
This focus on high-end customers (about 75% of client assets, corresponding to about 15% of customers, come from Private Banking and HNWI customers) enables our Personal Financial Advisers to target a segment with high growth prospects in the Italian Market. The Group supports its customers with a dedicated service model using ad hoc organisational management (Private Banking and HNWI branches) and customised products and services. The table and graphs below analyse client assets by type of customer.

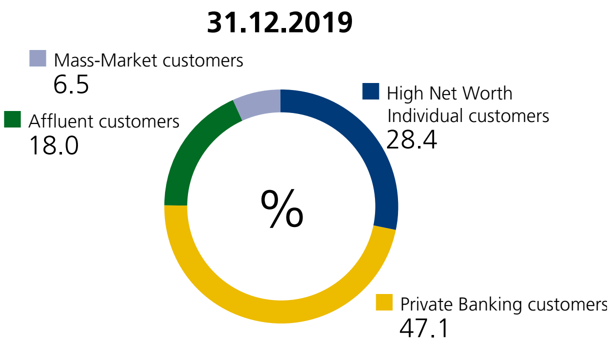
Client assets by type of customer (***)

(€m)

	30.6.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
High Net Worth Individual customers	67,492	68,819	(1,327)	-2
Private Banking customers	111,236	114,401	(3,165)	-3
Affluent customers	43,895	43,752	143	-
Mass-Market customers	16,638	15,743	895	6
Total	**239,261**	**242,715**	**(3,454)**	**-1**

Percentage analysis of client assets by type of customer





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

Advanced Advisory Services

The Fideuram Group is a leading Italian banking group in the provision of financial advisory services and in the distribution, development and management of financial services and products for private individuals. The Group's principal distinctive strengths, emblematic of its market leadership, are founded on a business model that anchors the distribution of products and services in the professional relationships between our Personal Financial Advisers and their customers. This is supported by the strength of a banking group with renowned brands – Fideuram, Intesa Sanpaolo Private Banking and Sanpaolo Invest – and a network of 233 bank branches and 324 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 65,000 customers were subscribed to our Advanced Advisory Services at the end of June 2020, accounting for €37bn of client assets.

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

Customers subscribed to Advanced Advisory Services

(number)

	30.6.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
High Net Worth Individual customers	961	972	(11)	-1
Private Banking customers	16,642	17,620	(978)	-6
Affluent customers	30,963	31,485	(522)	-2
Mass-Market customers	16,433	16,074	359	2
Total	**64,999**	**66,151**	**(1,152)**	**-2**

Advanced Advisory Service client assets

(€m)

	30.6.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
High Net Worth Individual customers	6,380	6,475	(95)	-1
Private Banking customers	21,740	23,307	(1,567)	-7
Affluent customers	7,934	8,069	(135)	-2
Mass-Market customers	978	933	45	5
Total	**37,032**	**38,784**	**(1,752)**	**-5**

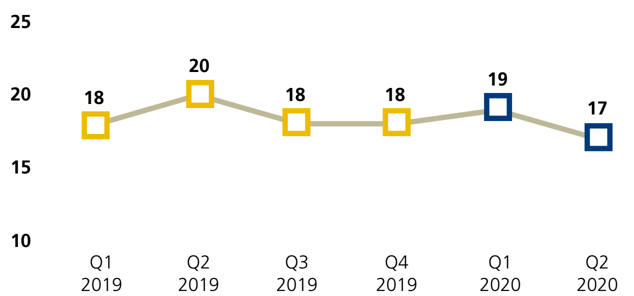
Advanced Advisory Service fee and commission income

(€m)

	1ST HALF 2020	1ST HALF 2019	CHANGE AMOUNT	CHANGE %
Fee and commission income	58	60	(2)	-3
Fee and commission expense	(22)	(22)	-	-
Net fee and commission income	**36**	**38**	**(2)**	**-5**

Quarterly net fee and commission income from Advanced Advisory Services

(€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 half of 2020, reclassified in accordance with the instructions of the Italian Banking Association (Associazione Bancaria Italiana – ABI), updated on 24 October 2019, following the guidelines of the Global Reporting Initiative (GRI). The Wealth created is the economic value generated in the period, which is for the most part distributed to the stakeholders with whom the Group has relations as part of its daily operations. The Value retained is the difference between the Wealth created and the Value distributed, and it is used for productive investments with the aim of enabling economic growth and financial stability, as well as to ensure the creation of new wealth to the benefit of our stakeholders. The Wealth created by the global business of the Group totalled €1.4bn (-€19m on the first half of 2019).

This wealth was distributed to stakeholders as follows:

- Colleagues (employees and Personal Financial Advisers) received 36.9% of the Wealth created, amounting to a total of €518m. This included the remuneration paid to employees and the amounts set aside for and paid to the Personal Financial Adviser Networks.
- Our shareholder received 27.6% of the Wealth created, in the form of the proposed dividend pay-out totalling €387m.
- The government, public authorities, institutions and the community received €311m, principally in the form of direct and indirect taxes, amounting to 22.1% of the Wealth created.
- Suppliers received 7.1% of the Wealth created, totalling €100m paid for goods and services.
- The remainder, €89m, 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.

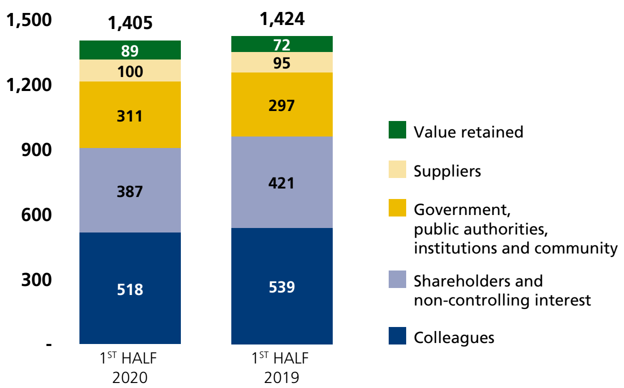
Economic value added

(€m)

	1ST HALF 2020	1ST HALF 2019	CHANGE AMOUNT	CHANGE %
Wealth created	**1,405**	**1,424**	**(19)**	**-1**
Value distributed	**(1,316)**	**(1,352)**	**36**	**-3**
Colleagues	(518)	(539)	21	-4
Shareholders and non-controlling interest	(387)	(421)	34	-8
Government, public authorities, institutions and community	(311)	(297)	(14)	5
Suppliers	(100)	(95)	(5)	5
Value retained	**89**	**72**	**17**	**24**

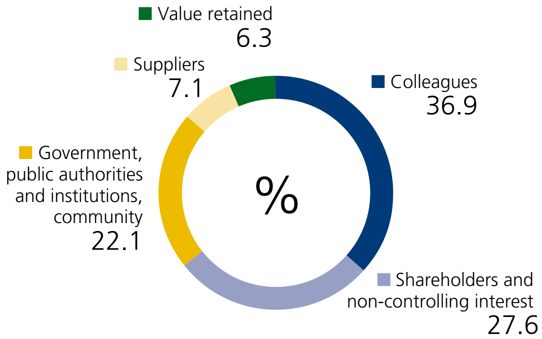
Wealth created

(€m)

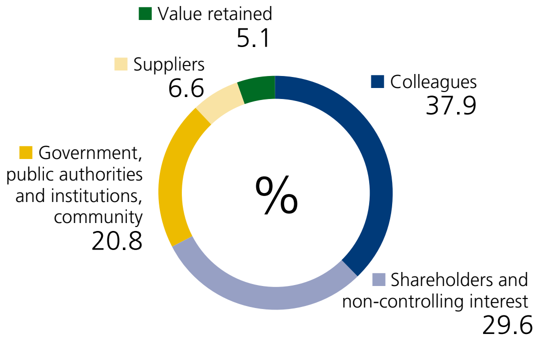


Distribution of wealth created

1ST HALF 2020



1ST HALF 2019



Segment reporting

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

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

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

Segment reporting at 30 June 2020

(€m)

	MANAGED FINANCIAL ASSETS	LIFE INSURANCE ASSETS	BANKING SERVICES	TOTAL FOR FIDEURAM GROUP
Net interest income	-	-	102	102
Net profit (loss) on financial assets and liabilities at fair value	-	-	12	12
Net fee and commission income	547	248	45	840
Intermediation margin	**547**	**248**	**159**	**954**
Net operating expenses	(143)	(41)	(107)	(291)
Other	(10)	(5)	(18)	(33)
Gross income (loss)	**394**	**202**	**34**	**630**
Average client assets	**101,086**	**57,380**	**76,949**	**235,415**
Client assets	**102,890**	**58,056**	**78,315**	**239,261**
Key indicators				
Cost / Income Ratio	26%	17%	67%	30%
Annualised gross income (loss) / Average client assets	0.8%	0.7%	0.1%	0.5%
Annualised net fee and commission income / Average client assets	1.1%	0.9%	0.1%	0.7%

MANAGED FINANCIAL ASSETS SEGMENT

The Managed Financial Assets Segment covers the Group's discretionary account and mutual fund business, which totalled €102.9bn at 30 June 2020 (43% of total client assets), down €0.2bn on 30 June 2019. Total net inflows were a positive €1.1bn, having risen sharply (+€1.8bn) from the same period in the previous financial year. The segment's contribution to gross income (loss) totalled €394m, up €11m on the first half of 2019, principally due to the increase in net fee and commission income. The ratio of net fee and commission income to client assets was 1.1%, while the ratio of gross income (loss) to client assets was 0.8%.

Managed financial assets

(€m)

	1ST HALF 2020	1ST HALF 2019	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities at fair value	-	-	-
Net fee and commission income	547	540	1
Intermediation margin	**547**	**540**	**1**
Net operating expenses	(143)	(148)	-3
Other	(10)	(9)	11
Gross income (loss)	**394**	**383**	**3**
Average client assets	**101,086**	**100,991**	**-**
Client assets	**102,890**	**103,067**	**-**
Key indicators			
Cost / Income Ratio	26%	27%	
Annualised gross income (loss) / Average client assets	0.8%	0.8%	
Annualised net fee and commission income / Average client assets	1.1%	1.1%	

During the first half of 2020, developments in the range of products and services were impacted by the wild fluctuations on the financial markets provoked by the public health emergency, which erupted in Italy at the end of February. The sudden movements buffeting the credit and equity markets prompted actions taken to support the Personal Financial Advisers in managing customers' emotional reactions, with an important contribution being made by digital technology, which allowed the Group to maintain continuous dialogue in the context of extreme uncertainty.
In accordance with its own model, the Group continued upgrading its service platforms by reinforcing the controlled risk components, proposing solutions that offer a form of investment protection, through incremental and planned investment on the markets, but without underestimating the importance of medium and long-term investments that give a view looking beyond this contingent phase.

With regard to **Fideuram Funds**, the Luxembourg Fonditalia (FOI) fund of Fideuram Asset Management (Ireland) has been expanded with a new FOI Flexible Short Duration sub-fund. This is a flexible bond solution that has been outsourced to Fidelity, a major asset management company specialised in fixed income strategies, which invests on a global scale in the credit sector with a limited duration. With regard to the Fideuram Alternative Investments (FAI) platform of Fideuram Investimenti SGR dedicated to investment on private markets, the second FAI – European Private Markets investment window was created for investing in unlisted firms and in the Private Equity, Private Debt, Real Estate and Special Opportunities segments mainly in Europe. Changes have been made on the Fideuram Multibrand platform (the à la carte range of funds offered by third-party asset managers), with a particular focus on theme-based solutions with an ESG approach. In particular, the SICAV CPR Invest of Amundi was introduced, with this fund specialising in theme-based investments.
The offering of funds and SICAVs distributed by Intesa Sanpaolo Private Banking was expanded with the launch of new funds. In particular, Eurizon Capital SGR launched the Eurizon Global Dividend fund in the first half of 2020. This investment fund window aims to generate high, stable income over five years through a strategy focused on the quality of its portfolio investments in both stocks and bonds. The equity strategy aims to select about 65 high-quality companies that are presently undervalued by the market and which are capable of paying and sustainably growing their dividends. The bond component is comprised by a global credit portfolio, with attention paid to the quality of issuers and the diversification and liquidity of the securities. Numerous protection strategies are prescribed in the quest to generate absolute positive returns even in volatile market conditions. The Fund offers two classes of shares: an income-accumulation class and a predefined income-distribution class. Moreover, Eurizon Capital SA has provided the new A classes reserved to legal entities for the following Luxembourg sub-funds of the Eurizon Fund: Bond Flexible, Sustainable Global Equity and Azioni Strategia Flessibile.
Intesa Sanpaolo Private Banking participated in the placement of the Epsilon Difesa 100 Azioni Giugno 2027 fund of Epsilon SGR, an Italian flexible investment window fund with capital protection based on a seven-year investment cycle that aims to realise moderate growth of the invested capital and simultaneously to minimise the risk of losing capital through the use of special management techniques.
The offering of the range managed by Fideuram Asset Management (Ireland) has also been expanded with new investment solutions dedicated to Intesa Sanpaolo Private Banking, through the Luxembourg SICAV Ailis and with their management being outsourced to leading international investment firms:

- Ailis Fidelity Flexible Low Volatility, an investment window fund outsourced to Fil Pensions Management, a Fidelity International Group company, with the objective of seizing global equity market opportunities with lower volatility over a five-year horizon through a flexible strategy that invests in global equities characterised by low volatility.
- Ailis Franklin Templeton Emerging Balanced, a flexible investment window fund outsourced to Franklin Templeton. The objective of this sub-fund is to offer gradual access to emerging markets over a five-year horizon, through an allocation that steadily increases exposure to emerging countries, which may go up to a maximum of 65%.
- Ailis Vontobel Global Allocation, an investment window fund outsourced to Vontobel Asset Management,

characterised by a flexible strategy that invests in global equities up to a maximum of 80% of the portfolio with the possibility of using an investment-grade complementary bond component selected on a global basis, both in view of diversification and of building a gradual allocation towards the equity side.

- Ailis MAN Multi Credit, flexible bond sub-fund, available for investment at any time, outsourced to MAN Asset Management. The portfolio is constructed through the flexible selection of opportunities on the global credit market, with a special focus on high-quality corporate bonds and with the possibility of varying the asset allocation according to the market context.

The new Ailis funds also offer an income distribution class based on the coupon flow of the underlying assets.
The offer of funds and SICAVs run by third-party companies has been expanded to include a new investment firm, Goldman Sachs Asset Management, a global firm that offers investment and advisory solutions to institutional and private investors, with strategies that range among different asset classes, sectors and geographical areas. Lastly, we also added new funds of international investment firms 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 a strong impulse was given to the offer of solutions for incremental investment on the markets. In particular, the Omnia Discretionary Account focused on global equity markets with the Active beta 100 Step-in line, while for the Fideuram Folios, in addition to the Global Equity Step-in Folio, the Global Equity Step-in Plus Folio was also created to facilitate the transformation of liquidity to managed asset solutions, by combining conservative investments with gradual investments on equity markets and the Multiasset Emergenti Step-in Folio, for a gradual entry on emerging markets. The Obiettivo Protezione 2026 Folio was offered to customers who are more sensitive to capital preservation. Finally, the new Smart Trends Folio thematic solution was created to invest in firms operating in the technology, health and new consumer models sectors that are more involved in the economic recovery resulting from the public health crisis.
In the first half of 2020, Intesa Sanpaolo Private Banking restyled its discretionary accounts, resulting in the transformation of the “Gestioni Navigabili” (Navigable Accounts) agreement into the new “Consolidated Management Agreement”, which covers the offer of all management lines with the possibility of making multi-line investments and consolidated tax management under the agreement and integration of the range of management lines that can be contracted through the addition of the “Linee Private” (Private Banking Lines) group. The new group of lines offers seven investment profiles with an increasing risk/return profile, characterised by a high level of customisation. Moreover, the application of the “Navigation option” to all of the contractable management lines simplifies changes in the allocation of invested assets.
As regards the discretionary accounts offered by Eurizon, the asset management company continued performing its ordinary maintenance and evolutionary adjustments to the product line.

LIFE INSURANCE ASSETS SEGMENT

This segment covers the Group's life insurance and pension fund business, which totalled €58.1bn at 30 June 2020 (24% of total client assets), up €4.3bn compared to 30 June 2019, principally due to strong life insurance performance (+€4bn). Total net inflows came to €0.5bn, down €0.4bn from the first half of 2019. The contribution to gross income was €202m, up by €3m on the same period in 2019. The ratio of net fee and commission income to client assets was 0.9%, while the ratio of gross income (loss) to client assets was 0.7%

Life insurance assets

(€m)

	1ST HALF 2020	1ST HALF 2019	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities at fair value	-	-	-
Net fee and commission income	248	242	2
Intermediation margin	**248**	**242**	**2**
Net operating expenses	(41)	(39)	5
Other	(5)	(4)	25
Gross income (loss)	**202**	**199**	**2**
Average client assets	**57,380**	**52,204**	**10**
Client assets	**58,056**	**53,785**	**8**
Key indicators			
Cost / Income Ratio	17%	16%	
Annualised gross income (loss) / Average client assets	0.7%	0.8%	
Annualised net fee and commission income / Average client assets	0.9%	0.9%	

The development of **insurance products** involved the Fideuram Vita Insieme unit-linked family with measures aimed at reinforcing insurance protection, on the one hand, through the addition of optional complementary coverage in the case of death, and on the other hand, expanding the opportunities to enter the markets, reducing market timing through a new version of the in-house Global Equity Step-in fund. The offer of Class I was then relaunched through Fideuram Vita Garanzia and Valore 2, thereby offering customers a solution for seeking a return with invested capital protection.
As regards offering of Intesa Sanpaolo Private Banking, the placement of "Programma Private" ("Private Banking programme") was reopened in the first half of 2020. This is a Class I single-premium whole-of-life policy issued by Intesa Sanpaolo Vita, dedicated to individual customers. 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: Base Sicura Tutelati of Intesa Sanpaolo Vita, Synthesis of Intesa Sanpaolo Vita and Prospettiva 2.0 of Intesa Sanpaolo Life. 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 €78.3bn at 30 June 2020 (33% of total client assets), up €6bn compared with the figure at 30 June 2019. Total net inflows were positive to the tune of €4.4bn, substantially in line compared to the same period in the previous financial year.
The contribution of this segment to gross income was €34m. The €41m decrease in gross income compared with the corresponding period in the previous financial year was mainly attributable to the decrease in net interest and trading income and to greater impairment of loans. The ratio of net fee and commission income to client assets and the ratio of gross income (loss) to client assets were 0.1%.

Banking Services

(€m)

	1ST HALF 2020	1ST HALF 2019	% CHANGE
Net interest income	102	89	15
Net profit (loss) on financial assets and liabilities at fair value	12	28	-57
Net fee and commission income	45	61	-26
Intermediation margin	**159**	**178**	**-11**
Net operating expenses	(107)	(102)	5
Other	(18)	(1)	n.s.
Gross income (loss)	**34**	**75**	**-55**
Average client assets	**76,949**	**69,714**	**10**
Client assets	**78,315**	**72,345**	**8**
Key indicators			
Cost / Income Ratio	67%	57%	
Annualised gross income (loss) / Average client assets	0.1%	0.2%	
Annualised net fee and commission income / Average client assets	0.1%	0.2%	

n.s.: not significant

Within the scope of **banking services**, programmes offering current accounts with special interest rates (Plus IV current accounts) continued in support of our banking facilities and the acquisition of new customers. Initiatives for Step-in current accounts with special interest rates also continued in combination with asset management to facilitate the transformation of liquidity into forms of investment management more suited to customers' financial needs. Partly due to the context, special focus was also given to lending programmes. With regard to the offering of services linked to the world of banking products, Google, Garmin and Fitbit Pay digital services have been added to provide ever-expanding coverage of digital payment management options.
Intesa Sanpaolo Private Banking made two new changes to the limits imposed on debit cards. Beginning 1 February 2020, the daily withdrawal limit per cardholder at Banca 5 S.p.A. approved stores has been raised from €150 to €250. Moreover, the possibility of authorising execution of recurring payment transactions using the XME CARD PLUS and XME CARD debit cards activated on the VISA or Mastercard systems has been activated, and the new Google Pay and Card On File digital payment services have been released.
Intesa Sanpaolo Private Banking participated in the Equity Crowdfunding campaign of FIN-NOVIA through the BackToWork portal. FIN-NOVIA s.r.l. raised risk capital through crowdfunding for the purpose of investing in the bond loan issued by e-Novia S.p.A., an innovative start-up that, through a unique mix of industrial processes and relations with universities and businesses, pursues the goal of transforming intellectual property into technology firms and researchers into entrepreneurs.
The process of regulatory compliance with Directive (EU) no. 2015/2366 ("PSD2") was completed during the first half of 2020, with the regulatory provision that allows customers to manage their consent to access, processing and retention of the personal data necessary to provide payment services. The transparency changes tied to Directive (EU) no. 2014/92 – Payment Account Directive ("PAD") also came into force on 1 January 2020. They prescribe the introduction of a new precontractual disclosure document for consumer customers, the Fee Information Document – FID, and substitution of the Summary Cost Indicator ("ISC") with the Aggregate Cost Indicator ("ICC") and the requirement that the latter be calculated not only for consumer current accounts but also for all product types included in the list of PAD payment accounts, and thus also including prepaid cards. The Euribor reference index was reformed during the first half of 2020 in compliance with the provisions of Regulation (EU) no. 2016/1011 ("BMR"). The administrator of the index, the European Money Market Institute ("EMMI"), has created a new, "hybrid" calculation method that Intesa Sanpaolo Private Banking has adopted in connection with simple short and medium-long term credit facility products.

With regard to **non-managed assets**, the offering of placement solutions to customers who are more sensitive to capital protection issues was augmented by new issues of Investment Certificates by Banca IMI on equity indices and baskets of equity indices, with complete protection of the capital principal on maturity and full participation in the performance of the various underlying securities. For the Fideuram bond placement component, including on behalf of Sanpaolo Invest and Intesa Sanpaolo Private Banking, they participated in the placement of two Intesa Sanpaolo subordinated bond loans and in the placement of BTP Italian government bonds, whose inflows are used entirely to cover the health service expenses incurred during the Covid-19 emergency. Finally, commercial initiatives proposing repurchase agreements were promoted.

Operations outside Italy

During the first half of 2020, **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 €38.7bn at 30 June 2020, down €3.1bn from the figure at 31 December 2019. This performance was affected by the spread of the Covid-19 pandemic, which negatively impacted both inflows (-€1.5bn) and market performance (-€1.6bn).

Fideuram Bank (Luxembourg) S.A. plays a leading role in the Group's operating structure as the Depository Bank and Administrative Agent (calculation of Net Asset Value and keeping of subscriber register) of our Luxembourg funds with €39bn in client assets at 30 June 2020.
The Bank operates through a select yet extensive network of worldwide correspondent banks, while also acting as Securities Lending Agent for the portfolio. It also plays a significant role in providing treasury and liquidity risk management services for the Group's Luxembourg funds. The Bank also provides technological and organisational support in the form of IT services for the French subsidiary.

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 CHF5.4bn at 30 June 2020, of which 34% comprised managed assets. It had CHF511m in net positive inflows in the first half of the year.
The Bank is committed to implementing the International Development Plan outlined in the Group's Business Plan. This envisages consolidating its presence on the Private Banking international markets. Due to the important investments made as operating expenses and as capital expenditure, associated with the implementation of the aforesaid Plan, the first half of the year closed with a net loss of CHF12.6m.

Part of the Group's treasury and finance activities are performed in France. These activities are performed by the subsidiary **Financière Fideuram S.A.**, which had securities holdings of approximately €2.1bn at 30 June 2020 (€2.3bn at year-end 2019).

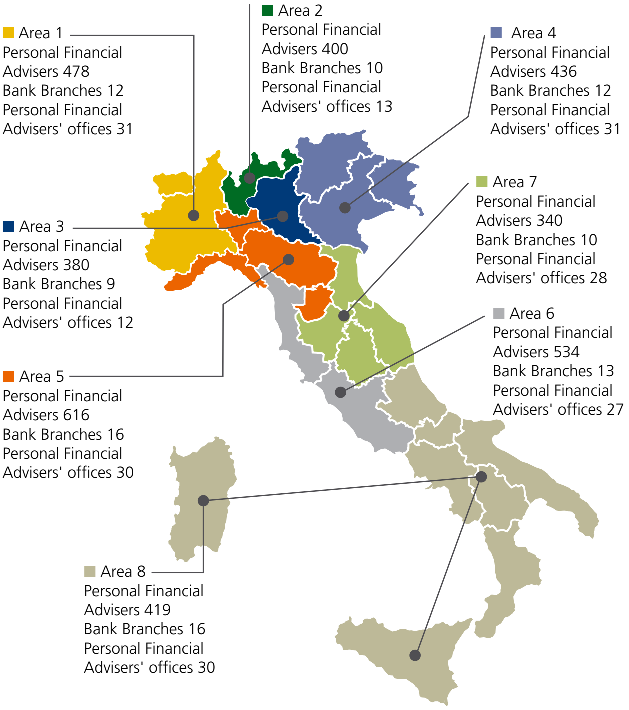
Human capital

DISTRIBUTION NETWORKS

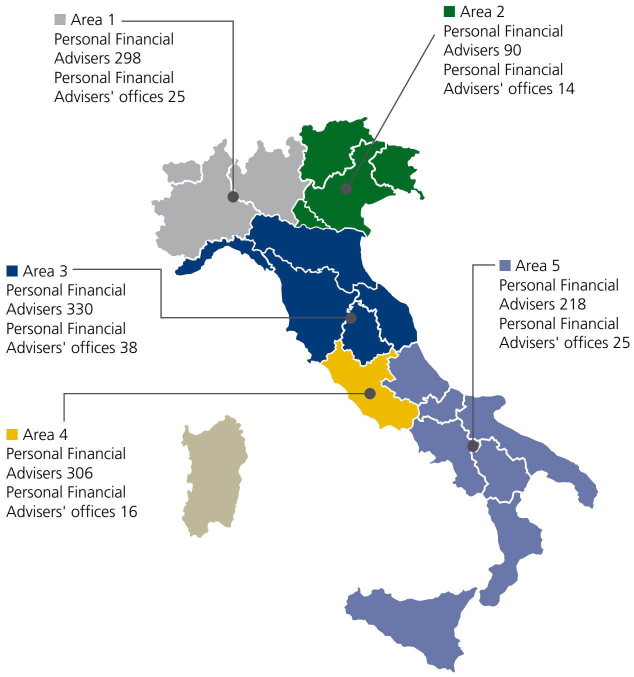
At 30 June 2020, the Group's distribution networks (Fideuram, Sanpaolo Invest, Intesa Sanpaolo Private Banking and Intesa Sanpaolo Private Bank (Suisse) Morval Networks) totalled 5,801 Personal Financial Advisers compared with 5,834 at the beginning of 2020.

	BEGINNING OF PERIOD 1.1.2020	IN	OUT	NET	END OF PERIOD 30.6.2020
Fideuram Network	3,614	53	64	(11)	3,603
Sanpaolo Invest Network	1,254	17	29	(12)	1,242
Intesa Sanpaolo Private Banking Network	912	22	33	(11)	901
Intesa Sanpaolo Private Bank (Suisse) Morval Network	54	4	3	1	55
Total	**5,834**	**96**	**129**	**(33)**	**5,801**

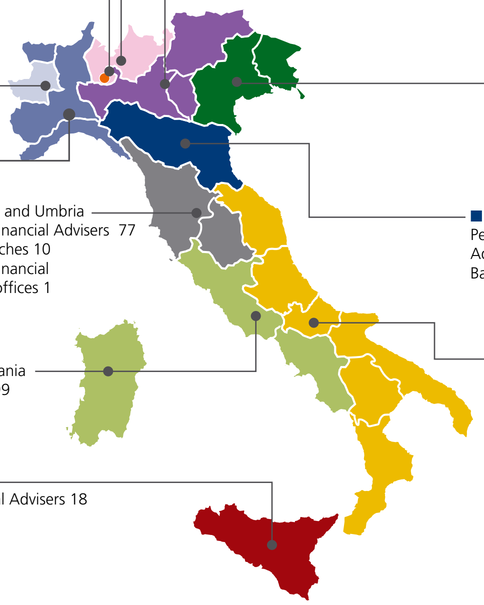
Fideuram Network: 8 areas



Sanpaolo Invest Network: 5 areas



Intesa Sanpaolo Private Banking Network: 11 areas



The Fideuram and Sanpaolo Invest Networks' recruitment programmes brought in 70 new professionals in the first half of 2020 (compared with 123 new Personal Financial Advisers recruited in the corresponding period of 2019) and 172 over the past 12 months, compared with 239 in the previous twelve-month period. 93 Personal Financial Advisers left the Group in the first half of the year, only 25% of whom, however, moved to competitor networks.

Personal Financial Advisers of the Fideuram Network

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1st half					
1.1.2020 - 30.6.2020	3,614	53	64	(11)	3,603
1.1.2019 - 30.6.2019	3,662	94	113	(19)	3,643
Twelve-month period					
1.7.2019 - 30.6.2020	3,643	136	176	(40)	3,603
1.7.2018 - 30.6.2019	3,647	187	191	(4)	3,643

Personal Financial Advisers of the Sanpaolo Invest Network

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1st half					
1.1.2020 - 30.6.2020	1,254	17	29	(12)	1,242
1.1.2019 - 30.6.2019	1,344	29	62	(33)	1,311
Twelve-month period					
1.7.2019 - 30.6.2020	1,311	36	105	(69)	1,242
1.7.2018 - 30.6.2019	1,412	52	153	(101)	1,311

The Intesa Sanpaolo Private Banking Network currently numbers 842 Personal Financial Advisers who are salaried employees registered in Italy's Unified Register of Financial Advisers and 59 freelance professionals on agency contracts.

Personal Financial Advisers of the Intesa Sanpaolo Private Banking Network

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1st half					
1.1.2020 - 30.6.2020	912	22	33	(11)	901
1.1.2019 - 30.6.2019	927	29	31	(2)	925
Twelve-month period					
1.7.2019 - 30.6.2020	925	37	61	(24)	901
1.7.2018 - 30.6.2019	930	44	49	(5)	925

The Intesa Sanpaolo Private Bank (Suisse) Morval Network is composed of 55 Personal Financial Advisers.

Personal Financial Advisers of the Intesa Sanpaolo Private Bank (Suisse) Morval Network

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1st half					
1.1.2020 - 30.6.2020	54	4	3	1	55
1.1.2019 - 30.6.2019	62	2	1	1	63
Twelve-month period					
1.7.2019 - 30.6.2020	63	8	16	(8)	55
1.7.2018 - 30.6.2019	61	8	6	2	63

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

Moreover, we continued to see steady growth in the Personal Financial Advisers who have joined our Team 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 2020, 1,371 Personal Financial Advisers had joined together in teams, collectively managing a total of around €14bn assets for about 110,000 customers.

EMPLOYEES

Total Group staff, including secondments to and from other companies in the Intesa Sanpaolo Group not included in the scope of consolidation of the Fideuram Group and atypical staff, came to 3,171 at 30 June 2020, compared with 3,179 at 31 December 2019.
Direct employees totalled 3,155.

Employees

(number)

	30.6.2020	31.12.2019	30.6.2019
Private Banking	**2,828**	**2,841**	**2,996**
Fideuram - Intesa Sanpaolo Private Banking	1,268	1,261	1,351
Intesa Sanpaolo Private Banking	1,371	1,392	1,427
Sanpaolo Invest SIM	15	16	45
Intesa Sanpaolo Private Bank (Suisse) Morval	147	146	143
Morval Bank & Trust Cayman	10	10	10
Intesa Sanpaolo Private Argentina	6	5	5
Morval Vonwiller Advisors	11	11	15
Asset Management	**258**	**252**	**254**
Fideuram Asset Management (Ireland)	68	66	65
Fideuram Bank (Luxembourg)	66	65	66
Fideuram Investimenti SGR	107	104	106
Morval Gestion SAM	3	3	3
Morval SIM	14	14	14
Fiduciary and treasury services	**85**	**86**	**86**
Financière Fideuram	4	4	4
Siref Fiduciaria	81	82	82
Total	**3,171**	**3,179**	**3,336**

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 2020 with consolidated net profit of €419m, down €37m on the same period in the previous year.

Consolidated income statement

(reclassified - €m)

	1ST HALF 2020	1ST HALF 2019	CHANGE	
			AMOUNT	%
Net interest income	102	89	13	15
Net profit (loss) on financial assets and liabilities at fair value	12	28	(16)	-57
Net fee and commission income	840	843	(3)	-
INTERMEDIATION MARGIN	**954**	**960**	**(6)**	**-1**
Profit on equity investments and other income (expense)	1	2	(1)	-50
NET OPERATING INCOME	**955**	**962**	**(7)**	**-1**
Personnel expenses	(164)	(171)	7	-4
Other administrative expenses	(98)	(91)	(7)	8
Depreciation and amortisation	(29)	(27)	(2)	7
NET OPERATING EXPENSES	**(291)**	**(289)**	**(2)**	**1**
OPERATING MARGIN	**664**	**673**	**(9)**	**-1**
Net impairment of loans	(18)	(2)	(16)	n.s.
Net provisions for risks and charges and net impairment of other assets	(22)	(23)	1	-4
Net non-recurring income (expenses)	6	9	(3)	-33
GROSS INCOME (LOSS)	**630**	**657**	**(27)**	**-4**
Income taxes for the period on continuing operations	(195)	(183)	(12)	7
Integration and voluntary redundancy expenses (net of tax)	(6)	(9)	3	-33
Effects of purchase price allocation (net of tax)	(1)	(1)	-	-
Expenses regarding the banking system (net of tax)	(9)	(8)	(1)	13
NET PROFIT	**419**	**456**	**(37)**	**-8**

n.s.: not significant

Quarterly consolidated income statements

(reclassified - €m)

	2020		2019			
	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income	54	48	45	43	46	43
Net profit (loss) on financial assets and liabilities at fair value	9	3	8	5	15	13
Net fee and commission income	413	427	471	433	418	425
INTERMEDIATION MARGIN	**476**	**478**	**524**	**481**	**479**	**481**
Profit on equity investments and other income (expense)	1	-	2	1	2	-
NET OPERATING INCOME	**477**	**478**	**526**	**482**	**481**	**481**
Personnel expenses	(86)	(78)	(93)	(92)	(83)	(88)
Other administrative expenses	(49)	(49)	(55)	(52)	(46)	(45)
Depreciation and amortisation	(15)	(14)	(13)	(15)	(14)	(13)
NET OPERATING EXPENSES	**(150)**	**(141)**	**(161)**	**(159)**	**(143)**	**(146)**
OPERATING MARGIN	**327**	**337**	**365**	**323**	**338**	**335**
Net impairment of loans	(16)	(2)	(2)	2	1	(3)
Net provisions for risks and charges and net impairment of other assets	(16)	(6)	8	(15)	(13)	(10)
Net non-recurring income (expenses)	-	6	-	-	-	9
GROSS INCOME (LOSS)	**295**	**335**	**371**	**310**	**326**	**331**
Income taxes for the period on continuing operations	(92)	(103)	(116)	(96)	(89)	(94)
Integration and voluntary redundancy expenses (net of tax)	(2)	(4)	(7)	(4)	(5)	(4)
Effects of purchase price allocation (net of tax)	(1)	-	(1)	-	(1)	-
Expenses regarding the banking system (net of tax)	(3)	(6)	(1)	(7)	(4)	(4)
Net profit (loss) attributable to non-controlling interests	-	-	1	-	-	-
NET PROFIT	**197**	**222**	**247**	**203**	**227**	**229**

Net operating income totalled €955m, down €7m (-1%) compared with the first half of 2019. This result is attributable to:

- increased net interest income (+€13m);
- reduced net profit on financial assets at fair value (-€16m);
- reduced net fee and commission income (-€3m).

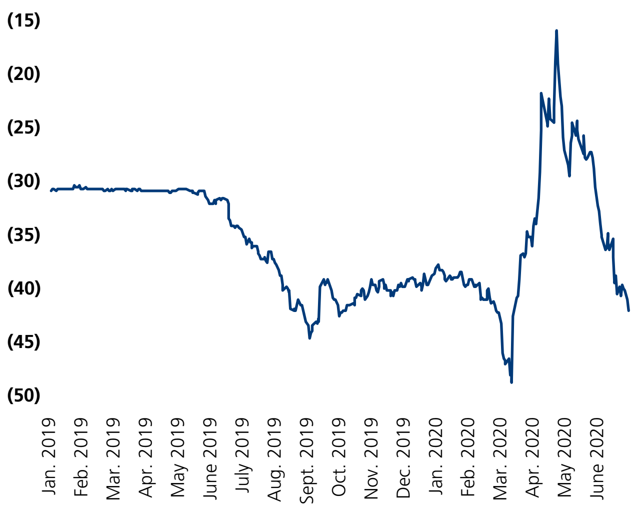
Net interest income

(€m)

	1ST HALF 2020	1ST HALF 2019	CHANGE AMOUNT	CHANGE %
Interest expense on due to customers	(18)	(16)	(2)	13
Interest expense on due to banks	(7)	(9)	2	-22
Interest income on debt securities	111	114	(3)	-3
Interest income on loans	68	57	11	19
Net interest on hedging derivatives	(45)	(47)	2	-4
Other net interest income	(7)	(10)	3	-30
Total	**102**	**89**	**13**	**15**

3 months Euribor rate

(bps)

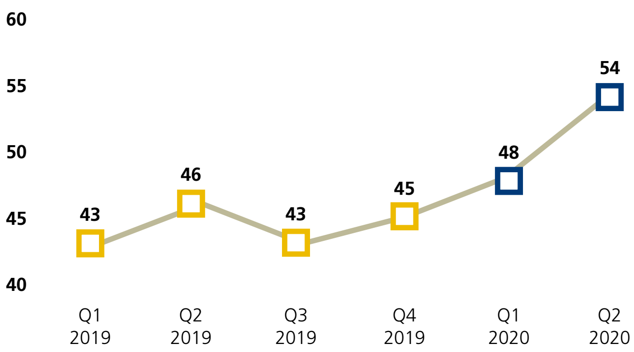


Source: Bloomberg

Net interest income totalled €102m, up €13m from the first half of last year (+15%), due to the greater average volumes invested in the owned portfolios and in treasury deposits. Analysis of the quarterly changes shows growth in net interest income from the quarters of last year, which was realised partly through containment of the average cost of inflows during the period.

Quarterly net interest income

(€m)



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

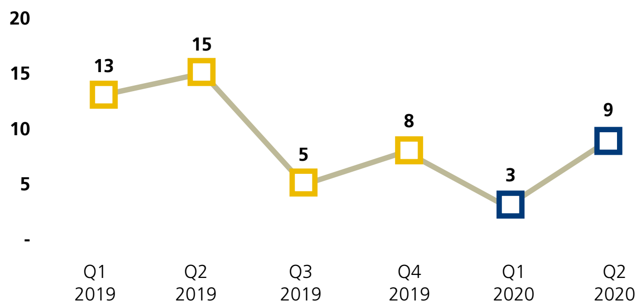
(€m)

	1ST HALF 2020	1ST HALF 2019	CHANGE AMOUNT	%
Net profit (loss) on sale of financial assets measured at fair value through other comprehensive income	4	18	(14)	-78
Net profit (loss) of financial assets measured at fair value through profit or loss	7	10	(3)	-30
Net profit (loss) on hedging derivatives	1	-	1	n.s.
Total	**12**	**28**	**(16)**	**-57**

Net profit (loss) on financial assets and liabilities at fair value came to €12m, down €16m compared to the figure for the first six months of 2019. This was mainly due to the lower profits realised from the sale of debt instruments in the portfolio of securities measured at fair value through other comprehensive income (-€14m) and the losses on financial instruments held to service the incentive plans of risk takers and sales networks (-€3m). Net profit on hedging activities increased by about €1m.

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

(€m)



Net fee and commission income

(€m)

	1ST HALF 2020	1ST HALF 2019	CHANGE AMOUNT	%
Fee and commission income	1,237	1,227	10	1
Fee and commission expense	(397)	(384)	(13)	3
Net fee and commission income	**840**	**843**	**(3)**	**-**

Net fee and commission income totalled €840m, down €3m from the figure for the first half of 2019.

Net recurring fees

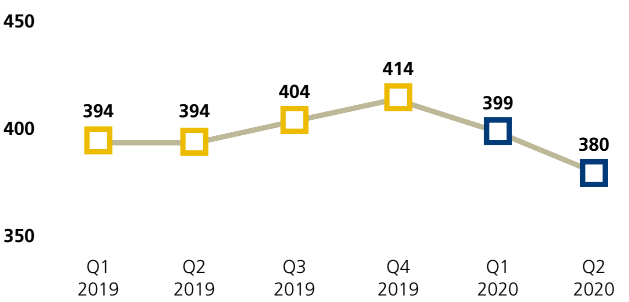
(€m)

	Q1	Q2	TOTAL
2020	399	380	779
2019	394	394	788
Change	**5**	**(14)**	**(9)**

Net recurring fees totalled €779m, down slightly (-€9m, -1%) from the same period of last year. This trend was due to the repositioning of customer assets towards lower-income products and was only partly offset by the favourable effect of growth in average managed assets, which went from €153.2bn at 30 June 2019 to €158.5bn at the end of June 2020 (+€5.3bn, +3.5%). The analysis of quarterly changes shows that in the first half of 2020, net recurring fees steadily decreased due to the sharp correction on the financial markets caused by the global spread of the Covid-19 epidemic which, beginning in March 2020, significantly impacted average managed assets.

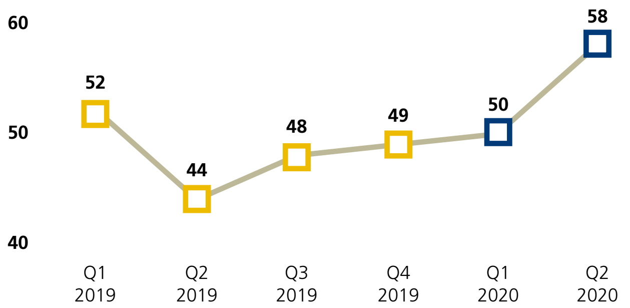
Quarterly net recurring fees

(€m)



Quarterly net front-end fees

(€m)



Performance fees totalled zero, compared with €1m in the first half of 2019. The Fideuram Group charges the performance fees on individual discretionary accounts annually, except when the customer decides to close the account early. The Group calculates the performance fees on its internal insurance funds on a daily accrual basis in relation to the performance of the fund, applying a High Water Mark clause that means performance fees are only charged when the value of the fund rises above the highest value reached on the previous dates when performance fees were charged. The performance fees on the Group's mutual funds are charged annually, with the exception of two funds for which performance fees are charged half-yearly (applying a High Water Mark clause).

Net front-end fees

(€m)

	Q1	Q2	TOTAL
2020	50	58	108
2019	52	44	96
Change	**(2)**	**14**	**12**

Net front-end fees came to €108m, up €12m (+13%) on the figure for the first six months of last year, attributable to the sharp increase in the placement fees of mutual funds. Moreover, the Group's sales networks distributed bond loans and certificates, largely issued by Intesa Sanpaolo Group companies, that brought in approximately €2.7bn in gross inflows in the first half of the year, substantially in line with the volumes placed in the first six months of 2019.

Other fee and commission expense

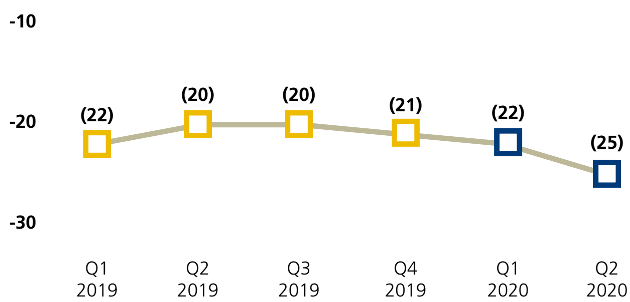
(€m)

	Q1	Q2	TOTAL
2020	(22)	(25)	(47)
2019	(22)	(20)	(42)
Change	-	**(5)**	**(5)**

The **other fee and commission expense** totalled €47m, up by €5m on the figure for the first six months of 2019 due to the greater incentives accrued in the period.

Quarterly other fee and commission expense

(€m)



Profit on equity investments and other income (expense) showed a reduction of €1m compared to the first half of the previous year, mainly due to the higher costs incurred on compensation paid to customers.

Net operating expenses

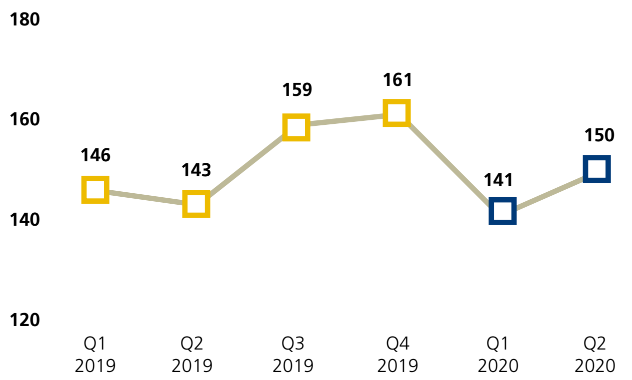
(€m)

	1ST HALF 2020	1ST HALF 2019	CHANGE AMOUNT	CHANGE %
Personnel expenses	164	171	(7)	-4
Other administrative expenses	98	91	7	8
Depreciation and amortisation	29	27	2	7
Total	**291**	**289**	**2**	**1**

Net operating expenses, totalling €291m, rose by €2m (+1%) from the same period last year. The detailed analysis shows how personnel expenses, which totalled €164m, fell by €7m due to the centralisation of certain control functions (Audit and Compliance) at Intesa Sanpaolo beginning 1 September 2019 and due to the different dynamics of the variable component of compensation. Other administrative expenses totalled €98m, up €7m, due to the increase in the cost of the service with Intesa Sanpaolo resulting from the previously mentioned centralisation of Audit and Compliance functions and, to a lesser extent, higher IT and info-provider costs. Depreciation and amortisation increased by €2m, mainly due to higher amortisation of software.

Quarterly net operating expenses

(€m)



Net impairment of loans came to €18m, up sharply (+€16m) compared to the first half of 2019. This performance is attributable to the increase in credit risk resulting from the spreading public health emergency, which pushed up net impairment of loans and advances to customers (+€12m) and loans and advances to banks (+€4m).

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

(€m)

	1ST HALF 2020	1ST HALF 2019	CHANGE AMOUNT	CHANGE %
Personal Financial Advisers' termination indemnities and incentives	14	22	(8)	-36
Litigation and complaints	4	-	4	n.s.
Network Loyalty Schemes	3	2	1	50
Net impairment of (recoveries on) debt securities	1	(1)	2	n.s.
Total	**22**	**23**	**(1)**	**-4**

Net provisions for risks and charges and net impairment of other assets came to €22m, down €1m (-4%) compared to the first half of 2019. Detailed analysis of the item shows that the provision for the termination of Personal Financial Adviser agency agreements decreased by €8m. This was due to the discounting component of the fund. The provisions set aside to cover contingent liabilities from lawsuits, litigation, claims from receivers and customer complaints totalled €4m, attributable to higher provisions for existing lawsuits. The provisions set aside for the Network Loyalty Schemes rose by €1m, due to the increase in the contingent long-term liability. Net impairment of debt securities showed a net amount of €1m, attributable to the net impairment on bonds in the portfolio of financial assets measured at fair value through other comprehensive income.

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

Income taxes totalled €195m, up €12m from the figure for the same period last year. The balance for the first half of 2019 included non-recurring items for €9m attributable to the tax redemption for the greater value of the equity investment in Morval Vonwiller and lower expenses incurred for a tax dispute relating to transfer pricing with the French subsidiary Financière Fideuram. The tax rate was 31%.

Integration and voluntary redundancy expenses (net of tax) recorded a balance of €6m, down €3m from the first half of 2019. They mainly refer to the expenses incurred for the non-recurring integration transactions that concerned Intesa Sanpaolo Private Banking, Siref Fiduciaria and the companies of the Intesa Sanpaolo Private Bank (Suisse) Morval Group.

The item **Expenses regarding the banking system (net of tax),** includes the expenses related to maintaining the stability of the banking system, recognised in the income statement in accordance with current regulations. In the first half of 2020, this item totalled €9m, up €1m on the same period of last year, and includes the amounts set aside for the contribution to the Single Resolution Fund introduced by Directive (EU) no. 2014/59.

Asset and liability management

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

Consolidated balance sheet

(reclassified - €m)

	30.6.2020	31.12.2019	CHANGE	
			AMOUNT	%
ASSETS				
Financial assets measured at fair value through profit or loss	348	349	(1)	-
Financial assets measured at fair value through other comprehensive income	3,027	3,189	(162)	-5
Debt securities measured at amortised cost	15,204	15,275	(71)	-
Loans to banks	19,867	17,198	2,669	16
Loans to customers	9,101	9,329	(228)	-2
Hedging derivatives	11	20	(9)	-45
Equity investments	176	170	6	4
Property and equipment and intangible assets	605	614	(9)	-1
Tax assets	150	164	(14)	-9
Other assets	1,451	1,459	(8)	-1
TOTAL ASSETS	**49,940**	**47,767**	**2,173**	**5**
LIABILITIES				
Due to banks	4,713	3,033	1,680	55
Due to customers	38,993	39,024	(31)	-
Financial liabilities held for trading	44	33	11	33
Hedging derivatives	1,025	930	95	10
Tax liabilities	63	94	(31)	-33
Other liabilities	1,295	1,215	80	7
Provisions for risks and charges	449	478	(29)	-6
Share capital and reserves	2,939	2,054	885	43
Net profit	419	906	(487)	-54
TOTAL LIABILITIES	**49,940**	**47,767**	**2,173**	**5**

Quarterly consolidated balance sheets

(reclassified - €m)

	30.6.2020	31.3.2020	31.12.2019	30.9.2019	30.6.2019	31.3.2019
ASSETS						
Financial assets measured at fair value through profit or loss	348	346	349	347	317	310
Financial assets measured at fair value through other comprehensive income	3,027	2,964	3,189	3,616	3,529	3,277
Debt securities measured at amortised cost	15,204	15,156	15,275	14,641	13,240	13,194
Loans to banks	19,867	19,226	17,198	16,244	15,135	14,525
Loans to customers	9,101	9,006	9,329	9,465	9,620	9,263
Hedging derivatives	11	10	20	12	7	1
Equity investments	176	172	170	166	163	158
Property and equipment and intangible assets	605	614	614	613	609	563
Tax assets	150	193	164	170	175	178
Other assets	1,451	1,293	1,459	1,596	1,520	1,472
TOTAL ASSETS	**49,940**	**48,980**	**47,767**	**46,870**	**44,315**	**42,941**
LIABILITIES						
Due to banks	4,713	2,787	3,033	3,030	3,098	3,741
Due to customers	38,993	40,157	39,024	37,983	35,775	34,131
Financial liabilities held for trading	44	69	33	42	25	27
Hedging derivatives	1,025	989	930	1,094	979	890
Tax liabilities	63	99	94	119	90	102
Other liabilities	1,295	1,303	1,215	1,405	1,399	1,329
Provisions for risks and charges	449	459	478	479	458	470
Share capital and reserves	2,939	2,895	2,054	2,059	2,035	2,022
Net profit	419	222	906	659	456	229
TOTAL LIABILITIES	**49,940**	**48,980**	**47,767**	**46,870**	**44,315**	**42,941**

The Group's **financial assets** totalled €18.6bn, down €243m (-1%) compared to the figure at the end of 2019.

Financial assets

(€m)

	30.6.2020	31.12.2019	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through profit or loss	348	349	(1)	-
Financial assets measured at fair value through other comprehensive income	3,027	3,189	(162)	-5
Debt securities measured at amortised cost	15,204	15,275	(71)	-
Hedging derivatives	11	20	(9)	-45
Total	**18,590**	**18,833**	**(243)**	**-1**

This performance was mainly ascribable to redemptions and reductions in the fair value of the bond portfolio through other comprehensive income (-€162m), and repayments and sales of debt securities measured at amortised cost (-€71m).

Financial liabilities

(€m)

	30.6.2020	31.12.2019	CHANGE	
			AMOUNT	%
Financial liabilities held for trading	44	33	11	33
Hedging derivatives	1,025	930	95	10
Total	**1,069**	**963**	**106**	**11**

Financial liabilities totalled €1.1bn, consisting entirely of derivatives. This item was up €106m (+11%) compared to the figure at 31 December 2019, mainly due to fair value changes on the derivatives used to hedge the interest rate risk of certain fixed-rate bonds in the portfolio.

Loans to banks

(€m)

	30.6.2020	31.12.2019	CHANGE	
			AMOUNT	%
Due from Central Banks	127	163	(36)	-22
Current account	4,187	3,547	640	18
Term deposits	15,437	12,868	2,569	20
Repurchase agreements	-	500	(500)	-100
Other	116	120	(4)	-3
Total	**19,867**	**17,198**	**2,669**	**16**

Loans to banks totalled €19.9bn, up €2.7bn (+16%) on the figure at 31 December 2019. This change is due to the rise in term deposits with Intesa Sanpaolo (+€2.6bn) and current account overdrafts (+€640m). Current accounts included €1.1bn in cash linked to securities lending, secured entirely by cash collateral recognised in the financial statements under Loans to banks and Due to banks (Loans to Intesa Sanpaolo and Due to Banca IMI).

Due to banks

(€m)

	30.6.2020	31.12.2019	CHANGE	
			AMOUNT	%
Current accounts	1,147	408	739	181
Term deposits	1,302	578	724	125
Repurchase agreements	2,221	1,944	277	14
Debts for leases	22	22	-	-
Other	21	81	(60)	-74
Total	**4,713**	**3,033**	**1,680**	**55**

Due to banks totalled €4.7bn, up €1.7bn on the figure at year-end 2019, due to increased inflows to current accounts (+€739m), term deposits (+€724m) and repurchase agreements (+€277m).

The Group continued to be a **net lender on the interbank market**, with net interbank deposits of €15.2bn, to which contribute €19.9bn in loans receivable (of which €18.9bn to Intesa Sanpaolo Group companies) and €4.7bn in loans payable (of which €3.5bn to Intesa Sanpaolo Group companies).

Loans to customers

(€m)

	30.6.2020	31.12.2019	CHANGE	
			AMOUNT	%
Current accounts	6,852	6,663	189	3
Repurchase agreements	-	214	(214)	-100
Loans	880	862	18	2
Other	1,297	1,555	(258)	-17
Non-performing assets	72	35	37	106
Total	**9,101**	**9,329**	**(228)**	**-2**

Loans to customers totalled €9.1bn and mainly comprised short-term loans (repayable within 12 months or revocable loans without a specified term). The €228m reduction from 31 December 2019 is mainly attributable to the decrease in other loans (-€258m) and loans under repurchase agreements with institutional customers (-€214m), only partly offset by the increase in current accounts (+€189m).
Net problem loans, representing a minimal amount in the portfolio, totalled €72m, up €37m on the figure at the end of 2019. In detail: doubtful loans totalled €1m, in line with the figure at the end of 2019. Unlikely to pay loans totalled €22m, up €3m on 31 December 2019, while past due or overdue loans amounted to €49m, up sharply (+€34m) from the end of 2019, due to the growth in credit risk following the spread of the Covid-19 public health emergency.

Due to customers

(€m)

	30.6.2020	31.12.2019	CHANGE	
			AMOUNT	%
Current accounts	32,149	35,193	(3,044)	-9
Term deposits	6,174	3,411	2,763	81
Repurchase agreements	314	32	282	n.s.
Debts for leases	274	280	(6)	-2
Other	82	108	(26)	-24
Total	**38,993**	**39,024**	**(31)**	**-**

n.s.: not significant

Due to customers totalled €39bn, substantially unchanged from the end of 2019. The detailed analysis shows a contraction in current account inflows (-€3bn), which was fully offset by the increase in inflows for term deposits (+€2.8bn) and repurchase agreements (+€282m).

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	2,298	181	2,479
Spain	-	334	334
United States	-	249	249
Ireland	-	67	67
Belgium	-	54	54
Finland	-	30	30
Luxembourg	-	20	20
France	-	11	11
United Kingdom	-	9	9
Switzerland	-	3	3
Austria	-	1	1
Total	**2,298**	**959**	**3,257**

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

Fair value of assets and liabilities measured at cost

(€m)

	30.6.2020		31.12.2019	
	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE
Debt securities measured at amortised cost	15,204	14,635	15,275	14,681
Loans to banks	19,867	19,867	17,198	17,035
Loans to customers	9,101	9,101	9,329	9,329
Total	**44,172**	**43,603**	**41,802**	**41,045**
Due to banks	4,713	4,713	3,033	3,033
Due to customers	38,993	38,993	39,024	39,024
Total	**43,706**	**43,706**	**42,057**	**42,057**

Property and equipment and intangible assets

(€m)

	30.6.2020	31.12.2019	CHANGE	
			AMOUNT	%
Owned real estate	62	62	-	-
Rights of use of leased assets	298	304	(6)	-2
Other property and equipment	13	14	(1)	-7
Property and equipment	**373**	**380**	**(7)**	**-2**
Goodwill	140	140	-	-
Other intangible assets	92	94	(2)	-2
Intangible assets	**232**	**234**	**(2)**	**-1**
Total property and equipment and intangible assets	**605**	**614**	**(9)**	**-1**

Property and equipment and intangible assets totalled €605m, down by €9m from 31 December 2019, mainly due to the amortisation of rights of use on leased assets.
The item includes €140m in goodwill regarding Private Banking divisions acquired by the subsidiary Intesa Sanpaolo Private Banking between 2009 and 2013. Other intangible assets also include, for €29m, the valuation of client assets recognised after purchase price allocation of the Morval Vonwiller Group. That acquisition, which was completed in the second quarter of 2018, entailed the initial recognition in the consolidated financial statements of an intangible asset with a finite useful life for €34m, to be amortised in the income statement for 15 years based on the estimated life cycle of the acquired client assets.

The **provisions for risks and charges** at 30 June 2020 were down €29m from the figure at the end of 2019, illustrated as follows:

Provisions for risks and charges

(€m)

	30.6.2020	31.12.2019	CHANGE	
			AMOUNT	%
Litigation, disputes, securities in default and complaints	76	79	(3)	-4
Personnel expenses	75	106	(31)	-29
Personal Financial Advisers' termination indemnities	245	235	10	4
Network Loyalty Schemes	50	55	(5)	-9
Other	3	3	-	-
Total	**449**	**478**	**(29)**	**-6**

The provision for litigation, disputes, securities in default and complaints was down €3m, as a result of utilisation in the first half of the year. The provisions for personnel expenses fell by €31m, mainly due to the payment of variable components of remuneration. The provisions for the Personal Financial Advisers' termination indemnities increased by €10m from 31 December 2019 due to accruals during the period. The provisions for Network Loyalty Schemes decreased by €5m due to the reductions in the fair value of insurance policies made to cover the Personal Financial Advisers.

Shareholders’ equity

Group shareholders’ equity including net profit for the period totalled €3.4bn at 30 June 2020, having changed as follows:

Group shareholders’ equity

(€m)

Shareholders' equity at 31 December 2019	**2,960**
Dividend distribution	-
Change in valuation reserves	(27)
Other changes	6
Net profit	419
Shareholders' equity at 30 June 2020	**3,358**

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

The €27m decrease largely refers to the reduction in the valuation reserve for financial assets measured at fair value through other comprehensive income after changes in the fair value of the bond portfolio at the end of June 2020. At the end of the first half, that reserve showed a negative net amount of €11m, as opposed to a positive net amount of €20m at 31 December 2019.

The Group did not hold any treasury shares at 30 June 2020.

Fideuram S.p.A.’s own funds and main capital ratios at 30 June 2020 are shown below.

Fideuram S.p.A. Capital Ratios

(€m)

	30.6.2020	31.12.2019
CET1	1,864	1,033
Tier 1	1,864	1,033
Own funds	1,864	1,033
Total risk-weighted assets	6,359	6,218
CET1 Ratio	**29.3%**	**16.6%**
Tier 1 Ratio	**29.3%**	**16.6%**
Total Capital Ratio	**29.3%**	**16.6%**

As a member of the Intesa Sanpaolo Banking Group, Fideuram is subject to the laws and regulations regarding capital requirements on the basis of its separate accounts, but is not required to present this information on a consolidated basis. In order to provide comprehensive information, the Group voluntarily estimates its consolidated capital requirements, taking its membership of the Intesa Sanpaolo Banking Group into account. At 30 June 2020, this calculation showed our Common Equity Tier 1 ratio to be 27.7%, up sharply from 19.2% at the end of December 2019. This was due to the increase in own funds following the previously mentioned decision to allocate to reserves €851m profit for the year realised by Fideuram in 2019.

Risk management and control

CREDIT RISK

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

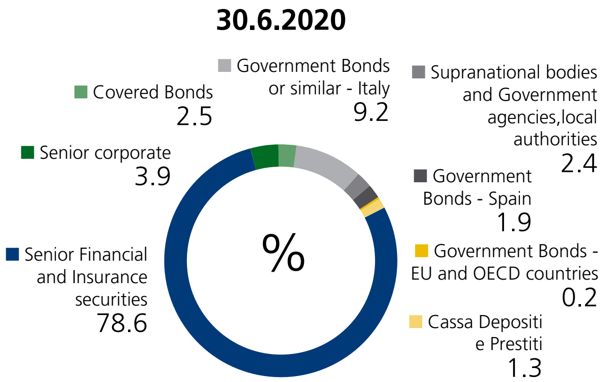
The credit risk management policy, which is integrated and consistent with the guidelines issued by Intesa Sanpaolo, is subject to approval by the Corporate Bodies of Fideuram, which have the prerogative of making strategic risk management decisions for the Fideuram Group. The Group's credit risk policies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

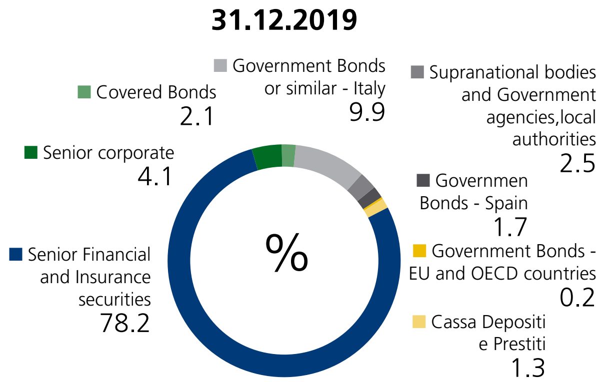
In the Fideuram Group, the authorisation levels for granting and managing loans are determined according to the face value of the granted loans (except for the subsidiary Intesa Sanpaolo Private Banking). A project is underway for alignment with the decision-making RWA analogously to what has been adopted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

The Group's credit strategies are directed towards the efficient selection of individual borrowers. Irrespective of any collateral, the granting of any loan is always subject to an appropriate analysis of the applicant's creditworthiness and their current and prospective ability to generate adequate cash flows to repay the debt. The quality of the loan portfolio is ensured through the adoption of special operating procedures at every stage in the life of each loan, which use special monitoring systems to obtain prompt notification of any symptoms of impairment in the collateral securing the loans granted. In addition, dedicated application procedures monitor any signs of non-performing loan positions. This monitoring is carried out during every stage in the loan management process (enquiry, granting and monitoring) and consists of a critical analysis of all the relevant indicators and the periodic review of every position. Further controls are carried out by our central departments on both the nature and quality of the overall exposures. In addition, special controls are carried out to limit the concentration of exposure within the Intesa Sanpaolo Group. Risk monitoring and measurement tools and techniques developed within the Group are also used to this end.
In order to mitigate the credit risk of loans and advances to customers, the Group normally obtains collateral, bank guarantees or irrevocable mandates to sell financial instruments. The types of collateral obtained are principally products distributed by the Fideuram Group (mutual funds and discretionary accounts) or financial instruments listed on major regulated markets. Bonds are only accepted as collateral if the issuer or loan has an appropriate rating (by leading rating agencies).
The value of the financial instruments obtained as collateral is discounted differentially in relation to the type of product and technical form concerned, as a precautionary measure when calculating the credit limit to be granted, with a view to protecting the Group against any fluctuations in market value. The concentration of collateral in issuers is very low, except for mutual funds and other products distributed by the Fideuram Group. There were no encumbrances capable of undermining the legal validity of any collateral, which is moreover subject to periodic verification.
The Group uses bilateral netting agreements, which offset creditor and debtor positions in the event of the default of one counterparty, to mitigate the counterparty risk in Security Financing Transactions (SFT), specifically securities lending transactions and repurchase agreements. Aside from what has already been indicated (bilateral netting), when OTC (unregulated) derivatives are subject to a Clearing House, counterparty risk is mitigated through an additional level of collateralization represented by centralised margining. ISDA and ISMA/GMRA agreements are used to this end, which also enable one to reduce the regulatory capital allocation while operating in accordance with the supervisory regulations.

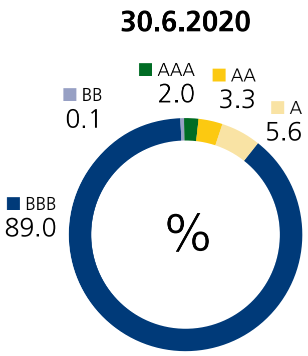
At 30 June 2020, the Group portfolio was broken down as follows by product type and rating class.

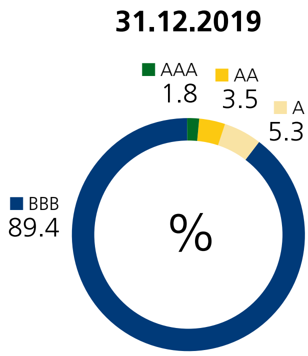
Analysis by product type





Analysis by rating class





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

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

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

Loans to customers: credit quality

(€m)

	30.6.2020		31.12.2019		CHANGE
	NET EXPOSURE	%	NET EXPOSURE	%	NET EXPOSURE
Doubtful loans	1	-	1	-	-
Unlikely to pay	22	-	19	-	3
Past due or overdue loans	49	-	15	-	34
Non-performing assets	**72**	**-**	**35**	**-**	**37**
Performing loans	9,029	78	9,294	79	(265)
Debt instruments	2,529	22	2,509	21	20
Loans to customers	**11,630**	**100**	**11,838**	**100**	**(208)**

MARKET RISK

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 taken out to insure the market yields of the Personal Financial Adviser Networks' Loyalty Schemes. The fair value of Class I policies is determined using a prospective actuarial method based on the principle of the initial equivalence of the average present values of the contractual commitments of the insurer and the average present values contracted by the policyholder/contracting party. The fair value of Class III policies is calculated as the value of the units at the reporting date plus any pure premiums not yet invested at the valuation date.

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

The Group uses derivatives (mainly Interest Rate Swaps) to hedge interest rate risk following a strategy that involves buying swaps linked to the individual fixed-coupon bonds in the portfolio. This strategy has made the Group's long-term securities holdings less sensitive to interest rate risk. Where risk concentration is concerned, the securities holdings are highly diversified as a result of the stringent limits specified by the Financial Portfolio Policy, which limits the maximum exposure to any single corporate Group to 5% of the total holdings, with the sole exception of Intesa Sanpaolo.

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

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

(€m)

	30.6.2020			31.12.2019		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets measured at fair value through profit or loss	17	331	-	21	328	-
Financial assets measured at fair value through other comprehensive income	3,027	-	-	3,172	17	-
Hedging derivatives	-	11	-	-	20	-
Property and equipment	-	-	63	-	-	63
Total	**3,044**	**342**	**63**	**3,193**	**365**	**63**
Financial liabilities held for trading	-	44	-	-	33	-
Hedging derivatives	-	1,025	-	-	930	-
Total	**-**	**1,069**	**-**	**-**	**963**	**-**

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

The banking book totalled €47.2bn at 30 June 2020.

Banking book

(€m)

	30.6.2020	31.12.2019	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through other comprehensive income	3,027	3,189	(162)	-5
Debt securities classified as loans to banks	12,675	12,766	(91)	-1
Debt securities classified as loans to customers	2,529	2,509	20	1
Hedging derivatives	11	20	(9)	-45
Total securities and derivatives	**18,242**	**18,484**	**(242)**	**-1**
Loans to banks	19,867	17,198	2,669	16
Loans to customers	9,101	9,329	(228)	-2
Total loans	**28,968**	**26,527**	**2,441**	**9**
Total banking book	**47,210**	**45,011**	**2,199**	**5**

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

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

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

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

The shift sensitivity of the economic value (or shift sensitivity of the fair value) measures the change in the economic value of the banking book and is calculated at the level of individual cash flow for each financial instrument, on the basis of different instantaneous rate shocks and reflects the changes in the discounted value of the cash flows of positions already carried on the balance sheet for the entire remaining duration until maturity (run-off balance sheet). In the measurements, the balance sheet items are represented according to their contractual profile, with the exception of those categories of instruments that feature risk profiles different from the contractually envisaged ones.
For these transactions, it was consequently decided to use a behavioural representation in order to calculate the risk measurements. In particular:

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

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

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

For a parallel upward movement in the rate curve by 100 bps, the sensitivity value at 30 June 2020 was a positive €0.5m. In contrast, the net interest income sensitivity was negative -€117m in the event of a -50 bps shock.

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

At 30 June 2020, the VaR totalled €15.2m, as calculated on a one-day time horizon and considering the rate, credit spread and volatility components. After the intense volatility experienced by the financial markets in connection with the Covid-19 emergency, a significant increase in the market risk of a proprietary portfolio was found beginning 9 March, with the assigned limit being exceeded (€16m, in contrast with a limit of €9m), and whose inertial recovery would not occur before January 2021. In response to the extraordinary market situation, the GFRC revised the VaR limits at the Group level, assigning a new threshold of €19m, which allowed it to stay within the limits. However, Intesa Sanpaolo remains free to reduce the new limit at any time if the markets return to normal conditions.

The Fideuram Group engages in hedging to immunise its banking book from changes in the fair value of investments caused by movements in the interest rate curve (interest rate risk). The Group adopts both specific hedges (micro fair value hedge) and generic hedges (macro fair value hedge). The micro fair value hedges are mainly used to hedge bonds.
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 June 2020, the overall size of the existing eight hedges was about €255m in original notional value. All the macro fair value hedges that were (subsequently) completed are fully effective and efficient in terms of sensitivity, fair value, in situations of capital gains and losses on the derivatives. The principal types of derivatives used are represented by Interest Rate Swaps (IRS) that are plain bullet or have an accreting notional, inflation linked, Overnight Index Swaps (OIS), Cross Currency Swaps (CCS) realised with independent counterparties or with other Group companies which, in turn, hedge the risk on the market. The derivatives are not listed on regulated markets, but traded on OTC circuits. The OTC contracts also include those that are intermediated through clearing houses.

The Group also adopted a type of hedge to mitigate the risk of exposure to changes in future cash flows attributable to movements of the interest rate curve (so-called Cash Flow Hedge). Specifically, the hedged flows are those associated to the coupons of a floating-rate Intesa Sanpaolo bond with a residual maturity of five years. The methods of performing effectiveness tests are similar to those relating to the hedging of micro fair value hedges, with some differences linked to the fact that the subject of the hedge are the cash flows and not the value of the hedged asset.

EXCHANGE RATE RISK

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

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

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

LIQUIDITY RISK

Liquidity risk is the risk that the Group will fail to satisfy its own payment commitments due to its inability both to obtain funds on the market (funding liquidity risk) and to sell its own assets (market liquidity risk). The internal system for control and management of liquidity risk is developed within the Group Risk Appetite Framework and in compliance with the maximum limits of tolerance of liquidity risk approved in that Framework, which require that the Group has to maintain adequate liquidity so as to deal with periods of tension on different funding markets, inter alia through the formation of adequate liquidity reserves represented by marketable securities that can be refinanced at central banks. Accordingly, a balanced relationship has to be maintained between inflows and outflows in both the short and medium-to-long term. This objective is developed by the "Group Guidelines for Governance of Liquidity Risk" approved by the Corporate Bodies of Intesa Sanpaolo. These guidelines incorporate the latest regulatory provisions covering liquidity risk and illustrate the duties of the various corporate functions, the rules and set of control and management processes designed to assure prudent monitoring of that risk, by preventing crisis situations from arising. In particular, from the organisational point of view, the duties assigned to the Board of Directors have been defined in detail, and top management is delegated with several important compliance measures, such as approval of the measurement methods, definition of the principal assumptions underlying the stress scenarios, and the composition of the attention indicators used to activate emergency plans.

In regard to measurement metrics and tools to attenuate liquidity risk, aside from defining the methodological framework used to measure the short-term and structural liquidity indicators, the maximum tolerance limit for liquidity risk (risk appetite), the methods used to define the Liquidity Reserves, and the rules and parameters for performing the stress tests are formalised. The short-term liquidity indicators aim to assure an adequate and balanced level between negative and positive

cash flows having a certain or estimated due date falling within a 12-month time horizon, with the aim of confronting periods of tension, including extended ones, on the different funding markets. Accordingly and consistently with the maximum limit on tolerance for liquidity risk, the system of limits is defined by envisaging short-term indicators over a one-month time horizon (Liquidity Coverage Ratio – LCR).
The LCR indicator, whose minimum limit has been 100%, has the purpose of reinforcing the short-term liquidity risk profile, assuring that it holds sufficient, unrestricted High-Quality Liquid Assets (HQLA) that may be easily and immediately converted into cash on private markets to satisfy liquidity requirements at 30 days in a liquidity stress scenario as defined in the Delegated Regulation (EU) no. 2015/61.

The structural Liquidity Policy requires adoption of the structural requirement mandated by the Basel III Net Stable Funding Ratio (NSFR) regulation. That indicator aims to promote greater use of stable inflows, preventing medium and long-term operations from causing excessive imbalances to be financed on a short-term basis. Accordingly, it sets a minimum "acceptable" amount of funding for more than one year according to the needs originating from the liquidity and residual duration characteristics of off-balance sheet assets and exposures.

In that context, the Contingency Funding Plan (CFP) has been implemented. This contains different lines of action that can be activated to deal with potential stress situations, indicating the dimension of the mitigating effects that could be pursued over a short-term time horizon. Moreover, it is required that governance procedures be in place to govern a possible liquidity crisis, defined as a situation of difficulty or incapacity to meet one's own cash commitments as they fall due, unless procedures are activated and/or tools are used in a way that cannot be associated with ordinary administration in terms of their intensity or procedures.
The key principles of said regulatory changes introduce prudential rules regarding both short-term liquidity risk management and long-term liquidity risk management (structural liquidity). The Group's solidity is based on balance sheet liabilities that are mainly centred on retail customer deposits. These are deposits that benefit from considerable stability over time, meaning that the Group does not need to depend on the interbank market and can thus avoid exposure to the risk of a liquidity crisis in that market. In addition to the stability of customer deposits, where interest-bearing assets are concerned, the Group has an investment portfolio that is governed by stringent liquidity limits for securities (readily-negotiable and eligible for Central Bank refinancing) in accordance with the provisions of the Financial Portfolio Policy based on highly-prudential criteria suitable for ensuring high and stable liquidity.
The introduction of said Policy also involved setting up an operational limit monitoring and reporting unit in line with the revised Group regulations. Liquidity risk exposure is monitored constantly to ensure that the operational limits and relevant regulations are respected. The methods adopted to measure the Group's exposure to liquidity risk follow the cardinal principles of the European Banking Authority (EBA) and the provisions of the Supervisory Regulations, and ensure that the asset and liability items are calculated in a wholly suitable manner for providing an appropriate representation of expected cash flows.

OPERATIONAL RISK

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

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

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

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

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

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

- the Board of Directors is responsible for the development and strategic supervision of the risk management policies, and for ensuring the smooth operation, efficiency and effectiveness of the operational risk management and control system over time, while also deciding on matters regarding compliance with the criteria for determining the bank's capital requirement;

- the Audit Coordination Committee is responsible for monitoring the adequacy of the operational risk management and control system, and for ascertaining its compliance with the related regulatory requirements;
- the Internal Audit Department is responsible for periodically auditing the operational risk management system, and for reporting on it to the Company Bodies;
- the Operational Risk Committee is a consultative body that is responsible for analysing the reports on the operational risk profile of the Bank and for proposing any actions required to prevent and mitigate operational risk;
- the Decentralised Operational Risk Management (ORM) Unit, which reports to the Chief Risk Officer of Fideuram, is responsible for organising and maintaining the set of activities provided for by the operational risk management system.

At the Division level, losses for €6.3m were incurred, including €4m attributable to provisions, indemnities, legal expenses and the use of provisions for unlawful acts committed by the Personal Financial Advisers, €1.2m attributable to disputes with customers over the sales relationship, €550k for external fraud (cyber fraud, ATM thefts and card cloning), and €241k for Covid-19 related costs (expenses for decontamination and purchase of personal protection equipment, unrecoverable penalties for missed participation at previously scheduled events). The expenses incurred so that employees can operate on a smart working basis or to upgrade IT and security systems have to be treated as investments and not extra costs directly connected with the pandemic. A smaller portion is attributable to the costs of anomalies in computer flows and errors in the performance and management of processes.
The Private Banking Division continued its work on improving the processes and controls in place to mitigate risk and contain losses, and participated fully in every initiative launched by Intesa Sanpaolo.

LEGAL AND TAX RISK

The Group is involved in civil and tax lawsuits as well as in criminal proceedings against third parties as part of its normal business operations.
The Group monitors pending cases constantly in consultation with external legal advisers, examining them in the light of the relevant contractual documents, the conduct concerned, internal investigations and any critical aspects highlighted by the aforesaid legal advisers during lawsuits. The Group has set aside provisions for legal disputes to cover, among other things, the liabilities that could, according to internal and external legal advice, be incurred as a result of pending legal and other disputes.
At 30 June 2020, these provisions totalled €76m. The total provisions and the amount of the individual provisions set aside are calculated based on external and internal legal advisers' estimations of the proceedings having negative outcomes. At 30 June 2020, the number and value of pending proceedings were not sufficient to have any potential significant impact on the business, assets or financial position of the Group.
The situation regarding legal and tax risk at 30 June 2020 had changed as follows with respect to the situation described in the consolidated financial statements at 31 December 2019.

Cases regarding alleged unlawful and/or improper conduct by former Personal Financial Advisers authorised to offer products and services outside Group premises
In regard to the serious irregularities committed by a Personal Financial Adviser at Sanpaolo Invest, the subsidiary received 61 claims of misappropriation by the end of June, with claims totalling €27m. About €17m of that amount related to the misappropriation alone, and the remainder to additional types of losses. The audits performed by the Internal Audit Department and the Legal Affairs Department confirmed that the misappropriated amounts totalled €13m. The Company has also received another 211 claims for about €28m, mainly concerning false account statements and unauthorised transactions, and claims for reimbursement of the fees and commissions for the Advanced Advisory Service.
During the first half of 2020, the subsidiary accepted and reimbursed over €4m in claims, on top of the approximately €1m already paid in 2019. At the same time, the Company continued its out-of-court and judicial activities against the illegitimate beneficiaries to recover the expropriated funds.
The risk of additional expenditure stemming from the unlawful acts committed by the Personal Financial Adviser is covered by a provision for €9m (of which €2.8m were accrued in the first half of 2020), determined according to the assessment of confirmed claims of misappropriation and claims for incorrect account statements and unauthorised transactions, without considering the recovery actions that have already been undertaken, the orders issued for the seizure of evidence, and the coverage provided by the special insurance policy, which the Company promptly activated in accordance with the policy conditions.

In June 2020, Fideuram renewed a Personal Financial Adviser misconduct insurance policy with Generali Italia in coinsurance with AIG, through the broker AON S.p.A., which covers claims consequent upon unlawful acts committed by Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking Personal Financial Advisers for amounts in excess of €3m. The annual per-claim limit provided for in the policy is €16m (to cover all complaints, including out-of-court settlements, regarding the unlawful/improper conduct of a single Personal Financial Adviser).

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

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 2020 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.

The Fideuram Board of Directors meeting of 4 May 2020 approved the renewal of the service contract in place with Intesa Sanpaolo, as amended with the provision of new policymaking, monitoring and support services. The existing service contracts between Intesa Sanpaolo and the subsidiaries Intesa Sanpaolo Private Banking, Sanpaolo Invest, Fideuram Investimenti, Siref Fiduciaria and Fideuram Asset Management (Ireland) were similarly amended. The new service contract with Intesa Sanpaolo, which was signed at the end of June 2020, prescribes the payment of an estimated annual fee of about €47.6m, reflecting a slight increase from the total consideration recognised at the end of 2019, inter alia due to recognition of the entire amount of the annual costs for the Compliance, AML and Business Protection (Privacy) services that have been outsourced since 1 September 2019. Overall, the existing service contracts between Intesa Sanpaolo and the aforementioned subsidiaries will entail the payment, except for any end-of-year adjustments, of an estimated consideration for 2020 of about €76.5m, slightly up from the final amount reported at the end of 2019 for the services provided by Intesa Sanpaolo.
All of 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.

Until now, Fideuram has always used the brokerage services of Banca IMI for buying and selling securities. These transactions have always been settled on an arm's-length basis.

All amounts receivable and payable and all income and expenses at 30 June 2020 regarding companies in the Intesa Sanpaolo Group are summarised below:

Assets 30.6.2020

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	**%**
Debt and equity securities	12,963	70
Loans to banks	18,907	95
Loans to customers	178	2
Financial derivatives	19	33
Property and equipment	20	5
Other	21	2

Liabilities 30.6.2020

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	**%**
Due to banks	3,472	74
Due to customers	370	1
Financial derivatives	648	61
Other	72	6
Guarantees and commitments	108	2

Income statement 1st HALF 2020

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	**%**
Interest income	64	46
Interest expense	(12)	32
Fee and commission income	391	32
Fee and commission expense	(11)	3
Operating income on financial activities	(10)	n.s.
Administrative expenses	(44)	11
Depreciation of property and equipment	(4)	15

n.s.: not significant

Events after 30 June 2020 and outlook

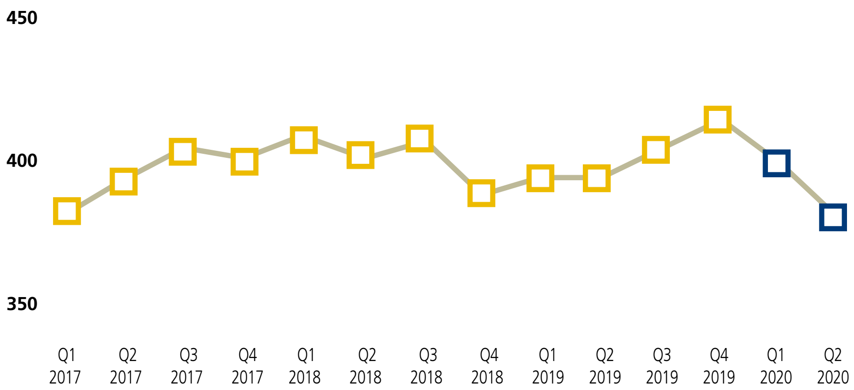
There were no significant events after the reporting period requiring any changes to be made to the consolidated financial statements at 30 June 2020.

The liquidation of Morval Vonwiller Asset Management Co., a pure investment holding with registered office in the British Virgin Islands and controlled by Intesa Sanpaolo Private Bank (Suisse) Morval, was completed on 21 July 2020, as approved by Fideuram to the extent of its prerogatives at the end of 2019. Consequently, 100% of the capital of Morval Bank & Trust Cayman, a bank with registered office in the Cayman Islands, was acquired from Intesa Sanpaolo Private Bank (Suisse) Morval on the same date.

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

Quarterly net recurring fees

(€m)



The Board of Directors
29 July 2020

Consolidated financial statements

Consolidated balance sheet

(€m)

ASSETS	30.6.2020	31.12.2019
10. Cash and cash equivalents	197	335
20. Financial assets measured at fair value through profit or loss	348	349
a) financial assets held for trading	47	36
b) financial assets measured at fair value	-	-
c) other financial assets mandatorily measured at fair value	301	313
30. Financial assets measured at fair value through other comprehensive income	3,027	3,189
40. Financial assets measured at amortised cost	44,172	41,802
a) loans and advances to banks	32,542	29,964
b) loans and advances to customers	11,630	11,838
50. Hedging derivatives	11	20
60. Adjustments to financial assets subject to macro-hedging (+/-)	23	11
70. Equity investments	176	170
80. Reinsurers' share of technical reserves	-	-
90. Property and equipment	373	380
100. Intangible assets	232	234
of which: goodwill	140	140
110. Tax assets	150	164
a) current	21	34
b) deferred	129	130
120. Non-current assets held for sale and discontinued operations	-	6
130. Other assets	1,231	1,107
TOTAL ASSETS	**49,940**	**47,767**

Chairman of the
Board of Directors
Paolo Molesini

Managing Director
Tommaso Corcos

Chief Financial Officer
Domenico Sfalanga

Consolidated balance sheet

(€m)

LIABILITIES AND SHAREHOLDERS' EQUITY	30.6.2020	31.12.2019
10. Financial liabilities measured at amortised cost	43,706	42,057
a) due to banks	4,713	3,033
b) due to customers	38,993	39,024
c) debt on issue	-	-
20. Financial liabilities held for trading	44	33
30. Financial liabilities measured at fair value	-	-
40. Hedging derivatives	1,025	930
50. Adjustments to financial liabilities subject to macro-hedging (+/-)	-	-
60. Tax liabilities	63	94
a) current	12	30
b) deferred	51	64
70. Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80. Other liabilities	1,250	1,167
90. Provision for employment termination indemnities	45	48
100. Provisions for risks and charges:	449	478
a) commitments and guarantees	2	1
b) pensions and other commitments	27	23
c) other provisions for risks and charges	420	454
110. Technical reserves	-	-
120. Valuation reserves	6	33
130. Redeemable shares	-	-
140. Equity instruments	-	-
150. Reserves	2,427	1,515
160. Share premium reserve	206	206
170. Share capital	300	300
180. Treasury shares (-)	-	-
190. Equity attributable to non-controlling interests (+/-)	-	-
200. Net profit (loss) for the period (+/-)	419	906
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**49,940**	**47,767**

Chairman of the
Board of Directors
Paolo Molesini

Managing Director
Tommaso Corcos

Chief Financial Officer
Domenico Sfalanga

Consolidated income statement

(€m)

	1ST HALF 2020	1ST HALF 2019
10. Interest income and similar income	138	127
of which: interest income calculated with the effective interest method	*179*	*171*
20. Interest expense and similar expense	(36)	(38)
30. Net interest income	**102**	**89**
40. Fee and commission income	1,237	1,228
50. Fee and commission expense	(393)	(385)
60. Net fee and commission income	**844**	**843**
70. Dividends and similar income	-	-
80. Net profit (loss) on trading activities	9	7
90. Net profit (loss) on hedging derivatives	1	-
100. Profit (loss) on sale or repurchase of:	11	18
a) financial assets measured at amortised cost	6	-
b) financial assets measured at fair value through other comprehensive income	5	18
c) financial liabilities	-	-
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	(11)	15
a) financial assets and liabilities measured at fair value	-	-
b) other financial assets mandatorily measured at fair value	(11)	15
120. Total net interest and trading income	**956**	**972**
130. Net impairment for credit risk related to:	(19)	(1)
a) financial assets measured at amortised cost	(16)	(1)
b) financial assets measured at fair value through other comprehensive income	(3)	-
140. Gains/losses on contractual changes without cancellation	-	-
150. Operating income	**937**	**971**
160. Net insurance premiums	-	-
170. Other income/expense from insurance activities	-	-
180. Operating income from financing and insurance activities	**937**	**971**
190. Administrative expenses:	(409)	(408)
a) personnel expenses	(165)	(175)
b) other administrative expenses	(244)	(233)
200. Net provisions for risks and charges	(14)	(23)
a) commitments and guarantees	(1)	-
b) other net provisions	(13)	(23)
210. Depreciation of property and equipment	(24)	(24)
220. Amortisation of intangible assets	(12)	(10)
230. Other income/expense	124	122
240. Operating expenses	**(335)**	**(343)**
250. Profit (loss) on equity investments	4	3
260. Net fair value gains (losses) on property and equipment and intangible assets	-	-
270. Goodwill impairment	-	-
280. Profit (loss) on disposal of investments	1	-
290. Profit (loss) before tax from continuing operations	**607**	**631**
300. Income taxes for the period on continuing operations	(188)	(175)
310. Profit (loss) after tax from continuing operations	**419**	**456**
320. Profit (loss) after tax from discontinued operations	-	-
330. Net profit (loss) for the period	**419**	**456**
340. Net profit (loss) for the period attributable to non-controlling interests	-	-
350. Parent company interest in net profit (loss) for the period	**419**	**456**

Chairman of the
Board of Directors
Paolo Molesini

Managing Director
Tommaso Corcos

Chief Financial Officer
Domenico Sfalanga

Consolidated statement of comprehensive income

(€m)

	1ST HALF 2020	1ST HALF 2019
10. Net profit (loss) for the period	**419**	**456**
Other comprehensive income after tax not transferred to the income statement	**(3)**	**(6)**
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	(3)	(6)
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	**(24)**	**35**
100. Hedging of net investments in foreign operations	-	-
110. Exchange rate differences	3	(6)
120. Cash flow hedges	3	4
130. Hedging instruments (undesignated elements)	-	-
140. Financial assets (other than equity instruments) measured at fair value through other comprehensive income	(30)	34
150. Non-current assets held for sale and discontinued operations	-	-
160. Valuation reserves related to investments carried at equity	-	3
170. Total other comprehensive income after tax	**(27)**	**29**
180. Total comprehensive income	**392**	**485**
190. Total comprehensive income attributable to non-controlling interests	-	-
200. Total comprehensive income attributable to parent company	392	485

Chairman of the
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Managing Director
Tommaso Corcos

Chief Financial Officer
Domenico Sfalanga

Statement of changes in consolidated shareholders' equity

(€m)

	BALANCE AT 31.12.2019	CHANGE IN OPENING BALANCES	BALANCE AT 1.1.2020	ALLOCATION OF INCOME FOR THE PREVIOUS YEAR		CHANGES IN THE PERIOD									SHAREHOLDERS' EQUITY AT 30.6.2020	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY AT 30.6.2020	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS AT 30.6.2020
							TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY										
				RESERVES	DIVIDENDS AND OTHER	CHANGES IN RESERVES	ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	DERIVATIVES BASED ON TREASURY SHARES	STOCK OPTIONS	CHANGES IN EQUITY INVESTMENTS	TOTAL COMPREHENSIVE INCOME 1ST HALF 2020			
Share capital:	**300**	**-**	**300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**300**	**300**	**-**
- ordinary shares	300	-	300	-	-	-	-	-	-	-	-	-	-	-	300	300	-
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**206**	**-**	**206**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**206**	**206**	**-**
Reserves:	**1,516**	**-**	**1,516**	**905**	**-**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,427**	**2,427**	**-**
- From net income	1,425	-	1,425	905	-	6	-	-	-	-	-	-	-	-	2,336	2,336	-
- Other	91	-	91	-	-	-	-	-	-	-	-	-	-	-	91	91	-
Valuation reserves	**33**	**-**	**33**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(27)**	**6**	**6**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the period	**905**	**-**	**905**	**(905)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**419**	**419**	**419**	**-**
Shareholders' equity	**2,960**	**-**	**2,960**	**-**	**-**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**392**	**3,358**	**3,358**	**-**
Equity attributable to owners of the parent company	**2,960**	**-**	**2,960**	**-**	**-**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**392**	**3,358**		
Equity attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		

Chairman of the Board of Directors
Paolo Molesini

Managing Director
Tommaso Corcos

Chief Financial Officer
Domenico Sfalanga

Statement of changes in consolidated shareholders' equity

(€m)

	BALANCE AT 31.12.2018	CHANGE IN OPENING BALANCES	BALANCE AT 1.1.2019	ALLOCATION OF INCOME FOR THE PREVIOUS YEAR		CHANGES IN THE PERIOD									SHAREHOLDERS' EQUITY AT 30.6.2019	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY AT 30.6.2019	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS AT 30.6.2019
							OPERAZIONI SUL PATRIMONIO NETTO										
				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			
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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		

Chairman of the Board of Directors
Paolo Molesini

Managing Director
Tommaso Corcos

Chief Financial Officer
Domenico Sfalanga

Statement of consolidated cash flows
(Indirect method)

(€m)

	1ST HALF 2020	1ST HALF 2019
A. OPERATING ACTIVITIES		
1. Operations	**652**	**640**
- Net profit (loss) for the period (+/-)	419	456
- net profit (loss) on financial assets held for trading and on other assets/liabilities measured at fair value through profit or loss (-/+)	2	(20)
- net profit (loss) on hedging activities (-/+)	(1)	-
- net impairment for credit risk (+/-)	19	1
- net depreciation and amortisation (+/-)	36	34
- net provisions for risks and charges and other expense/income (+/-)	15	24
- uncollected net insurance premiums (-)	-	-
- uncollected other insurance income/expense (-/+)	-	-
- unpaid taxes and tax credits (+/-)	188	175
- net impairment of discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	(26)	(30)
2. Cash from/used in financing activities	**(2,285)**	**(3,050)**
- financial assets held for trading	(5)	3
- financial assets measured at fair value	-	-
- other assets mandatorily measured at fair value	1	(11)
- financial assets measured at fair value through other comprehensive income	131	(201)
- financial assets measured at amortised cost	(2,386)	(2,866)
- other assets	(26)	25
3. Cash from/used in financial liabilities	**1,500**	**3,169**
- financial liabilities measured at amortised cost.	1,649	3,077
- financial liabilities held for trading	14	2
- financial liabilities measured at fair value	-	-
- other liabilities	(163)	90
Net cash from/used in operating activities	**(133)**	**759**
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	**(5)**	**(7)**
- acquisition of equity investments	-	-
- acquisition of property and equipment	(1)	-
- purchase of intangible assets	(4)	(7)
- acquisition of subsidiaries and company divisions	-	-
Net cash from/used in operating activities	**(5)**	**(7)**
C. FUNDING ACTIVITIES	**-**	
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- distribution of dividends and other	-	(810)
- sale/purchase of control of others	-	-
Net cash from/used in funding activities	**-**	**(810)**
NET CASH GENERATED/USED IN THE PERIOD	**(138)**	**(58)**

Reconciliation

	1ST HALF 2020	1ST HALF 2019
Cash and cash equivalents at the beginning of the period	335	310
Total net cash generated/used in the period	(138)	(58)
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the end of the period	197	252

(*) In relation to the disclosure prescribed in paragraph 44B of IAS 7, we note that the changes in liabilities resulting from financing activities totalled €1,500m (generated liquidity) and reflect the net amount of +€1,649m in cash flows, +€13m in changes in fair value, and -€162m in other changes.

Chairman of the
Board of Directors
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Managing Director
Tommaso Corcos

Chief Financial Officer
Domenico Sfalanga

Accounting policies

BASIS OF PREPARATION

The Condensed Half-year Consolidated Financial Statements at 30 June 2020 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 policies used to prepare these Condensed Half-year Consolidated Financial Statements are the same as those adopted for the financial statements at 31 December 2019, to which reference is made for a complete presentation.

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 2020 is compared with the income statement for the corresponding period of 2019, while the balance sheet at 30 June 2020 is compared with the balance sheet at 31 December 2019. The balance sheet and income statement as at and for the period ended 30 June 2020 referred to in the explanatory notes have been reclassified to facilitate comparison of the figures for different periods and to enable a clearer and more immediate understanding of the Group's financial position and results. These statements were prepared using appropriate groupings of the items in the official financial statements. Detailed information on the reclassifications is presented in specific reconciliation statements provided in the schedules accompanying 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 consolidated by Fideuram at 30 June 2020 are listed below.

Equity investments at 30 June 2020

COMPANY NAME	OPERATIONAL HEAD OFFICE	REGISTERED OFFICE	TYPE OF OWNERSHIP (*)	OWNERSHIP		% VOTES (**)
				ASSOCIATE COMPANY	% OWNED	
1. Sanpaolo Invest SIM S.p.A. Share capital: EUR 15,264,760 in shares of EUR 140 each	Turin	Turin	1	Fideuram	100,000%	
2. Intesa Sanpaolo Private Banking S.p.A. Share capital: EUR 105,497,424 in shares of EUR 4 each	Milan	Milan	1	Fideuram	100,000%	
3. Fideuram Investimenti SGR S.p.A. Share capital: EUR 25,850,000 in shares of EUR 517 each	Milan	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	Milan	1	Fideuram	100,000%	
5. Morval SIM S.p.A. Share capital: EUR 2,768,000 in shares of EUR 0.52 each	Turin	Turin	1	Fideuram	100,000%	
6. Fideuram Asset Management (Ireland) dac Share capital: EUR 1,000,000 in shares of EUR 1.000 each	Dublin	Dublin	1	Fideuram	100,000%	
7. Fideuram Bank (Luxembourg) S.A. Share capital: EUR 40,000,000 in shares without par value	Luxembourg	Luxembourg	1	Fideuram	100,000%	
8. Financière Fideuram S.A. Share capital: EUR 346,761,600 in shares of EUR 25 each	Paris	Paris	1	Fideuram	99,999%	
9. Intesa Sanpaolo Private Bank (Suisse) Morval S.A. Share capital: CHF 22,217,000 in shares of CHF 100 each	Geneva	Geneva	1	Fideuram	96,910%	
10. Intesa Sanpaolo Private Argentina S.A. Share capital: ARS 13,404,506 in shares of ARS 1 each	Buenos Aires	Buenos Aires	1	Intesa Sanpaolo Private Bank (Suisse) Morval	95,033%	
				Fideuram	4,967%	
11. Morval Gestion SAM Share capital: EUR 1,200,000 in shares of EUR 100 each	Montecarlo	Montecarlo	1	Intesa Sanpaolo Private Bank (Suisse) Morval	100,000%	
12. Morval Vonwiller Advisors S.A. Share capital: UYU 110,600,000 in shares of UYU 1 each	Montevideo	Montevideo	1	Intesa Sanpaolo Private Bank (Suisse) Morval	100,000%	
13. Morval Vonwiller Assets Management Co. Ltd in liquidation Share capital: USD 2,400,000 in shares of USD 1 each	Tortola	Tortola	1	Intesa Sanpaolo Private Bank (Suisse) Morval	100,000%	
14. Morval Bank & Trust Cayman Ltd Share capital: USD 7,850,000 in shares of USD 1 each	George Town	George Town	1	Morval Vonwiller Assets Management in liquidation	100,000%	

The table does not include the equity investment in Southern Group Ltd in liquidation, insofar as the company had already returned the capital to its parent company Intesa Sanpaolo Private Bank (Suisse) Morval as at 30 June 2020.

KEY

(*) Type of relationship

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., 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 2020, as approved by the competent bodies of the subsidiaries, adjusted where necessary to align them with Group accounting policies. The financial statement data of companies operating outside the European Monetary Union are translated to euro applying the period-end exchange rates to balance sheet items and the average exchange rates for the period to income statement items. Any exchange rate differences arising from translations at said exchange rates are recognised in the valuation reserve.

The scope of consolidation of the Fideuram Group has not changed significantly since 31 December 2019. Here mention is made only of the following transactions, which were executed in reference to companies under common control and which did not have any impact at the consolidated level:

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

Independent auditors' report

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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 2020. 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 2020 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, 4 August 2020

KPMG S.p.A.

(signed on the original)

Giovanni Giuseppe Coci
Director of Audit

Schedules

Basis of preparation of the reclassified financial statements

The balance sheet and income statement as at and for the period ended 30 June 2020 have been reclassified to facilitate comparison of the figures for different periods and to enable a clearer and more immediate understanding of the financial position and results. These statements were prepared using appropriate groupings of the items in the official financial statements.
Moreover, the reclassified consolidated income statement has been changed as follows to provide a clearer presentation of the Group's operating performance:

- Net profit (loss) on financial assets, fee and commission income and expense, and the provisions have been stated net of the returns on the insurance policies taken out as part of the Personal Financial Adviser Networks' Loyalty Schemes, recognised in the official Bank of Italy schedule as net profit (loss) on financial assets mandatorily measured at fair value, which – as pertaining to the Personal Financial Advisers – have been recognised as commission expense and provisions.
- The reversal of the time value for the provision for employment termination indemnities and provisions for risks and charges arising from the application of the amortised cost method has been reclassified to net interest income.
- Expenses for stamp duty on current and deposit accounts, which are recognised in the official Bank of Italy schedule under administrative expenses, have been stated net of income from amounts recovered.
- The soft commissions have been reallocated to the administrative expenses that generated them.
- Expenses for fee and commission income, which are recognised in the official Bank of Italy schedule under administrative expenses, have been reclassified among fee and commission income.
- Net provisions for risks and charges relating to credit risk on commitments and guarantees issued have been reclassified among net impairment of loans.
- Net impairment on debt securities have been reclassified among "Net provisions for risks and charges and net impairment of other assets".
- Non-recurring income and expenses, including gains and losses on debt securities measured at amortised cost, have been reclassified in a separate item designated "Net non-recurring income (expenses)".
- Integration and voluntary redundancy expenses have been reclassified, net of tax effect, in a separate item designated "Integration and voluntary redundancy expenses (net of tax)".
- The effects of purchase price allocation have been recognised in a specific item, net of the tax effect, designated "Effects of purchase price allocation (net of tax)".
- The expenses incurred for maintaining the stability of the banking system (consisting of the contributions to the Deposit Guarantee Scheme and to the Single Resolution Fund) have been reclassified in a separate item, net of tax, designated "Expenses regarding the banking system (net of tax)".

Reconciliation statements of the official and reclassified financial statements

Reconciliation of the official consolidated balance sheet and reclassified consolidated balance sheet

(€m)

RECLASSIFIED BALANCE SHEET ITEMS – ASSETS	CONSOLIDATED BALANCE SHEET ITEMS – ASSETS	30.6.2020	31.12.2019
Financial assets measured at fair value through profit or loss		348	349
	Item 20. Financial assets measured at fair value through profit or loss	*348*	*349*
Financial assets measured at fair value through other comprehensive income		3,027	3,189
	Item 30. Financial assets measured at fair value through other comprehensive income	*3,027*	*3,189*
Debt securities measured at amortised cost		15,204	15,275
	Item 40. a) (partial) Financial assets measured at amortised cost – Loans to banks - securities	*12,675*	*12,766*
	Item 40. b) (partial) Financial assets measured at amortised cost – Loans to customers - securities	*2,529*	*2,509*
Loans to banks		19,867	17,198
	Item 40. a) Financial assets measured at amortised cost – Loans to banks	*32,542*	*29,964*
	Item 40. a) (partial) Financial assets measured at amortised cost – Loans to banks - securities	*(12,675)*	*(12,766)*
Loans to customers		9,101	9,329
	Item 40. b) Financial assets measured at amortised cost – Loans to customers	*11,630*	*11,838*
	Item 40. b) (partial) Financial assets measured at amortised cost – Loans to customers - securities	*(2,529)*	*(2,509)*
Hedging derivatives		11	20
	Item 50. Hedging derivatives	*11*	*20*
Equity investments		176	170
	Item 70. Equity investments	*176*	*170*
Property and equipment and intangible assets		605	614
	Item 90. Property and equipment	*373*	*380*
	Item 100. Intangible assets	*232*	*234*
Tax assets		150	164
	Item 110. Tax assets	*150*	*164*
Other assets		1,451	1,459
	Item 10. Cash and cash equivalents	*197*	*335*
	Item 60. Adjustments to financial assets subject to macro-hedging (+/-)	*23*	*11*
	Item 120. Non-current assets held for sale and discontinued operations	*-*	*6*
	Item 130. Other assets	*1,231*	*1,107*
Total assets	**Total assets**	**49,940**	**47,767**

RECLASSIFIED BALANCE SHEET ITEMS – LIABILITIES	CONSOLIDATED BALANCE SHEET ITEMS – LIABILITIES	30.6.2020	31.12.2019
Due to banks		4,713	3,033
	Item 10. a) Financial liabilities measured at amortised cost – due to banks	*4,713*	*3,033*
Due to customers		38,993	39,024
	Item 10. b) Financial liabilities measured at amortised cost – due to customers	*38,993*	*39,024*
Financial liabilities held for trading		44	33
	Item 20. Financial liabilities held for trading	*44*	*33*
Hedging derivatives		1,025	930
	Item 40. Hedging derivatives	*1,025*	*930*
Tax liabilities		63	94
	Item 60. Tax liabilities	*63*	*94*
Other liabilities		1,295	1,215
	Item 80. Other liabilities	*1,250*	*1,167*
	Item 90. Provision for employment termination indemnities	*45*	*48*
Provisions for risks and charges		449	478
	Item 100. Provisions for risks and charges	*449*	*478*
Share capital and reserves		2,939	2,054
	Items 120, 150, 160, 170 Equity attributable to owners of the parent company	*2,939*	*2,054*
Net Profit		419	906
	Item 200. Net profit (loss) for the period	*419*	*906*
Total liabilities	**Total liabilities and shareholders' equity**	**49,940**	**47,767**

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

(€m)

RECLASSIFIED CONSOLIDATED INCOME STATEMENT ITEMS	CONSOLIDATED INCOME STATEMENT ITEMS	1ST HALF 2020	1ST HALF 2019
Net interest income		102	89
	Item 30. Net interest income	*102*	*89*
Net profit (loss) on financial assets and liabilities at fair value		12	28
	Item 80. Net profit (loss) on trading activities	*9*	*7*
	Item 90. Net profit (loss) on hedging derivatives	*1*	*-*
	Item 100. b) Net profit (loss) on sale or purchase of financial assets measured at fair value through other comprehensive income	*5*	*18*
	Item 110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	*(11)*	*15*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*8*	*(12)*
Net fee and commission income		840	843
	Item 60. Net fee and commission income	*844*	*843*
	- Item 60. (partial) Soft commission	*(1)*	*(1)*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*(1)*	*3*
	- Item 190. b) (partial) Component of administrative expenses relating to fee and commission income	*(2)*	*(2)*
Intermediation margin		**954**	**960**
Profit on equity investments and other income (expense)		1	2
	Item 230. Other income/expense	*124*	*122*
	Item 250. Profit (loss) on equity investments	*4*	*3*
	- Item 230. (partial) Recovery of indirect taxes	*(127)*	*(123)*
Net operating income		**955**	**962**
Personnel expenses		(164)	(171)
	Item 190. a) Personnel expenses	*(164)*	*(175)*
	- Item 190. a) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*-*	*4*
Other administrative expenses		(98)	(91)
	Item 190. b) Other administrative expenses	*(244)*	*(233)*
	- Item 60. (partial) Soft commission	*1*	*1*
	- Item 190. b) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*3*	*4*
	- Item 190. b) (partial) Costs related to banking system	*13*	*12*
	- Item 190. b) (partial) Component of administrative expenses relating to fee and commission income	*2*	*2*
	- Item 230. (partial) Recovery of indirect taxes	*127*	*123*
Depreciation and amortisation		(29)	(27)
	Item 210. Depreciation of property and equipment	*(24)*	*(23)*
	Item 220. Amortisation of intangible assets	*(12)*	*(10)*
	- Item 220. (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*6*	*5*
	- Item 220. (partial) Amortisation of client assets recognised in intangible assets following PPA Morval	*1*	*1*
Net operating expenses		**(291)**	**(289)**
Operating margin		**664**	**673**
Net impairment of loans		(18)	(2)
	Item 130. Net impairment for credit risk	*(18)*	*(1)*
	Item 200. a) Net provisions for commitments and guarantees issued	*(1)*	*-*
	- Item 130. a) (partial) Net impairment for credit risk related to financial assets measured at amortised cost - Debt securities	*(2)*	*(1)*
	- Item 130. b) (partial) Net impairment for credit risk related to financial assets measured at fair value through other comprehensive income - Debt securities	*3*	*-*
Net provisions for risks and charges and net impairment of other assets		(22)	(23)
	Item 200. b) Other net provisions	*(14)*	*(24)*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*(7)*	*9*
	- Item 130. a) (partial) Net impairment for credit risk related to financial assets measured at amortised cost - Debt securities	*2*	*1*
	- Item 130. b) (partial) Net impairment for credit risk related to financial assets measured at fair value through other comprehensive income - Debt securities	*(3)*	*-*
	- Item 200. (partial) Use in excess of Risk provision for tax dispute	*-*	*(9)*
Net non-recurring income (expenses)		6	9
	Item 100. a) Net profit (loss) on sale or repurchase of financial assets measured at amortised cost	*5*	*-*
	Item 280. Profit (loss) on disposal of investments	*1*	*-*
	- Item 200. (partial) Use in excess of Risk provision for tax dispute	*-*	*9*
Gross income (loss)		**630**	**657**
Income taxes for the period on continuing operations		(195)	(183)
	Item 300. Income taxes for the period on continuing operations	*(188)*	*(175)*
	- Item 300. (partial) Tax impact on costs related to integration of Intesa Sanpaolo Private Banking	*(3)*	*(4)*
	- Item 300. (partial) Tax impact on costs related to the banking system	*(4)*	*(4)*
Integration and voluntary redundancy expenses (net of tax)		(6)	(9)
	- Item 190. a) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*-*	*(4)*
	- Item 190. b) (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*(3)*	*(4)*
	- Item 220. (partial) Costs related to integration of Intesa Sanpaolo Private Banking	*(6)*	*(5)*
	- Item 300. (partial) Tax impact on costs related to integration of Intesa Sanpaolo Private Banking	*3*	*4*
Effects of purchase price allocation (net of tax)		(1)	(1)
	- Item 220. (partial) Amortisation of client assets recognised in intangible assets following PPA Morval	*(1)*	*(1)*
Expenses regarding the banking system (net of tax)		(9)	(8)
	- Item 190. b) (partial) Costs related to banking system	*(13)*	*(12)*
	- 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**	**419**	**456**

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(at 30 June 2020)

Fideuram in a click

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The dedicated **"Fideuram"** iPhone or iPad app can be downloaded free of charge from the **App Store / iTunes** or from **Google play** for devices using the Android operating system. Customers using smartphones with other operating systems can simply enter www.fideuram.it in their browser app to be transferred to the mobile site automatically.

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European Capital of Culture 2019

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